



2018 Budget Disclosure

October 23, 2017

Dear Members:

The Board of Bar Commissioners (BBC) has approved the budget for calendar year 2018. 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 (800-876-6227). The first page of the budget provides 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 2018 are budgeted to be \$3,051,200. Of this amount, approximately \$958,750 is expected to be supported by non-licensing revenue, and approximately \$2,092,450 will be funded by licensing fees (see chart, page 1).

The Entrepreneurs in Community Lawyering (ECL) program has moved from the New Mexico State Bar Foundation to the State Bar of New Mexico where it is better aligned with the Bridge the Gap Mentorship program as well as other law practice management programs provided by the State Bar. The State Bar has also implemented a plan to increase its focus on marketing and development of several key areas of service. The BBC has approved an increase to licensing fees of \$10 for active attorneys to \$255 per year. All other licensing fees remain unchanged for 2018. This represents the first increase in licensing fees since 2015, and helps offset the rising operational costs of the State Bar.

The BBC has determined that all proposed expenditures for 2018 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 licensing-related expenditures are chargeable to fees for all members. No material non-budgeted expenditures were identified in the 2016 audit. Instructions for challenging expenditures believed to be non-germane are set forth below.

Sincerely,

A handwritten signature in blue ink that reads "Gerald G. Dixon".

Gerald G. Dixon
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 12:00 noon MST, Nov. 30, 2017 to:

Richard Spinello, Interim 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 emailed to Richard Spinello at rspinello@nmbar.org.

State Bar of New Mexico Budget Disclosure: Year Ending December 31, 2018

Projected Licensing Fees: \$2,092,450

Projected Non-Licensing Revenue: \$958,750

Projected Total Revenue: \$3,051,200

Projected Expenses:

	Total Expenses	Funded By Non-Licensing Revenue	Funded By Licensing Fees	% of Total Budget
I. State Bar Governance				
Board of Bar Commissioners	\$ 82,000	\$ 0	\$ 82,000	2.69%
II. State Bar Organization				
Administration, Accounting, Operations & IT	\$ 1,680,900	\$ 194,150	\$ 1,486,750	55.09%
<i>Human Resources</i>				
<i>Member Database</i>				
<i>Online Legal Research</i>				
<i>Professional Development Center</i>				
<i>Website</i>				
Office of General Counsel and Law Practice Management	\$ 411,700	\$ 172,200	\$ 239,500	13.49%
<i>Attorney Helpline</i>				
<i>Client Protection Fund</i>				
<i>ECL Program</i>				
<i>Ethics/Risk Management</i>				
<i>Fee Arbitration Program</i>				
<i>IOLTA Program Administration</i>				
<i>Lawyers & Judges Assistance</i>				
<i>Lawyers Professional Liability and Insurance Committee</i>				
<i>Mentorship</i>				
<i>Pro Hac Vice</i>				
Communications and Member Services	\$ 876,600	\$ 592,400	\$ 284,200	28.73%
<i>Bar Bulletin</i>				
<i>Bench and Bar Directory</i>				
<i>Committees and Divisions</i>				
<i>Digital Print Center</i>				
<i>New Mexico Lawyer Sections</i>				
<i>Marketing & Development</i>				
III. Legislative Activity	\$ 0	\$ 0	\$ 0	0%
TOTAL	\$ 3,051,200	\$ 958,750	\$ 2,092,450	100.00%

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

Summary of Significant Assumptions and Accounting Policies Year Ending December 31, 2018

Nature of Business

The State Bar of New Mexico (State Bar) was originally organized in 1886 and established by state statute dated March 17, 1925. The State Bar was incorporated under the laws of the State of New Mexico in 1978. 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 develops and promotes programs such as legal research, membership programs, public education and information, client protection, and law practice management and technology. 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; administration of the IOLTA program; assisting in the administration of the Client Protection Fund and Commission; and publication of the *Bar Bulletin*, the *New Mexico Lawyer*, and the *Bench and Bar Directory*.

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 judgement of the expected conditions and expected course of action as of the date of this budget, September 15, 2017. 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 2018 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. However, the State Bar is subject to income tax on activities that are unrelated to its exempt purpose as a 501(c)(6) membership association.

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 for Non-Profit Organizations." Under these standards, the State Bar is required to report information regarding its financial position and accounting activities under two classes of net assets. This budget covers both 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

I. State Bar Governance

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 2018. While Board members receive no compensation, they do receive mileage and per diem allowances for travel in accordance with the Supreme Court rule and New Mexico travel policies.

The expenses for Board meetings are based on the assumptions that during 2018, one Board meeting will be held in Santa Fe, one Board meeting will be held in Bernalillo, and three will be held in Albuquerque. 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 2018 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.

Expenses

Annual Meeting BBC Event	\$ 15,000
Meetings & Governance	35,000
Outreach Donations	5,000
Travel & Conferences	<u>27,000</u>
Total Expenses	<u>\$ 82,000</u>

II. State Bar Organization

A. Administration, Accounting, Operations and IT

General administration includes the Executive Office 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 State Bar's Professional Development Center (PDC), consisting of three classrooms, seven conference rooms, a board room and an auditorium is available for rent to outside groups, continuing legal education providers and law-related entities. The State Bar Center offers the rooms

listed above as a service to members of the State Bar at a discounted rate. The operations department is also responsible for building maintenance and security.

