



2020 Budget Disclosure

November 1, 2019

Dear Members:

The Board of Bar Commissioners (“BBC”) has approved the budget for the 2020 calendar year. 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 2020 are budgeted to be \$3,112,243. Of this amount, \$865,500 will be funded by non-licensing revenue, \$2,148,000 will be funded by licensing fees, and \$98,743 will be funded by prior year net assets (*see* Chart at page 1).

The BBC has characterized the prior year net assets received in 2018 from the Minimum Continuing Legal Education (MCLE) program as “board designated net assets” and will utilize the balance of these net assets in 2020 to complete the database infrastructure project. The project is designed to combine the State Bar and MCLE member databases into one centralized database, as well as to improve the features of the database to provide an enhanced online experience for State Bar members in the future.

In addition, the 2020 budget includes consideration for initial steps in developing a new Legal Specialization program, new member outreach initiatives of the BBC, and changes to the Digital Print Center configuration and production.

The BBC has determined that all proposed expenditures for 2020 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 and, therefore, all licensing-related expenditures are chargeable to fees for all members. No material non-budgeted expenditures were identified in the 2018 annual financial statement audit. Instructions for challenging expenditures believed to be non-germane are set forth below.

Sincerely,

A handwritten signature in black ink that reads "Carla C. Martinez".

Carla C. Martinez
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, Dec. 2, 2019 to:

Richard Spinello, 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, 2020

Projected Licensing Fees: \$2,148,000

Projected Non-Licensing Revenue: \$865,500

Projected Total Revenue: \$3,013,500

Projected Expenses:

	Total Expenses	Funded By Non-Licensing Revenue	Funded By Licensing Fees	Funded By Prior Year Net Assets	% of Total Budget
I. State Bar Governance					
Board of Bar Commissioners	\$ 107,000	\$ 59,000	\$ 48,000	\$ 0	3.44%
II. State Bar Organization					
Administration, Accounting, Operations & IT	\$ 1,452,745	\$ 164,000	\$ 1,288,745	\$ 0	46.68%
<i>Human Resources</i>					
<i>Member Database</i>					
<i>IT Infrastructure</i>					
<i>State Bar Center</i>					
<i>Website</i>					
Office of General Counsel and Regulatory Programs	\$ 591,189	\$ 328,000	\$ 164,446	\$ 98,743	18.99%
<i>Attorney Helpline</i>					
<i>Client Protection Fund</i>					
<i>IOLTA Program Administration</i>					
<i>Licensing</i>					
<i>Mentorship</i>					
<i>Minimum Continuing Legal Education</i>					
<i>Pro Hac Vice</i>					
Member Services	\$ 455,294	\$ 57,250	\$ 398,044	\$ 0	14.63%
<i>Committees and Divisions</i>					
<i>ECL Program</i>					
<i>Ethics/Risk Management</i>					
<i>Fee Arbitration Program</i>					
<i>Law Practice Management</i>					
<i>Online Legal Research</i>					
<i>Judges & Lawyers Assistance Sections</i>					
Member Communications	\$ 506,015	\$ 257,250	\$ 248,765	\$ 0	16.26%
<i>Bar Bulletin</i>					
<i>Bench and Bar Directory</i>					
<i>Digital Print Center</i>					
<i>New Mexico Lawyer</i>					
<i>Marketing & Development</i>					
III. Legislative Activity	\$ 0	\$ 0	\$ 0	\$ 0	0%
TOTAL	\$ 3,112,243	\$ 865,500	\$ 2,148,000	\$ 98,743	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, 2020

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, 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; administration of the Minimum Continuing Legal Education 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 Board of Bar Commissioner approval, October 25, 2019. 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 2020 activities which will be funded by both mandatory licensing fees and non-licensing 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 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 24-101(C) as the governing board of the State Bar. The Board is responsible for overseeing the executive director, 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 2020. While Board members receive no compensation, they do receive mileage and per diem allowances for travel in accordance with the Supreme Court rule and the State of New Mexico travel policies.

The expenses for Board meetings are based on the assumptions that during 2020, two Board meetings will be held in Santa Fe, and three will be held in Albuquerque. Board committees may also conduct business by teleconference throughout the year.

Travel and conference expenses include travel for officers to attend various State Bar-related activities, conferences and training programs. The 2020 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	\$ 20,000
Commissioner District Events	6,000
Meetings & Governance	45,500
Outreach Donations	5,000
Special Committees	2,500
Travel & Conferences	<u>28,000</u>
Total Expenses	<u>\$ 107,000</u>

II. State Bar Organization

A. Administration, Accounting, Operations and IT

General administration includes the Executive Office and the front desk and lobby 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 is reimbursed by the Bar Foundation for any labor expenses and collects administrative fees from local and voluntary bars choosing to collect their dues through the licensing process.

1. State Bar Center

The State Bar Center is used primarily to support the members of the State Bar and offers a variety of meeting spaces, including an auditorium, three classrooms, seven small/medium size conference rooms, and a boardroom. All of the meeting space is available for members to rent at a reduced rate for mediations, depositions, arbitrations,

settlement facilitations, and law-related and non-profit organization meetings and events. No fees are charged for client meetings, court-ordered arbitrations, court meetings, and State Bar section, committee, and division meetings. Meeting space is also rented to various outside entities. The facilities department is also responsible for building maintenance and security.

2. Accounting

The accounting 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. Separate accounting and reporting functions are also performed for internal departments, including sections, committees, divisions, Judges and Lawyers Assistance Program, and Minimum Continuing Legal Education.

3. Information Technology (IT)

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 website pages for sections for a nominal fee.

