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Andrew J. Cloutier
President

Dear Members:

2014 Budget Disclosure

**BOARD OF
BAR COMMISSIONERS**

First District

Erika Anderson
Martha Chicowski
M. David Chacon, II
Gerald G. Dixon
George C. Kraehe
Danny W. Jarrett
Raynard Struck
Julie J. Vargas

The Board of Bar Commissioners (BBC) has approved the budget for calendar year 2014. The budget is available in its entirety on the State Bar website at www.nmbar.org. Members wishing to receive a printed copy may do so by calling 505-797-6000 or 800-87nmbar (876-6227). The first pages of the budget provide the total proposed expenditures by categories, while the remaining pages provide explanations and further breakouts of the expenditures within each category. The total expenditures for the State Bar in 2014 are budgeted to be \$2,493,525. Of this amount, approximately \$887,563 is expected to be supported by non-dues revenue, and approximately \$1,867,232 will be funded by licensing fees (see chart, page 1). There were no material non-budgeted expenditures in the 2012 audit.

Second District

Bradford J. Dalley

The BBC has determined that all proposed expenditures for 2014 are necessary or reasonably related to regulating the legal profession or improving the quality of legal services to the people of the state of New Mexico. Therefore, all dues-related expenditures are chargeable to fees for all members. Instructions for challenging expenditures believed to be non-germane are set forth below.

Third District

Judge James A. Hall (ret.)
J. Brent Moore
Rod Thompson

Fourth District

Brigitte U. Lotze

The State Bar experienced financial difficulties between 2011 and 2013. Due to a change in accounting staff and accounting systems, complete financial information was not provided to the BBC or management in a timely or accurate manner. Consequently, it was difficult to monitor revenues and expenses and track them against the budgets.

Fifth District

Wesley O. Pool

Sixth District

Andrew J. Cloutier
Dustin K. Hunter
Scotty A. Holloman

The 2011 and 2012 audits revealed several items of note, but primarily that the State Bar spent too much. The State Bar Center unexpectedly needed of a new roof and cooling tower that were purchased. During this period, the State Bar information technology infrastructure also required significant upgrades. With the hindsight of accurate financial information, the State Bar should have financed these items. In addition, to reconcile accounting systems, bank statements and provide information to our outside auditors, additional outside labor was required.

Seventh District

Roxanna M. Chacon
Hans Voss

To rectify the State Bar's financial issues, the BBC approved refinancing the Bar Center and approved a 2014 budget that is lean and should provide a surplus at the end of 2014 to help pay down the mortgage. The BBC intends to do the same for 2015 and 2016 until the mortgage is at the balance it was before the refinance.

Young Lawyers

Division Chair

Keya Koul

In 2013, the State Bar changed accounting staff and is now working with an outsourced chief financial officer. This change will allow the State Bar to move forward in a positive, fiscally responsible direction. While it has been a difficult time for the State Bar, the BBC believes these issues are in the past, but wanted to be forthcoming with the membership.

Paralegal

Division Liaison

Evonne Sanchez

Sincerely,

Hans Voss

Immediate Past

President

J. Brent Moore

Secretary-Treasurer

State Bar of New Mexico

Joseph Conte
Executive Director
jconte@nmbar.org

DEADLINE TO CHALLENGE EXPENDITURES

Using the form provided on the last page of the budget document, submit written challenges on or before noon MST, Dec. 10, 2013 to:

Joe Conte, Executive Director
State Bar of New Mexico
PO Box 92860
Albuquerque, NM 87199

Challenges may also be delivered in person to the State Bar or faxed to 505-828-3765.

State Bar of New Mexico Budget Disclosure: Year Ending December 31, 2014

Projected Licensing Fees: \$1,867,232

Projected Non-Dues Revenue: \$887,563

Projected Total Revenues: \$2,754,795

Projected Expenses:

