

STATE OF MINNESOTA

IN SUPREME COURT

FILE NO. C5-84-2139

OFFICE OF
APPELLATE COURTS

MAR 15 1996

FILED

In Re Petition of the Board of
Law Examiners for Amendment
of Rules Relating to Registration
of Attorneys

PETITION

TO: THE SUPREME COURT OF THE STATE OF MINNESOTA:

The Board of Law Examiners hereby petitions the Court to adopt, effective with payments due on and after July 1, 1996, the following amendments to Rule 2, Rules for Registration of Attorneys.

RULE 2. REGISTRATION FEE

In order to defray the expenses of examinations and investigation for admission to the bar and disciplinary proceedings, over and above the amount paid by applicants for such admission, with the exception hereinafter enumerated, each attorney admitted to practice law in this state and those members of the judiciary who are required to be admitted to practice as prerequisite to holding office shall hereinafter annually pay to the clerk of the appellate courts a registration fee in the sum of ~~One Hundred Forty-two Dollars (\$142.00)~~ One Hundred Fifty-two Dollars (\$152.00) or in such lesser sum as the court may annually hereinafter determine.

Such fee, or portion thereof, shall be paid on or before the first day of January, April, July, or October of each year as requested by the clerk of the appellate courts.

All sums so received shall be allocated as follows:

~~\$15.00~~ \$25.00 to the State Board of Law Examiners

\$7.00 to the State Board of Continuing Legal Education

\$100.00 to the Lawyers Professional Responsibility Board

\$20 to the Minnesota Client Security Fund.

The following attorneys and judges shall pay annual registration fee of ~~Forty-two Dollars (\$42.00)~~ Fifty-two Dollars (\$52.00):

(a) Any attorney or judge whose permanent residence is outside the State of Minnesota and who does not practice law within the state;

(b) Any attorney who has not been admitted to practice for more than three years;

(c) Any attorney while on duty in the armed forces of the United States.

The ~~Forty-two Dollars (\$42.00)~~ Fifty-two Dollars (\$52.00) so received shall be allocated as follows:

~~\$15.00~~ \$25.00 to the State Board of Law Examiners

\$7.00 to the State Board of Continuing Legal Education

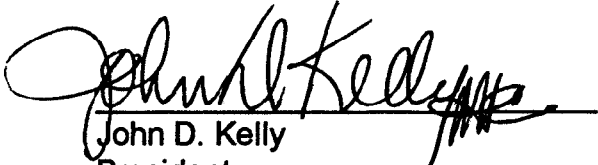
\$20.00 to the Lawyers Professional Responsibility Board

Any attorney who is retired from any gainful employment or permanently disabled, or who files annually with the clerk of the appellate courts an affidavit that he or she is so retired or disabled and not engaged in the practice of law, shall be placed in a fee-exempt category and shall remain in good standing. An attorney claiming retired or permanently disabled status who subsequently resumes active practice of the law shall promptly file notice of such change of status with the clerk of the appellate courts and pay the annual registration fee.

Any judge who is retired from any gainful employment or permanently disabled, who no longer serves on the bench or practices law, and who files

annually with the clerk of the appellate courts that he or she is so retired or disabled and not engaged in the practice of law, shall be placed in a fee-exempt category and shall remain in good standing. A judge claiming retired or permanently disabled status who subsequently resumes service on the bench or the active practice of law shall promptly file notice of such change of status with the clerk of appellate courts and pay the annual registration fee.

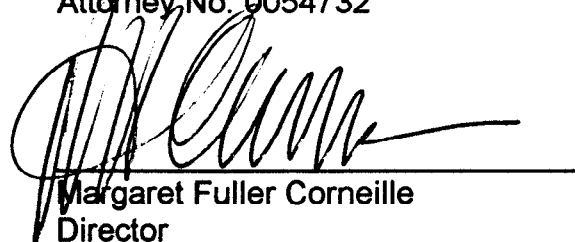
Dated: March 14 1996.



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STATE OF MINNESOTA

IN SUPREME COURT

FILE NO. C5-84-2139

In Re Petition of the Board of
Law Examiners for Amendment
to Rules Relating to Registration
of Attorneys

**STATEMENT IN SUPPORT
OF PETITION OF STATE
BOARD OF LAW EXAMINERS**

INTRODUCTION

The Minnesota Board of Law Examiners petitions the Minnesota Supreme Court to increase that portion of the Attorney Registration Fee allocated to the Board of Law Examiners, from \$15.00 to \$25.00 per attorney.

