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**FILED**

FILE NO. C2-84-2163

STATE OF MINNESOTA

IN SUPREME COURT

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Amendment to the Rules of the  
Supreme Court for Registration of  
Attorneys

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REPORT OF THE BOARD OF  
CONTINUING LEGAL EDUCATION

BACKGROUND

The Minnesota Board of Continuing Legal Education (CLE Board) was created by the Minnesota Supreme Court for the purpose of assuring that Minnesota attorneys continue their legal education throughout the time they are actively practicing law.

Since its inception in 1976, the Board's administrative expenses have been funded primarily from the Attorney Registration Fee paid by all Minnesota-licensed attorneys. A \$5 per attorney allocation was imposed in 1976 and remained in effect until 1988 when it was increased to \$7 per attorney. In addition to the Attorney Registration Fee income, the Board receives some income from attorney late filing fees and reinstatement fees.

In 1976 there were approximately 7,500 licensed Minnesota attorneys in active status. Today there are more than 20,000. In 1976 the Board approved fewer than 2,000 CLE courses. In 1997, more than 6,000 courses were approved. By maintaining a small administrative staff, the Board has been able to rely on increases in the numbers of registered Minnesota attorneys to generate sufficient operating income.

In FY98, the CLE Board required additional revenue to finance the purchase of a computer system as well as to cover inflationary increases in operating costs. On August 6, 1997, the Court ordered that an additional \$7 per attorney be allocated from the Attorney Registration Fee to the CLE Board until June 30, 1998. This order is expected to generate approximately \$112,000. On September 10, 1997, the Court amended the Board's rules increasing the amounts charged for late filing of attorney CLE affidavits. This amendment will generate approximately \$13,000 in additional revenue each year.

Projections for income and expenditures in FY99 and FY00 indicate that the Board will require additional revenue in the approximate amount of \$64,000 in each of the next two fiscal years. Based upon this projected need, the Board makes the following:

#### RECOMMENDATION

That the portion of the Attorney Registration Fee designated to the CLE Board be increased from \$7 to \$10 per attorney effective July 1, 1998.

#### DISCUSSION

The CLE Board, and particularly the members of the Board's Funding Committee, has met on numerous occasions during the past 6 months and considered various revenue and expenditure options. At the Committee's recommendation during its January 1998 meeting, the Board adopted the two-year expense budget attached hereto as **Exhibit A**.

**Exhibit A** shows that the significant increases in expenditures in FY98 and FY99 are those associated with software development and hardware purchases required by the Board's new computer system. Computer development and implementation costs are spread between FY98 and FY99. Beginning with

FY00, operating expenses may return to pre-FY98 figures, adjusted for inflationary increases. Thereafter, operating expenses are expected to increase only in proportion to inflationary increases.

Attached as **Exhibit B** is an income and expense projection extending through FY00 that includes income from the recommended \$3.00 increase in the Attorney Registration Fee. Cash flow requirements compel the Board to maintain year-end reserves sufficient to fund 25% of the following year's anticipated expenditures. Projections shown on **Exhibit B** include a year-end reserve in excess of the 25% minimum. The Board recommends that a modest reserve in excess of the minimum be maintained because of the difficulty of making precise budget projections at this time. The Board is in the midst of developing and implementing a new office-wide computer system, introducing new attorney reporting requirements in two subject categories (ethics and elimination of bias) and studying user fees as a source of operating revenue. Any of these factors could result in unforeseen costs that would require the use of this reserve.

**Exhibit B** shows that a \$3.00 increase in the Attorney Registration Fee will give the Board adequate income for expenditures, generate the 25% year-end reserve and generate reserves at the end of FY99 and FY00 of approximately \$37,000 and \$66,000, respectively.

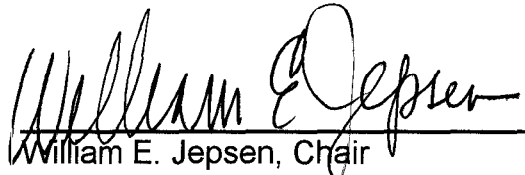
If no increase in revenue were forthcoming, the Board would experience a \$26,000 deficit in FY99. Deficits would continue to increase each year thereafter.