	Total Expenses	Non-Dues Income	Net Amount Funded	% of Overall Budget
I. State Bar Governance				
Board of Bar Commissioners	\$52,500.00	\$0.00	\$52,500.00	2%
<i>Governance</i>				
II. State Bar Organization				
Administration Department	\$714,255.00	\$102,063.00	\$612,192.00	29%
<i>Bar Center</i>				
<i>Lawyer Referral</i>				
<i>Special Projects</i>				
Accounting/Finance Dept.	\$300,000.00	\$93,500.00	\$206,500.00	12%
General Counsel	\$429,100.00	\$165,000.00	\$264,100.00	17%
<i>Attorney Helpline</i>				
<i>Client Assistance Info.</i>				
<i>Judiciary Committee</i>				
<i>Ethics/Risk Management</i>				
<i>Fee Arbitration Program</i>				
<i>Human Resources</i>				
<i>Lawyers/Judges Assistance</i>				
<i>Lawyers Professional</i>				
<i>Liaibility & Ins. Committee</i>				
<i>Pro Hac Vice</i>				
Communications and Member Services	\$997,670.00	\$527,000.00	\$470,670.00	40%
<i>Bar Bulletin</i>				
<i>Bench & Bar Directory</i>				
<i>Bridge the Gap Mentorship</i>				
<i>Committees & Divisions</i>				
<i>Digital Print Center</i>				
<i>Member Database</i>				
<i>New Mexico Lawyer</i>				
<i>Online Legal Research</i>				
<i>Sections</i>				
<i>Video Conferencing</i>				
<i>Website</i>				
III. Legislative Activity	\$0.00	\$0.00	\$0.00	0%
TOTAL	\$2,493,525.00	\$887,563.00	\$1,605,962.00	100.00%

Detailed revenues and expenses by department are included within the Budget Disclosure document.

Summary of Significant Assumption and Accounting Policies Year Ending December 31, 2012

Nature of Business

The State Bar of New Mexico (State Bar) was originally organized in 1886 and incorporated under the laws of the State of New Mexico in 1978. Prior to 1978, the State Bar operated as an agency of the Supreme Court of the State of New Mexico, established by state statute dated March 17, 1925. The purposes of the State Bar are to aid the courts in the administration of justice, to preserve the rule of law and to foster a high standard of integrity and competence within the legal profession. The State Bar's activities include collection of licensing fees; publication of the *Bar Bulletin*, the *New Mexico Lawyer*, and the *Bench and Bar Directory*; and development and promotion of programs such as legal research, membership programs, legal services to the public, public education and information, client protection, and law practice management and technology.

Nature of Presentation

This budget presents, to the best of management's knowledge and belief, the State Bar's expected statement of chargeable and non-chargeable expenses/expenditures by functional category. Accordingly, the budget presents management's judgment of the expected conditions and expected course of action as of the date of this budget, November 6, 2013. Management does not intend to update this budget. The assumptions disclosed herein are those that management believes are significant to the budget and may not be all-inclusive. There will usually be differences between budgeted and actual results because events and circumstances frequently do not occur as expected. Those differences may or may not be material.

The budget document has been designed to provide to all members of the State Bar the anticipated costs, by functional category, of the 2014 activities which will be funded by mandatory licensing fees. Accordingly, this document may not be useful for other purposes.

Deferred Revenues

Licensing fees, subscriptions, and advertising are recognized as revenue in the period to which they relate. Amounts collected in advance are recorded as liabilities until earned.

Pledges and Contributions

In 1991, the State Bar formed a 501(c)(3) corporation, the State Bar of New Mexico Special Projects, Inc. (Special Projects) for the purpose of receiving grant awards from other 501(c)(3) entities for programs approved by the Board of Bar Commissioners and for accepting contributions to construct a general office building (State Bar Center). In

2003, the New Mexico State Bar Foundation was dissolved as a corporation and Special Projects was renamed the New Mexico State Bar Foundation (Bar Foundation). The two corporations, the State Bar and the Bar Foundation, have interlocking boards.

State Bar Center expenses are split between the two corporations, based on the projected portion of ownership of the building. Due to the potential uncertainty of collection, a donor pledge is considered revenue when restrictions, if any, have been met and the pledge has been collected.

Property and Equipment

Property and equipment are recorded at cost for purchased items and fair market value at the date of contribution for donated items.

Depreciation/Amortization

This statement has been prepared without regard to depreciation or amortization since the issues of chargeable and non-chargeable are considered in the year of purchase or, in the event of debt-financed acquisitions, the period in which the commitment to make principal payments has been made.

Income Taxes

The State Bar is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

Basis of Presentation

To ensure observance of limitations and restrictions placed on the use of resources available to the State Bar, accounts are maintained in accordance with the principles of the Accounting Standards Codification Section, "Financial Statements of Not-for-Profit Organizations." Under these standards, the State Bar is required to report information regarding its financial position and accounting activities under three classes of net assets. This budget covers all three classes of assets. In addition, the State Bar's accounts are maintained on a functional basis, which retains activity detail on a program-by-program basis.

Presentation Purpose

The statement identifies the major functional categories of the State Bar and includes amounts for activities that are germane to advancing the State Bar's regulatory functions and improving legal services (chargeable), as well as that portion of the expenses considered not to be reasonably related to regulating the profession or improving the quality of legal services (non-chargeable).

