

SUPREME COURT OF NEW JERSEY

NOTICE TO THE BAR

Re: Proposed Attorney Disciplinary System Budget for 2001

The Report of the Supreme Court's Disciplinary Oversight Committee on the proposed 2001 budget for the Office of Attorney Ethics and the Disciplinary Review Board has been submitted to the Supreme Court for action. The Court has directed that the Report and an overview of the proposed budget be published for comment.

Those seeking to comment should do so in writing to me by December 1, 2000, at the following address:

Clerk of the Supreme Court
Richard J. Hughes Justice Complex
P.O. Box 970
Trenton, N.J. 08625-0970
Stephen W. Townsend, Esq.
Clerk of the Supreme Court

Dated: November 2, 2000

October 30, 2000

Chief Justice Deborah T. Poritz and Associate Justices of the Supreme Court
Richard J. Hughes Justice Complex
P.O. Box 970
Trenton, N.J. 08625

RE: 2001 Attorney Disciplinary System Operational Budget

Dear Chief Justice Poritz and Associate Justices:

The Supreme Court's Disciplinary Oversight Committee has reviewed the proposed attorney disciplinary budget for the year 2001, jointly prepared and submitted by the Office of Attorney Ethics (OAE) and the Disciplinary Review Board (DRB). The Committee considered and voted on the proposed budget at its September 13, 2000, meeting. This letter constitutes the recommendations and comments of the Committee on the proposed budget, which is enclosed for the Court's review and its approval for publication. An overview of the proposed budget, which is normally published in lieu of the entire budget document, appears on page two of the budget.

The proposed total budget for the year 2001 is \$7,625,222. This figure represents an increase of 6.6% over the funding approved for the year 2000 (\$7,154,513), with a surplus at the end of 2001 of \$1,171,104 (15% of the total proposed budget). That surplus figure assumes a 100% staffing rate and no change in the current annual registration fee (\$95 for attorneys admitted between three and fifty years, and \$25 for those in their second calendar year of admission). In contrast to last year, the budget for 2001 proposes no additions to staff.

Almost thirty-two percent (32%) of the increase over the year 2000 budget is attributable to an allocation of \$150,000 for costs related to the development of the OAE's new Attorney Ethics Case Management System, to which the DRB will have live access (and which will serve the DRB's needs by bridging certain essential information to its system). Sixteen percent (16%) of the increase is attributable to transcript costs, which have been projected at \$76,000 more than the amount budgeted for the year 2000. This increase was projected as a result of legislation raising the rates paid to State-contracted court reporters for transcripts. The legislation became effective July 2000. Another 6% of the increase

is attributable to the addition of a second fee emolument for the District IV Ethics and Fee Committee secretaries, totaling \$29,000. The remainder of the increase is attributable to various factors, including negotiated salary raises and benefits costs.

As noted, a portion of the increase over the approved budget for the year 2000 is attributable to the proposed appropriation of \$150,000 to fund the OAE's and the DRB's long-term computerization improvements. The Court will recall that following its review of the proposed budget for the year 2000, it approved an allocation of \$150,000 towards the funding of a major multi-year computerization project to upgrade the OAE's and the DRB's systems. No portion of that allocation has been spent. The budget proposes the allocation of an additional \$150,000 towards the project. The DOC believes that the additional allocation would serve two purposes. First, it would ensure a sufficient pool of qualified bidders for the project (when it is put out to bid). Second, it would distribute the necessary funding over the several budget years over which the project would be completed, instead of burdening the budget in any one year.

In support of the proposed allocation, the OAE and the DRB prepared and submitted to the DOC a Joint Computer Development Proposal, which ultimately will form the body of the OAE's and the DRB's joint request for proposal (RFP) to be put out to bid pursuant to State requirements. That document, which was prepared in-house by the OAE's and the DRB's systems coordinators, describes in detail the joint systems requirements of the two offices.

After reviewing the joint proposal, the DOC approved the allocation of an additional \$150,000 for the 2001 budget year. The DOC stresses that no portion of this allocation will be approved for disbursement until the bidding process has been completed, and only after the DOC has reviewed the final cost projections and has determined that the projected benefits to the system justify any expenditure and/or additional allocation.