The Board does not anticipate requesting any change in funding in the near future, and certainly not within the two years covered by this proposed budget. The Board will explore options with respect to user fees for periods beyond the two-year period encompassed by the proposed budget.


The Board believes that the above recommendation may not require a hearing before the Supreme Court because this request comes at the same time as the Client Security Board's request for a decreased contribution from the Attorney Registration Fee. A net decrease of \$2.00 per attorney in the Fee will result if the Court chooses to follow both recommendations. If the Court prefers that the Board file a petition, the Board will do so. The Board will await further direction from the Court.

Respectfully submitted,

MINNESOTA BOARD OF  
CONTINUING LEGAL EDUCATION

  
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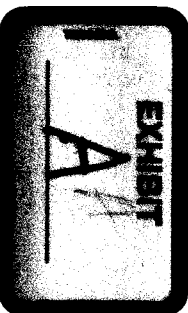
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# CLE BOARD PROPOSED FY99/00 EXPENSE BUDGET

1/14/98

CODE	DESCRIPTION	FY95 Actuals	FY96 Actuals	FY97 Actuals	FY98 Proposed	FY99 Proposed	FY00 Proposed
1AO	Full Time Salaries	106,211	113,446	119,817	136,411 <sup>1</sup>	140,850	150,710
1BO	Part Time Seasonal	0	0	0	0	0	0
1CO	Overtime	0	208	0	0	0	0
1EO	Special Expense	0	0	2	0	0	0
	<b>TOTAL SALARIES</b>	<b>106,211</b>	<b>113,654</b>	<b>119,819</b>	<b>136,411</b>	<b>140,850</b>	<b>150,710</b>
2AO	Rent State	20,628	23,664	23,681	22,243 <sup>2</sup>	22,404	23,300
2A9	Rent - Other	0	6,266	258	150 <sup>3</sup>	160	170
2BO	Repairs & Alterations	1,945	2,247	3,311	3,443 <sup>4</sup>	6,081	3,824
2CO	Printing & Advertising	4,315	1,889	4,118	5,283 <sup>5</sup>	5,494	4,714
2DO	Professional & Technical Services	0	7,850	26,867	57,986 <sup>6</sup>	86,800	15,000
2EO	Production & Maintenance	5,573	322	0	4,500 <sup>7</sup>	3,000	1,200
2FO	Communications	7,674	1,596	8,240	12,570 <sup>8</sup>	11,072	9,515
2GO	Travel & Subsistence (In State)	0	48	148	0	0	0
2HO	Travel & Subsistence (Out-State)	0	0	102	0	0	0
2JO	Supplies	7,119	4,410	4,681	4,868 <sup>9</sup>	7,563	5,365
2KO	Equipment	4,076	0	2,050	15,900 <sup>10</sup>	7,700	2,500
2LO	Employee Development	298	373	267	500 <sup>11</sup>	2,500	500
2MO	Other Purchased Services	5,118	3,467	5,809	6,041 <sup>12</sup>	6,283	4,056
	<b>Total</b>	<b>162,957</b>	<b>165,786</b>	<b>199,351</b>	<b>269,895</b>	<b>299,908</b>	<b>220,855</b>



Clex98r2

1. 1A0--Full Time Salaries  
FY98 includes merit and cost of living increases. The CLE Board's allocation of staff positions has increased due to increases in the CLE Board workload. The following are the FY98 salary allocations with the FY97 allocations shown in parentheses: Director: 25% (20%); Office Administrator: 30% (20%); Office Assistant: 20% (25%); Receptionist: 5% (5%); CLE Assistant 95% (95%); CLE Administrator 100% (100%).
2. 2A0--Rent--State  
FY98/99 Judicial Center rent is projected by Real Estate Management; thereafter, increase is estimated at 4%.
3. 2A9--Rent--Other  
FY96 actual includes other services that were placed in error in this line item under new statewide accounting system.
4. 2B0--Repairs and Alterations  
FY96 actual is inaccurate for reasons mentioned above in footnote 3. FY98 includes 4% increase over FY97 expenses. FY99 includes 4% increase plus an estimated \$2,500 for costs associated with new computer, telephone/fax line installation, maintenance contracts on equipment, and modification of workstations.
5. 2C0 Printing and Advertising  
FY96 actuals are inaccurate for reasons stated in footnote 3. FY98 includes 4% increase plus \$1,000 in additional printing costs for revised rules, new computer forms and affidavits. FY99 includes 4% increase plus \$1,000 in additional printing costs for revised Rules, new computer forms and affidavits.
6. 2D0-- Professional and Technical Services  
FY96 totals are inaccurate for the reasons mentioned in footnote 3. FY97 includes \$25,348 for development of computer system specifications and \$1,519 in contract legal services for assistance in staffing committees, drafting memos and drafting rule revisions. FY98 includes computer system design and implementation (Computer Programmer/Designer—Fiscal 97 charges ((\$3,186) and Phase I charges \$50,000; Network Consultant—\$3,000; contract services investigating the feasibility of sponsor fees--\$1,800). FY99 includes computer system design and implementation (Computer Programmer/Designer—Phase 2 charges \$80,000; Network Consultant—\$2,800; contract services--\$4,000). FY00 includes \$15,000 for post implementation software modifications.