Prior to 1962, Bar application fees funded the costs of operating the Board's office. In 1962, the Attorney Registration Fee was instituted and \$7.00 of that fee was allocated to the Board of Law Examiners. Increases in bar application fees were made periodically from the 1960's through the 1980's to offset increases in the Board's operating costs. In 1987, the Bar Examiners' portion of the Attorney Registration Fee was increased from \$7 to \$15 per attorney. This increase was expected to be adequate until at least FY90.

In 1988, the Board adopted a policy providing that in the future, increases in revenue would be sought alternately by increasing the Bar application fee and

then by requesting increases in the Attorney Registration Fee. In 1990, the application fees paid by recent law school graduates and out-of-state attorneys were raised by \$100. This increase afforded the Board adequate income until this time.

BOARD FUNCTIONS

The Minnesota Board of Law Examiners performs two functions: the administration and grading of the Minnesota State Bar Examination and the investigation of Bar applicants in order to certify their good character and fitness for admission. The number of applicants to the Bar has not increased significantly over the past ten years. For example, in 1987 a total of 985 applicants to the bar were tested or admitted on motion; in 1995 the total number tested and admitted on motion was 1,142. However, the board's cost of administration has increased steadily because of inflationary increases in staff salaries, increased costs of exam administration, an increase in the cost of investigating and determining the greater number of character and fitness issues presented by applicants and increased costs associated with special testing accommodations for disabled applicants.

STAFFING

The Board of Law Examiners shares staff, quarters and resources with two other Boards of the Supreme Court -- the Board of Continuing Legal Education (CLE) and the Board of Legal Certification (BLC). Eleven full-time staff positions are funded by the three Boards. One of these staff positions is entirely dedicated to the CLE Board. Five of these positions are entirely dedicated to the Board of Law Examiners. Five of the positions are divided between two or three of the Boards. An additional half-time clerical staff position was created in 1995 to assist with the workload. No other new staff positions will be created with

additional revenues sought from this fee increase. Neither the CLE Board nor the Legal Certification Board anticipates asking for an increase in revenue from the Attorney Registration Fee.

The Director's salary and the salaries of several other staff persons are apportioned among these three Boards. Expenses directly attributable to the Board of Law Examiners activities are charged to the Board. Expenses which cannot be directly attributed to any one Board are allocated among the Boards according to the following formula which roughly reflects the proportion of personnel devoted to each Board:

Board of Law Examiners	75%
Board of Continuing Legal Education	20%
Board of Legal Certification	5%

EXPENSES

Attached as "A" is a summary of the Board of Law Examiners' actual and projected expenditures by expense category for the period FY94 through FY98. Staff salaries are the largest single expenditure category, increasing each year through merit and cost-of-living raises and increases in employee benefits. The footnote at this item contains the percentage of salaries allocated to the Board of Law Examiners.

An increase in the cost of the line item "rents and leases" from \$53,163 in 1994 to \$106,261 in 1996 is another factor in the need for additional revenue. Increases are due to the Board's move to the Judicial Center in November of 1994, as well as increases in the cost of leasing the bar exam site. Although occupying space in the Judicial Center is more costly in the short run, the Board

expects a number of benefits to flow from being in the Judicial Center. Cost savings will result from having access to large capacity copying and mailing equipment in the Judicial Center, having access to hearing rooms and rooms for special testing accommodations, being linked to the Judicial Center's local area network, and having accessibility to the accounting and personnel staff who support the Board's administrative functions.

A new expense in the Board's budget is an assessment for state indirect costs levied by the State Department of Finance. A charge of \$12,866 has been added to the projected expenditures for FY96. This charge is expected to increase by 8% annually through FY98 and by an unknown amount thereafter. Although legislation has been introduced in the State legislature exempting the Board from these charges, the expense is budgeted in the event that the legislation is not passed.

INCOME

Attached as "B" is an expense and revenue summary based upon receipts from bar application fees as well as from the current \$15 Board of Law Examiners' portion of the Attorney Registration Fee.

These income projections are based on the Board's expectation that between 1,100 and 1,200 applications for admission will be received in coming years as they have been in the past. Approximately 85% of the Board's applications come from recent law school graduates who are charged \$300. The balance of application income is derived from attorneys admitted in other jurisdictions who seek admission in Minnesota. This group is charged \$625 for the application. Income from attorney registration fees is projected to increase based upon a net increase of 500 Minnesota attorneys per year. This has been the rate of

increase for the past eight to ten years. These numbers are expected to continue at this rate.