The accounting department collects member 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 Access to Justice Fund, Bar Foundation, and Client Protection Fund. The State Bar is reimbursed by these entities for activities such as preparation of monthly financial statements, facilitation of the annual audit and collection of licensing fees.

The IT department assures the State Bar database, technology needs and website operate 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 for a nominal fee, and other law-related entities.

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.

Human Resources handles personnel issues such as hiring, orientation, conducting staff trainings, monitoring employee benefits, performing exit interviews, and terminations.

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. Fastcase Software expenses of \$29,000 are included in the information technology expenses.

Revenue

Administrative Fees	\$ 45,000
ECL Participant Fees	20,000
Interest Earned	2,000
Late Fees	55,000
Licensing Fees	2,037,450
PDC Rentals	107,400
Rent	<u>19,750</u>
Total Revenue	<u>\$ 2,286,600</u>

Expenses	
Advertising	\$ 500
Awards	1,500
Capital Outlay	30,000
Direct Supplies – DPC	5,000
Dues & Subscriptions	2,750
Furniture & Equipment	7,400
In-Kind Support of Foundation	134,000
Information Technology	135,500
Insurance	39,600
Interest	56,000
Janitorial & Supplies	23,900
Landscape Maintenance	4,700
Merchant Service/Bank Fees	4,250
Mileage	2,000
Mortgage Principal	55,000
Office Supplies	2,000
Outreach	3,000
Payroll	969,000
Professional Services	25,200
Repairs & Maintenance	12,600
Service Contracts	11,300
Staff Education/Morale/Travel	26,000
Taxes & Fees	60,000
Utilities	69,700
Total Expenses	<u>\$ 1,680,900</u>

B. Office of the General Counsel and Law Practice Management

The Office of the General Counsel 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; advise in the areas of legislative, executive and judicial processes; and creating a law practice management platform for future member support. 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 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.

4. Entrepreneurs in Community Lawyering

Entrepreneurs in Community Lawyering (ECL) is a 24-month legal incubator program that provides extensive training both in the practice of law and how to run a law practice as a successful business. ECL accepts up to six licensed attorneys with 0-5 years of experience who are passionate about starting their own practice and serving the legal needs of middle-income New Mexicans.

5. Ethics/Risk Management Assistance

Advisory Helpline

Helpline (1800-326-8155) provides answers to questions regarding ethics.

Ethics Advisory Opinions

Opinions are archives and searchable by date of issue or by topical index on 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. Interest on Lawyer Trust Accounts (IOLTA)

Effective January 1, 2015, the New Mexico Supreme Court named the State Bar the IOLTA program administrator for New Mexico. An IOLTA account is a pooled, interest-bearing demand deposit account used by lawyers to hold client funds. The current rules require that all New Mexico attorneys who hold eligible funds to participate in IOLTA and that the funds be held at eligible financial institutions. The interest generated by the client funds held in a pooled, interest-bearing trust account are remitted to the State Bar, which holds the funds and distributes them at the direction of the New Mexico Supreme Court. The funds are used to provide civil legal assistance to the poor, legal education and improvements to the administration of justice in New Mexico.

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 paid are 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	
JLAP Support from D-Board	\$ 134,200
Mentorship Program	<u>38,000</u>
Total Revenue	<u>\$ 172,200</u>

Expenses	
Dues & Subscriptions	\$ 4,000
JLAP Expenses	70,200
MCLE Filing Fees	3,300
Office Supplies	1,000
Payroll	327,200
Risk Management	<u>6,000</u>
Total Expenses	<u>\$ 411,700</u>

C. Communications and Member Services

Services provided by Communications and Member Services include assistance to sections, committees and divisions, law student members and voluntary bar associations; writing, editing and designing State Bar publications; dissemination of media releases and responding to media requests; and 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.

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 and Bar Directory

The *Bench and 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* and its inserts, booklets, letterhead, brochures, newsletters and a variety of publications for State Bar departments, the Center for Legal Education, sections,

divisions, committees, and external customers. In addition, mailing services are performed for the weekly *Bar Bulletin* and publications for internal and external 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.

Revenue	
Advertising	\$ 358,700
Digital Print Center	134,700
Member Data Lists	2,500
Section Dues	60,000
Shipping	1,500
Subscriptions	<u>35,000</u>
Total Revenue	<u>\$ 592,400</u>

Expenses	
Advertising & Marketing	\$ 500
Capital Lease Principal	103,100
Committees	20,000
Divisions	80,400
Interest	8,500
Office Supplies	1,000
Payroll	261,900
Postage & Delivery	105,000
Printing	235,000
Repairs & Maintenance	1,200
Sections	<u>60,000</u>
Total Expenses	<u>\$ 876,600</u>

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 2018; however no specific efforts have been identified. Any 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 2018 and no specific lobbying activities have been approved. As in the past, the Board may communicate with 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 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. 2016 Non-Budgeted Expenditures

There were no material 2016 non-budgeted expenditures approved by the Board to be reported in the 2018 Budget Disclosure Document. Any such expenditure would have been audited as part of the 2016 annual financial statement audit. The 2016 annual audit was completed on April 24, 2017 and is available to view on the State Bar's website at www.nmbar.org/AboutUs/Financial_Information.

V. 2017 Non-Budgeted Expenditures

Any material 2017 non-budgeted expenditures determined to be germane and approved by the Board will be reported in the 2019 Budget Disclosure Document, at which time any such expenditures will have been audited as part of the 2017 annual financial statement audit.