Building Occupancy Costs

In August 1996, the State Bar moved into the newly constructed State Bar Center. As joint owner with the Bar Foundation, the State Bar is responsible for its portion of the expenses incurred in operating and maintaining the building.

Description of Categories

Chargeable

I. State Bar Governance

A. Board of Bar Commissioners

The Board of Bar Commissioners (Board) is established by Supreme Court Rule 24-101C as the governing board of the State Bar. The Board is responsible for overseeing the executive director, sections, committees, commissions, divisions, and task forces and making decisions to fulfill the mission of improving the quality of legal services to the citizens of New Mexico. The Board will meet four times in 2014. While Board members receive no compensation, they do receive mileage and per diem allowances for travel in accordance with Supreme Court rule and the State of New Mexico travel policies.

The expenses for Board meetings are based on the assumption that during 2014, two Board meetings will be held in Albuquerque, one will be held in Santa Fe, and one will be held in Bernalillo. Board committees also conduct business by video conference and teleconference throughout the year.

In-state travel expenses for the president will cover State Bar business and attendance at certain Board committee meetings and other State Bar business. Included within this item is travel for officers to attend various State Bar-related activities, conferences and training programs. The 2014 travel for the officers is based on the assumption that may attend national conferences. The president may attend the annual meetings of the state bars of Texas, Oklahoma, Utah and Arizona.

Awards are presented to recognize those who have distinguished themselves or who have made exemplary contributions to the State Bar.

Board of Bar Commissioners Expenses

Meetings/Governance.....	\$35,000
Outreach	2,500
Travel & Conference.....	15,000
Total Expenses	<u>\$52,500</u>

B. Capital Outlay

During 2014, the State Bar does not intend to make any asset acquisitions.

II. State Bar Organization

A. Administration Department

General administration includes the Executive Office, referral intakes, and the reception area. The Executive Office has the administrative responsibilities related to the management, policies, and mission of the State Bar and the Bar Foundation, including the Board of Bar Commissioners. The State Bar charges the Bar Foundation an administrative fee to reimburse any labor expenses and collects administrative fees from local and voluntary bars choosing to collect their dues through the licensing process.

The department refers the public to an appropriate referral program, and offers 30-minute consultation/case assessments with a private attorney for a cost of \$30. Customer service representatives in the reception area answer phones, direct calls, and assist visitors.

The State Bar's Professional Development Center (PDC), consisting of three classrooms and seven conference rooms, is available for rent to outside groups and continuing legal education providers and to law-related entities (including government agencies, Supreme Court committees, voluntary bars and non-profit organizations) at no cost or a minimal fee. The State Bar Center offers the rooms listed above as a service to members of the State Bar. The department is also responsible for building maintenance and security.

Revenue

Lawyer Referral.....	\$15,000
PDC Rentals.....	69,300
Rent	17,763

Total Revenue

\$102,063

Expenses

Direct Materials	\$6,600
Dues/Subscriptions	\$1,500
Duplicating Expense	3,150
Equipment	500
Information Technology.....	94,500
Insurance	49,550
Interest Expense.....	57,300
Janitorial & Supplies.....	18,585
Landscape Maintenance	4,410
Lawyer Referral for the Elderly....	40,000
Mileage.....	3,000
Office Supplies.....	1,000
Paper Shredding.....	7,200
Payroll	299,100
Real Estate Taxes.....	13,860
Repairs/Maintenance	30,000
Staff Education & Travel	3,000
Utilities.....	81,000

Total Expenses **\$714,255**

B. Accounting/Finance Department

The department collects licensing fees, processes membership status changes, and addresses membership questions. The department keeps the State Bar compliant with policies, procedures, practices, and the law with regard to finances and generally accepted accounting principles (GAAP). Accounting functions are performed for the State Bar as well as associated law-related entities such as the Client Protection Fund. The State Bar is reimbursed by these entities to prepare monthly financial statements, conduct an annual audit and collect licensing fees.