At current spending levels, the Board will have a carry forward balance at the end of FY97 which represents approximately 57% of FY98's anticipated expenses. Although this amount may appear to be adequate, it is not because most of the Board of Law Examiners' application revenues are received in the fourth quarter of every fiscal year due to the filing deadlines for the July Bar. As a result, in order to support cash flow needs earlier in the fiscal year, a year-end balance totaling approximately 75% of the next year's budgeted expenses must be carried forward each year. At current expense levels, the Board will experience a budget deficit by the year 2000.

Attached as "C" is a chart showing revenue and expenses based upon an assumption that the requested \$10 increase in the Attorney Registration Fee is granted effective July 1, 1996. The added revenue will create a 79% carry forward balance at the end of FY97, and such balances will continue to be adequate through the end of FY00. If additional revenue is needed at that time the Board again will consider increasing the application fees.

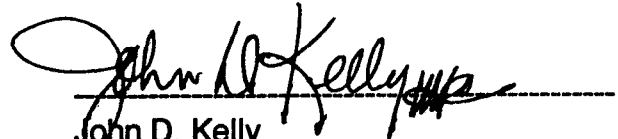
CONCLUSION

An increase of \$10 in the annual Attorney Registration Fee is needed effective July 1, 1996 in order to maintain the present level of services provided by the Board of Law Examiners. Increased costs due to inflation, increased rental charges, increased costs of providing special testing accommodations, and the increased costs associated with the broader scope of the character and fitness investigation are all factors which require the Board to seek this increase at this time.

For these reasons, the Board of Law Examiners respectfully requests that the Minnesota Supreme Court grant its Petition for amendment to the Rules for Registration of Attorneys as described in the Board's Petition.

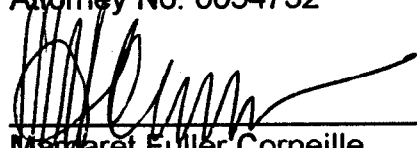
Dated: March 14, 1996.

Respectfully submitted



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STATE OF MINNESOTA - BOARD OF LAW EXAMINERS

EXPENDITURES FY94 THROUGH FY98

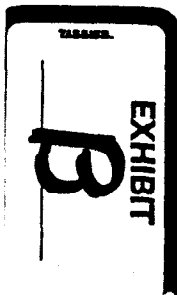
		FY94 ACTUALS	FY95 ACTUALS	FY96 ESTIMATED	FY97 PROPOSED	FY98 PROPOSED
1.	Total Salaries and Employee Benefits	\$341,538	\$339,398	399,019 ¹	411,971	441,344
2.	Rents/Leases	53,163	79,956	106,297 ²	114,801	123,985
3.	Repairs/Maintenance & Miscellaneous	7,617	3,419	5,114 ⁴	4,714	5,039
4.	Printing/Binding	25,966	23,577	26,000 ⁵	27,040	28,122
5.	Professional/Technical Services	145,759	177,507	179,708 ⁵	194,084	209,611
6.	Data Processing/Computer System	4,894	2,486	14,000 ⁶	2,585	2,689
7.	Purchased Services	30,904	33,081	34,404 ⁵	35,780	37,212
8.	Communications	14,416	14,960	16,157 ⁴	17,449	18,845
9.	Travel In-State	1,820	2,949	3,050	3,172	3,299
10.	Fees/Other Fixed Charges	1,479	2,544	2,646 ⁵	2,752	2,862
11.	Supplies/Materials	13,766	24,868	19,519 ⁷	17,180	17,867
12.	Capital Equipment	3,001	8,941	6,101 ⁷	3,246	3,376
13.	Refunds	10,070	7,825	10,500	10,500	10,500
14.	Attorney Registration Fee-Office Related charges	15,680	16,679	17,680 ⁸	18,741	19,865
15.	State Overhead Charges			12,866	13,895	15,007
16.	GRAND TOTAL	\$670,073	\$738,190	\$853,061	\$877,911	\$939,620