7. 2E0-- Production and Maintenance  
FY98 includes \$4,500 for purchase of package software needed for new computer system. FY99 includes \$3,000 for purchase of package software for new computer system.
8. 2F0-- Communications  
FY96 actuals are inaccurate for reasons mentioned in footnote 3. FY98 includes increase of 4% over FY97 expenses, plus \$4,000 for additional mailing charges for notification of rule changes and implementation of sponsor fees. FY99 includes increase of 4% over FY98 expenses, plus \$2,000 for additional mailing charges for notification of Rule changes and implementation of sponsor fees.
9. 2J0--Supplies  
FY98 includes increase of 4% over FY97 expenses. FY99 includes increase of 4% over FY98 expenses, plus \$2,500 for costs associated with the revised rules and changes to computer system. Includes cost of mailers for notification of changes, additional CLE workstation, file cabinet, work surfaces for additional equipment, etc.
10. 2K0--Equipment  
FY98 includes \$14,700 for computer hardware as estimated by Practice Management, Inc., and \$1,200 for copier lease. FY99 includes \$6,500 for computer hardware as estimated by Practice Management, Inc., and \$1,200 for copier lease.
11. 2L0-- Employee Development  
FY98 includes \$500 for employee training on new computer system. FY99 includes \$2,500 for employee training.
12. 2M0--Other Purchased Services  
FY98 includes a 4% increase over FY97 expenses and includes the cost of part-time clerical during transition to new rule requirements. FY99 includes a 4% increase over FY98 expenses and includes the cost of part-time clerical during transition to new computer system.

BOARD OF CLE  
PROPOSED FY99/00 REVENUE/EXPENSE SUMMARY

**With Revenue Reallocated from Atty Reg. Fee, Increased Late Filing Fees  
 Projections of Add'l Income--Increase in Atty Reg. Fee--\$3**

1/15/98

	FY96	FY97	FY98	FY99	FY00
	ACTUALS	ACTUALS	PROPOSED	PROPOSED	PROPOSED
ANTICIPATED NUMBER OF ATTORNEYS		20,265	20,765	21,165	21,565
ANTICIPATED BALANCE IN	150,648	153,752	127,157	144,687	92,754
LATE FILING CHARGES	22,825	23,722	29,825	36,325	36,325
LICENSE FEES (PLUS LATE FEES IN FY96 & 97)	146,065	149,034	145,355	148,155	150,955
ATTORNEY REGISTRATION LATE FEES		0	0	0	0
SPONSOR FEES	0	0	0	0	0
TEMPORARY REALLOCATION OF INCOME FROM ARF PER ORDER 8/97	0	0	112,245	0	0
<b>ADDITIONAL INCOME FROM INCREASE IN ATTY REG FEE--\$3.00</b>			0	<b>63,495</b>	<b>64,695</b>
SUBTOTAL RECEIPTS	168,890	172,756	287,425	247,975	251,975
GRAND TOTAL	319,538	326,508	414,582	392,662	344,729
EXPENSES	(165,786)	(199,351)	(269,895)	(299,908)	(220,855)
BALANCE OUT	153,752	127,157	144,687	92,754	123,874
% EXPENDITURES FOR NEXT FY	77.13%	47.11%	48.24%	42.00%	54.20%