Revenue

Administrative Fees.....	\$28,500
Interest on Investments.....	5,000
Late Fees.....	60,000

Total Revenue **\$93,500**

Expenses	
Financial/Bank Fees	\$35,000
Office Supplies.....	1,000
Payroll	171,000
Professional Fees	93,000
Total Expenses	\$300,000

C. General Counsel

The General Counsel office is a professional office that assists the State Bar and the Bar Foundation with policy and regulatory functions of an integrated bar. Specifically, its functions are to protect the legal and policy interests of the State Bar; assist in governance and regulatory functions; provide a professional legal resource for leadership, volunteers and staff; assist with outreach to the judiciary; and advise in the areas of legislative, executive and judicial processes. In addition to the internal support provided to the State Bar as noted above, the Office of General Counsel advises, provides legal support, and administers the following programs:

1. Attorney Helpline (Member and Non-Admitted)

Provides members of the State Bar and non-admitted attorneys information and referrals in areas of attorney regulation, registrations, rules and practice.

2. Client Assistance Information

Provides members of the public with informational pamphlets concerning their relationship with their attorney, including advising on issues such as communication, billing, client files and fee disputes.

3. Judiciary Committee

The Board of Bar Commissioners voted to appoint a Committee on the Judiciary to address issues the membership identified in the latest member survey, including the independence of the judiciary, educating the public on judicial matters, monitoring and responding to criticisms of judges, reviewing judicial campaign activities and partisan judicial races, and judicial compensation.

4. Ethics/Risk Management Assistance

Advisory Helpline (1-800-326-8155) provides answers to questions regarding ethics.

Ethics Advisory Opinions

Opinions are archived and searchable by date of issue or by topical index on the State Bar’s website at www.nmbar.org.

Ethics Advisory Committee

Assists lawyers with questions regarding one’s own conduct in relation to the New Mexico Rules of Professional Conduct. The committee provides written formal and informal responses to inquiries from the membership.

5. Fee Arbitration Program

Provides fee arbitration to resolve fee disputes between attorneys and their clients or disputes between attorneys. This free program is designed to provide an efficient and confidential alternative to litigation.

6. Human Resources

Handles personnel hiring, monitors employee benefits, and conducts staff trainings.

7. Lawyers and Judges Assistance Program

Provides professional and peer assistance to State Bar members in need of assistance for substance abuse, addictions, and depression. Direct costs are paid for counseling fees.

8. Lawyers Professional Liability and Insurance Committee

Advises the State Bar regarding risk management activities and provides information on professional malpractice insurance for members.

9. Pro Hac Vice

Manages registrations for non-admitted lawyers wishing to appear before a New Mexico court in a civil matter. The Office of the General Counsel receives and tracks all registration certificates and provides information. Fees collected under the Pro Hac Vice Rule are used to support the delivery of civil legal services to the poor in New Mexico.

Revenue

Pro Hac Vice Fees\$165,000

Total Revenue

\$165,000

Expenses

CPF Allocation.....(\$35,600)

Dues/Subscriptions\$2,000

Office Supplies..... 1,000

Payroll303,700

Pro Hac Vice Grants..... 150,000

Risk Management 6,000

Staff Morale 2,000

Total Expenses \$429,100

D. Communications and Member Services

Department

Services provided by the Communications and Member Services and Department include assistance to sections, committees, and divisions; writing, editing and designing State Bar publications; dissemination of media releases and responding to media requests; administration of association agreements for discounts on products and services provided by third-party vendors; and management of State Bar membership programs including the Bridge the Gap Mentorship Program and video conferencing.

The Department is also responsible for the State Bar's Digital Print Center, the membership database, Fastcase online legal research and the State Bar website at www.nmbar.org.

Revenue

Administrative Fees.....	\$3,000
Advertising	\$290,000
Digital Print Center.....	75,000
Member Benefits Program	\$8,000
Subscriptions.....	50,000
Total Revenue	<u>\$426,000</u>

Expenses

Dues/Subscriptions	\$3,770
Printing.....	\$246,000
Direct Material.....	62,000
Directory.....	50,000
Office Supplies.....	1,000
Payroll	399,400
Postage & Delivery	102,500
Total Expenses	<u>\$864,670</u>

1. Bar Bulletin

The *Bar Bulletin* is a weekly publication containing advance opinions of the New Mexico Supreme Court and the Court of Appeals as well as rules, notices, featured articles, announcements, and classified advertising.

2. Bench & Bar Directory

The *Bench & Bar Directory* is a membership directory that also includes information on State Bar sections, committees, and divisions; the judiciary; the Board of Bar Commissioners; State Bar programs; government offices; legal service providers; and tribal courts.

3. Digital Print Center

The Digital Print Center is responsible for printing the *Bar Bulletin*, inserts, booklets, letterhead, brochures, newsletters and a variety of publications for State Bar departments, the Center for Legal Education, sections, divisions, and committees. In addition, mailing services are performed for the weekly *Bar Bulletin* and publications for internal entities.