- ¹ Portions of certain salaries are allocated to the Board of Law Examiners as follows: 75% Director; 70% Administrative Assistant; 90% Receptionist; 5% CLE Assistant; and 50% Office Assistant. Increases in this line item are in part due to the exam proctor charges now being reflected as salaries which were reported previously as Professional/Technical Services. Also, the Office Assistant position was added in FY96, with 50% of salary associated costs being charged to the Board of Law Examiners.
- ² Although an increase of only 1.7% in FY97 is projected per Real Estate Management, rental costs increased 100% between 1994 and 1996. Increases of 8% are anticipated thereafter.
- ³ Salaries for bar exam Proctors were reported as Professional/Technical Services prior to FY96 and will now be reported as salaries
- ⁴ Repairs & Maintenance and Communications, include an expected 8% increase
- ⁵ Printing & Binding, Purchased Services, and Fees and Other Fixed Charges include an expected 4% increase
- ⁶ Data Processing and Computer Systems dollars include an anticipated one-time expenditure of approximately \$7,000 for revisions to BLE computer system and the cost of new computer software
- ⁷ Supplies and Materials and Capital Equipment costs in FY95 were higher due to move-related expenses.
- ⁸ This item includes the Board's portion of expenses associated with the operation of the Attorney Registration office. These costs are anticipated to increase by 6%.

**BOARD OF LAW EXAMINERS
REVENUE AND EXPENSE SUMMARY
BASED ON CURRENT ATTORNEY REGISTRATION FEES OF \$15.00**

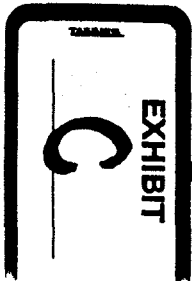
	1997	1998	1999	2000	2001	2002	2003
<u>Anticipated Number of Attorneys</u>	20,659	21,159	21,659	22,159	22,659	23,159	23,659
<u>Estimated Balance Forward</u>	632,977	532,137	377,988	165,347	-111,425	-466,120	-905,645
<u>Anticipated Income</u>							
<u>Attorney Registration Fees - \$15</u>	309,885	317,385	324,885	332,385	339,885	347,385	354,885
<u>Late Fees & Fines</u>	37,186	38,086	38,986	39,886	40,786	41,686	42,586
<u>Other Income - Application Fees</u>	430,000	430,000	430,000	430,000	430,000	430,000	430,000
<u>Total Anticipated Income</u>	777,071	785,471	793,871	802,271	810,671	819,071	827,471
<u>Total Available Funds</u>	1,410,048	1,317,608	1,171,859	967,618	699,246	352,951	-78,174
<u>Total Anticipated Expenditures</u>	877,911	939,620	1,006,512	1,079,043	1,165,366	1,258,596	1,359,283
<u>Estimated Balance Out</u>	532,137	377,988	165,347	-111,425	-466,120	-905,645	-1,437,458
<u>% of Anticipated Expenditures for Next FY</u>	57%	38%	15%	-10%	-37%	-67%	



1. BECAUSE APPLICATION REVENUES ARE RECEIVED IN THE FOURTH QUARTER, APPROXIMATELY 75% OF INCOME IS NEEDED TO CARRYOVER INTO THE NEXT FISCAL YEAR.

**BOARD OF LAW EXAMINERS
REVENUE AND EXPENSE SUMMARY
BASED ON ATTORNEY REGISTRATION FEES OF \$25.00
(An Increase of \$10.00)**

	1997	1998	1999	2000	2001	2002	2003
Anticipated Number of Attorneys	20,659	21,159	21,659	22,159	22,659	23,159	23,659
Estimated Balance Forward	632,977	738,727	796,168	800,117	744,935	616,830	408,895
Anticipated Income							
Attorney Registration Fees - \$25	516,475	528,975	541,475	553,975	566,475	578,975	591,475
Late Fees & Fines	37,186	38,086	38,986	39,886	40,786	41,686	42,586
Other Income - Application Fees	430,000	430,000	430,000	430,000	430,000	430,000	430,000
Total Anticipated Income	983,661	997,061	1,010,461	1,023,861	1,037,261	1,050,661	1,064,061
Total Available Funds	1,616,638	1,735,788	1,806,629	1,823,978	1,782,196	1,667,491	1,472,956
Total Anticipated Expenditures	877,911	939,620	1,006,512	1,079,043	1,165,366	1,258,596	1,359,283
Estimated Balance Out	738,727	796,168	800,117	744,935	616,830	408,895	113,672
% of Anticipated Expenditures for Next FY	79%	79%	74%	64%	49%	30%	



BECAUSE APPLICATION REVENUES ARE RECEIVED IN THE FOURTH QUARTER, APPROXIMATELY 75% OF INCOME IS NEEDED TO CARRYOVER INTO THE NEXT FISCAL YEAR.