



STATE BAR of NEW MEXICO

2015 Budget Disclosure

November 1, 2014

Dear Members:

The Board of Bar Commissioners (BBC) has approved the budget for calendar year 2015. 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 2015 are budgeted to be \$2,216,288. Of this amount, approximately \$737,250 is expected to be supported by non-dues revenue, and approximately \$1,479,038 will be funded by licensing fees (see chart, page 1). No material non-budgeted expenditures are expected in the 2013 audit, however, it is not completed at this time.

The BBC has determined that all proposed expenditures for 2015 are necessarily or reasonably related to regulating the legal profession or improving the quality of legal services to the people of the state of New Mexico and, therefore, all dues-related expenditures are chargeable to fees for all members. Instructions for challenging expenditures believed to be nongermane are set forth below.

While the State Bar experienced financial difficulties between 2011 and 2013, the Board made significant progress in 2014. This will continue in a 2015 budget that is lean and should provide a surplus at the end of 2015 to help pay down the mortgage. The BBC intends to do the same for 2016 and 2017 until the mortgage is at the balance it was before the refinance in 2013.

Sincerely,

A handwritten signature in black ink that reads "Scotty A. Holloman".

Scotty A. Holloman
Secretary-Treasurer
State Bar of New Mexico

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. 5, 2014 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, 2015

Projected Licensing Fees: \$1,896,750

Projected Non-Dues Revenue: \$737,250

Projected Total Revenues: \$2,634,000

	Total Expenses	Non-Dues Income	Net Amount Funded	% of Overall Budget
I. State Bar Governance				
Board of Bar Commissioners	\$78,700	\$0	\$78,700	4.00%
II. State Bar Organization				
Administration, Accounting, Facilities, and IT	\$1,006,838	\$204,250	\$802,588	45.00%
General Counsel	\$278,000	\$47,500	\$230,500	13.00%
<i>Attorney Helpline</i> <i>Client Assistance Info.</i> <i>Client Protection Fund</i> <i>Ethics/Risk Management</i> <i>Fee Arbitration Program</i> <i>Human Resources</i> <i>Lawyers/Judges Assistance Program</i> <i>Lawyers Professional Liability & Ins. Committee</i> <i>Bridge the Gap Mentorship Program</i> <i>Pro Hac Vice</i>				
Communications & Member Services	\$852,750	\$485,500	\$367,250	38.00%
<i>Bar Bulletin</i> <i>Bench & Bar Directory</i> <i>Committees & Divisions</i> <i>Digital Print Center</i> <i>New Mexico Lawyer Sections</i>				
III. Legislative Activity	\$0	\$0	\$0	0%
TOTAL	\$2,216,288	\$737,250	\$1,479,038	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, 2015

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; administration of pro hac vice attorneys; collection of pro bono hours reported and associated contributions; collection of professional liability insurance pursuant to Court rule; collection of IOLTA requirements; assisting in the administration of the Client Protection Fund and Commission; 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, September 28, 2014. 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 2015 activities which will be funded by both mandatory licensing fees and non-dues revenues. 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.

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 five times in 2015. 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 2015, two Board meetings will be held in Albuquerque, one will be held in Santa Fe, one will be held in Colorado Springs, and one will be held telephonically. Board committees also conduct business by 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 2015 travel for the officers is based on the assumption that they 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

Awards.....	\$1,200
Meetings/Governance.....	55,000
Outreach	2,500
Travel & Conference.....	<u>20,000</u>
Total Expenses	<u>\$78,700</u>

II. State Bar Organization

A. Administration, Accounting, Facilities, & IT Departments

General administration includes the Executive Office, general referral, and customer service/facilities. 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 general referral refers the public to an appropriate referral program or attorney, and offers 30-minute consultation/case assessments with a private attorney for a cost of \$35.

Customer service representatives in the reception area answer phones, direct calls, assist visitors, and make room reservations for the State Bar's Professional Development Center (PDC), consisting of an auditorium and 8 conference rooms 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 facilities department is also responsible for building maintenance and security.

The accounting 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.

The IT department assures the State Bar database, technology needs, the website, and Fastcase online legal research operates smoothly. 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.

Revenue

Administrative Fees.....	\$30,000
Interest on Investments.....	2,000
Late Fees.....	60,000
General Referral.....	30,000
Licensing Fees	1,896,750
PDC Rentals	65,000
Rent	<u>17,250</u>
Total Revenue	<u>\$2,101,000</u>

Expenses

Advertising	\$500
Bank Fees	200
Direct Supplies - PDC.....	4,500
Dues/Subscriptions	3,800
Equipment	2,000
Financial/Bank Fees	5,000
Information Technology.....	72,904
Insurance	31,500
Interest Expense.....	88,800
Janitorial & Supplies.....	21,168
Landscape Maintenance	5,040
Lawyer Resources for the Elderly ..	40,000
Mileage.....	2,000
Office Supplies.....	2,000
Outside Labor	4,350
Paper Shredding.....	4,851
Payroll	543,700
Professional Services.....	69,300
Repairs/Maintenance	9,450
Service Contracts.....	6,300
Staff Education & Travel	6,000
Taxes/Fees.....	12,915
Utilities.....	70,560
Total Expenses	<u>\$1,006,838</u>

B. 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. 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.

3. 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.

4. Client Protection Fund

Administers the Client Protection Fund Commission which investigates claims against lawyers on issues regarding reimbursable losses caused by a lawyer's misappropriation of client funds or other dishonest conduct.

5. 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.

6. 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.

7. Human Resources

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

8. 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.

9. Lawyers Professional Liability and Insurance Committee

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

10. 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	
Mentorship Program.....	\$35,000
Pro Hac Vice Fees.....	<u>12,500</u>
Total Revenue	<u>\$47,500</u>

Expenses	
Dues/Subscriptions	\$4,700
Office Supplies.....	1,000
MCLE Filing Fees	3,000
Payroll	251,300
Risk Management	6,000
Staff Morale/Education	<u>12,000</u>
Total Expenses	<u>\$278,000</u>

C. Communications & Member Services Department

Services provided by the Communications and Member Services 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. The Department is also responsible for the State Bar’s Digital Print Center.

Revenue	
Advertising	\$300,000
Digital Print Center.....	75,000
Member Benefits Program	\$6,000
Member Data Lists	2,000
Section Dues.....	51,000
Subscriptions.....	<u>51,500</u>
Total Revenue	<u>\$485,500</u>

Expenses	
Committees	20,000
Divisions	60,000
Printing.....	295,350
Office Supplies.....	1,000
Payroll	320,900
Postage & Delivery	102,500
Sections.....	51,000
Staff Travel	2,000
Total Expenses	<u>\$852,750</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. 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.

6. 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.

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 2015; 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 2015 and no specific lobbying activities have been approved. In the event that lobbying activities are approved and subsequently reported to the membership in 2015, 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. 2013 Non-Budgeted Expenditures

There were no material non-budgeted expenditures incurred in 2013.

V. 2014 Non-Budgeted Expenditures

There were no material 2014 non-budgeted expenditures approved by the Board to be reported in the 2015 Budget Disclosure document. Any such expenditure would have been audited as part of the 2013 annual audited financial statements.