As noted earlier, the OAE has proposed, and the DOC has approved, the addition of a second emolument for the District IV (Camden/Gloucester) fee and ethics secretaries. In requesting the additional emoluments, the OAE indicated that the attorney population in District IV is significantly higher than two of the three districts that currently receive more than one secretarial emolument. In addition, the OAE provided the Committee with statistics on pending grievances and fee arbitration demands filed in District IV for 1998 and 1999. Those statistics showed that District IV had docketed and disposed of as many (or in some cases more) grievances and demands for arbitration as had other double-emolument districts. Under the circumstances, the DOC believed that the additional emoluments were appropriate. The Committee had approved the additional ethics emolument at an earlier meeting. That additional emolument is also reflected in the proposed budget. The two additional emoluments total \$29,000.

As part of its review, the Committee again examined existing reserve levels. Over the past several years, the Committee had recommended numerous reductions in the annual attorney registration fees to reach acceptable reserve levels. The Court may recall that in 1998, the Committee had determined to depart for the short term from what had been a 5% reserve policy to accommodate various circumstances, including the modernization of the OAE's case management system. Specifically, the Committee had raised its reserve policy to 20%, targeting 1999 as the year in which that level would be reached. Unfortunately, the reserves at the end of that year were substantially higher (in the 50% range), necessitating another reduction in the annual registration fees to the current amounts. The Committee expects that reduction to lower reserves by the end of this year to 37% of the total budget.

The Committee is pleased to report that under the proposed budget, reserve levels at the end of 2001 will equal approximately 15% of the total proposed budget for that year, assuming that registration fees remain at \$95 (for attorneys admitted for three years) and \$25 (for second-year admittees). Negotiated salary increases and benefits costs allocations have played a part in the reserve reduction, along with the additional allocation for computerization and other variables in revenues and expenses. However, the OAE's and the DRB's consistent efforts to more closely and accurately project revenues and expenses have played an important role in reducing reserves.

Although the projected 15% reserve is lower than the targeted 20% reserve level, the Committee nevertheless recommends no change in the current annual registration fees for the budget year 2001. This is so in spite of the fact that reserve projections under the current registration fees show a deficit of 3% at the end of budget year 2002. In that regard, the Committee notes that the attorney disciplinary budget has never experienced an actual deficit and that there exists in future budget years the opportunity to increase registration fees should reserve levels become a matter for

concern.

For all of the above reasons, the Committee recommends adoption of the 2001 disciplinary budget as proposed. The Committee believes that the proposed budget promotes both quality service and financial stability.

Respectfully Submitted
Thomas F. Campion, Jr., Esq.

2001 DISCIPLINARY BUDGET OVERVIEW

A. 2001 Projected Revenues

Attorney Registration Fees
Practicing 3-50 years: 51,544 @ \$95 \$4,896,680
Practicing 2 years: 2,540 @ \$25 63,500

TOTAL REGISTRATION FEES\$4,960,180

Prior Year Payments 183,000
Fee Arbitration Filing Fees 98,500
Interest on Funds @ 5.5% 268,000
Disciplinary Costs Recovered 175,000
Pro Hac Vice Fees 347,000
Late/Reinstatement Fees 200,000

TOTAL PROJECTED REVENUES 2001 \$6,231,680

Projected Reserve from 2000 (See Page 4) \$2,564,646

TOTAL PROJECTED FUNDS AVAILABLE \$8,796,326

B. 2001 Proposed Budget

1.1 Operating Costs Summary\$1,442,400
1.2 Operating Costs Detail
1.3 Disciplinary Review Board 1,371,401
Salaries and Benefits
1.4 Office of Attorney Ethics 3,423,447
Salaries and Benefits
1.5 Random Audit Program 451,279
Salaries and Benefits
1.6 Attorney Fee Arbitration Program 308,900
Salaries, Benefits and Emoluments
1.7 District Ethics Committee Program 464,199
Salaries, Benefits and Emoluments
1.8 Disciplinary Oversight Committee\$ 163,596
Salaries, Benefits and Costs

TOTAL PROPOSED BUDGET 2001\$7,625,222

C. Budget Surplus

PROJECTED SURPLUS FOR 2002\$1,171,104

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