4. 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. The State Bar offers membership data lists and email services to the public subject to conditions of the Membership Data Agreement and the Email Services Agreement.

5. Human Resources

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

Revenue

Administrative Fees	\$ 22,000
Interest Earned	2,000
State Bar Center Rentals	<u>140,000</u>
Total Revenue	<u>\$ 164,000</u>

Expenses	
Advertising	\$ 1,500
Awards	4,500
Capital Lease Interest	2,570
Capital Lease Principal	6,910
Capital Outlay	32,760
Direct Supplies – DPC	7,500
Dues & Subscriptions	5,160
Furniture & Equipment	16,500
In-Kind Support of Foundation	125,300
Information Technology	125,600
Insurance	41,770
Janitorial & Supplies	28,900
Landscape Maintenance	6,500
Merchant Service/Bank Fees	6,500
Mileage	1,000
Mortgage Interest	52,000
Mortgage Principal	59,050
Office Supplies	6,000
Outreach - Administrative	3,000
Payroll	698,000
Postage & Delivery	28,000
Professional Services	29,000
Repairs & Maintenance	15,800
Service Contracts	10,700
Staff Education/Morale/Travel	16,775
Taxes & Fees	57,950
Utilities	<u>63,500</u>
Total Expenses	<u>\$ 1,452,745</u>

B. Office of the General Counsel and Regulatory Programs

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; governance of certain regulatory programs; 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.

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 Protection Fund

Assists the Disciplinary Board with administration of 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.

3. 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 State Bar's Access to Justice Fund Grant Commission. The funds are used to provide civil legal assistance to the poor, legal education, and improvements to the administration of justice in New Mexico.

4. Licensing

Collects annual member licensing fees and compliance data in both electronic and paper formats, processes membership status changes, and addresses membership questions.

5. Bridge the Gap Mentorship Program

The Supreme Court requires all members 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 obtain CLE for their first year of practice. The program costs are absorbed in department expenses and primarily include personnel to administer the program.

6. Minimum Continuing Legal Education

Tracks member's CLE credit filings for compliance with annual requirements, approves CLE courses for credit in New Mexico, and evaluates CLE course providers for accreditation.

7. 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 to applicants upon request. Pursuant to Rule 24-106(E), a disciplinary fee assessment, client protection assessment, and administrative fee are collected from the first annual Pro Hac Vice filing fee, and the balance is utilized to support the delivery of civil legal services to the poor in New Mexico.

Revenue	
Licensing Fees	\$ 2,148,000
Regulatory Programs	<u>328,000</u>
Total Revenue	<u>\$ 2,476,000</u>

Expenses	
Database Upgrade	\$ 120,000
Dues & Subscriptions	3,356
Legal Specialization	20,000
Mentorship CLE Fees	25,000
Payroll	402,433
Risk Management	10,000
Staff Education/Morale/Travel	<u>10,400</u>
Total Expenses	<u>\$ 591,189</u>

C. Member Services

Services provided by Member Services include assistance to sections, committees and divisions, law student members, and voluntary bar associations; support of the Judges and Lawyers Assistance Program; administration of association agreements for discounts on products and services provided by third-party vendors; and creation of a law practice management program for future member support.

1. 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.

2. Ethics/Risk Management Assistance

Advisory Helpline

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 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.

3. 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.

4. 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.

5. Judges and Lawyers Assistance Program

Provides professional and peer assistance to State Bar members in need of assistance for substance abuse, addictions, depression, anxiety and stress, as well as programs for health and wellness. Direct costs paid are for counseling fees through an Employee Assistance Program for the legal community.

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.

7. 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

ECL Participant Fees	\$ 1,000
Member Benefits Program	11,000
Section Membership Fees	<u>60,000</u>

Total Revenue **\$ 72,000**

Expenses

Divisions	\$ 84,900
Dues & Subscriptions	319
JLAP Support	80,000
Mileage	1,000
Online Legal Research	28,800
Outreach - Membership	17,000
Payroll	158,200
Sections	60,000
Staff Education/Morale/Travel	4,075
Standing Committees	15,000
Board Designated Funds - Survey	<u>6,000</u>

Total Expenses **\$ 455,294**

D. Member Communications

Services provided by Member Communications include writing, editing and designing State Bar publications, dissemination of media releases, and responding to media requests. The Department is also responsible for the State Bar's Digital Print Center.

1. Bar Bulletin

The *Bar Bulletin* is a 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 produces 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 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.

Revenue	
Advertising	\$ 260,000
Digital Print Center	20,000
Member Data Lists	1,500
Subscriptions	<u>20,000</u>
Total Revenue	<u>\$ 301,500</u>

Expenses	
Capital Lease Interest	\$ 6,550
Capital Lease Principal	15,883
Dues & Subscriptions	165
Payroll	308,767
Postage & Delivery	9,000
Print Production - Internal	32,500
Print Production - Outsourced	130,000
Staff Education/Morale/Travel	<u>3,150</u>
Total Expenses	<u>\$ 506,015</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 2020; 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 2020 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. 2018 Non-Budgeted Expenditures

There were no material 2018 non-budgeted expenditures approved by the Board to be reported in the 2020 Budget Disclosure Document. Any such expenditure would have been audited as part of the 2018 annual financial statement audit. The 2018 annual audit was completed on May 17, 2019 and is available to view on the State Bar's website at www.nmbar.org/AboutUs/Financial_Information.

V. 2019 Non-Budgeted Expenditures

Any material 2019 non-budgeted expenditures determined to be germane and approved by the Board will be reported in the 2021 Budget Disclosure Document, at which time any such expenditures will have been audited as part of the 2019 annual financial statement audit.