4. New Mexico Lawyer

The *New Mexico Lawyer* is a special quarterly insert in the *Bar Bulletin*. It is produced by groups within the State Bar and edited by the Board of Editors. The goal of each issue is to present articles and essays which explore a current topic that is of interest to a broad segment of the legal community.

5. Bridge the Gap Mentorship Program

The Supreme Court requires all new admittees to the practice of law who have not been licensed elsewhere for at least two years to participate in a one-year mentorship program implemented by the State Bar. New lawyers pay tuition of \$300 for the program and are not required to obtain CLE for their first year of practice. The program costs are absorbed in department expenses and primarily include personnel to administer the program.

Revenue

Tuition.....	\$40,000
Total Revenue	<u>\$40,000</u>

Expenses

Supplies.....	\$3,000
Total Expenses	<u>\$3,000</u>

6. Committees and Divisions

Direct expenses are charged to the Senior Lawyers Division, the Young Lawyers Division, and committees. The total budget for committees does not exceed the gross budget approved by the Board.

Expenses

Committee Activity.....	\$20,000
Division Activity.....	50,000
Total Expenses	<u>\$70,000</u>

7. Member Database

The State Bar's database, iMIS, is used to maintain current membership information and collect Supreme Court required information, such as professional liability insurance and pro bono service. In some instances, data is sold to entities wishing to communicate with members.

Revenues

Member Data List.....	\$1,000
Total Revenue	<u>\$1,000</u>

8. Online Legal Research

The Board of Bar Commissioners has entered into a contract with Fastcase to provide free online legal research for State Bar members. Fastcase provides research for case law, statutes, court rules, regulations, attorney general opinions, etc. Fastcase has databases covering New Mexico, all state libraries, and all federal and bankruptcy jurisdictions.

Expenses of \$25,000 captured under information technology.

9. Sections

The State Bar encourages attorneys to become actively involved in programs that explore substantive issues related to specific practice areas. Members may join sections specifically devoted to these issues by paying dues. Separate accounts are maintained for the operations of each section. Section revenue is derived from voluntary fees paid by members requesting to join particular sections. The direct expenses of sections have been projected to equal forecasted revenues.

Revenue

Section Dues.....	\$60,000
Total Revenue	<u>\$60,000</u>

Expenses

Section Activities.....	\$60,000
Total Expenses	<u>\$60,000</u>

10. Video Conferencing

Video conferencing services are available to members at the State Bar Center and locations throughout the state.

Expense of \$50,000 captured under unformation technology.

11. Website

The State Bar's website, www.nmbar.org, provides a host of information for members and the public regarding State Bar activities. The State Bar also hosts sites for sections and other law-related entities for a nominal fee.

III. Legislative Activity

A. Lobbying Approved by the Board of Bar Commissioners

The Board has determined that it may undertake necessary lobbying activities with the State Legislature in 2014; however, specific efforts will be reported to the membership if and when lobbying activities are approved by the Board, consistent with Bylaws, Article XI. No mandatory licensing fees have been allocated for lobbying activities in 2014 and no specific lobbying activities have been approved. In the event that lobbying activities are approved and subsequently reported to the membership in 2014, lobbying efforts will be conducted by volunteers or will be paid from voluntary contributions received in prior years and previously set aside for lobbying. As in the past, the Board may also write to the congressional delegation in support of legal services funding. A copy of the bylaws regarding lobbying is available on request.

B. Section Lobbying Activities

Sections are funded by voluntary dues. Sections may engage in lobbying activities within the area of the legal expertise of the section. The activity may include content-neutral

assistance or lobbying for or against legislation. State Bar Bylaw, Article XI, 11.7(b) requires that prior to lobbying, the section must obtain a two-thirds vote of the section's board of directors after giving reasonable notice to the section membership and the Board of Bar Commissioners. The Board can disapprove requests for section lobbying only if the section did not follow the procedures for giving notice to the section members and voting by the section directors. When a section lobbies, its views are not represented as those of the State Bar, and the representatives are required to identify their position as those of the section and not of the State Bar. The only staff support given to section lobbying is to ensure that the procedures are followed. Because the Board does not consider this staff activity to be lobbying, neither staff time nor overhead associated with these activities are identified in the budget.

IV. 2012 Non-Budgeted Expenditures

There were no material non-budgeted expenditures incurred in 2012.

V. 2013 Non-Budgeted Expenditures

There were no material 2013 non-budgeted expenditures approved by the Board to be reported in the 2013 Budget Disclosure document. Any such expenditure would have been audited as part of the 2012 annual audited financial statements.

