

NOTICE TO THE BAR

PROPOSED 2025 ATTORNEY DISCIPLINE BUDGET – COMMENTS REQUESTED BY NOVEMBER 4, 2024

The Report of the Supreme Court's Disciplinary Oversight Committee on the proposed 2025 Attorney Discipline Budget has been submitted to the Supreme Court for action. The Court has directed that the Report and an Overview of the proposed 2025 Attorney Discipline Budget be published for comment. Those documents are attached.

As set forth in its report, the Committee recommends that the disciplinary system component of the annual attorney registration fee for 2025 remain the same \$201 as in 2024 – with the total attorney registration fee remaining at \$267.

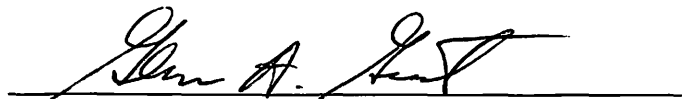
Please send any comments in writing by Monday, November 4, 2024 to:

Clerk of the Supreme Court
Comments on Proposed Disciplinary Budget
Hughes Justice Complex; P.O. Box 970
Trenton, New Jersey 08625-0970

Comments may also be submitted by email to Comments.Mailbox@njcourts.gov.

The Supreme Court will not consider comments submitted anonymously. Thus,

those submitting comments by mail should include their name and address and those submitting comments by email should include their name and email address. Comments submitted in response to this notice are subject to public disclosure.


Glenn A. Grant, J.A.D.
Acting Administrative Director of the Courts

Dated: October 2, 2024

**SUPREME COURT OF NEW JERSEY
DISCIPLINARY OVERSIGHT COMMITTEE**

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September 19, 2024

The Honorable Chief Justice Stuart Rabner and
Associate Justices of the Supreme Court
Richard J. Hughes Justice Complex
P.O. Box 970
Trenton, New Jersey 08625

Re: 2025 Attorney Discipline Budget

Dear Chief Justice Rabner and Associate Justices:

The Supreme Court's Disciplinary Oversight Committee ("DOC" or "Committee") considered and approved the proposed 2025 Attorney Discipline Budget and Budget Narrative (enclosed). R. 1:20B-4(a)(2). This Budget Report presents the Court with an overview of expenses, annual assessments, revenues, and reserve projections. Included among the enclosures are budget reserve projections through fiscal year 2026. The Committee respectfully requests the Court's approval for publication of the Budget Report and the 2025 Disciplinary Budget Overview.

The 2025 budget was prepared in consultation with the Administrative Office of the Court's Office of Management and Administrative Services ("OMAS"). The Committee deeply appreciates the assistance and guidance of OMAS Director Todd McManus and Assistant Director of Financial Services Valerie Fragé. The Committee is especially thankful to Johanna Barba Jones, Esq., Director of the Office of Attorney Ethics ("OAE"); Robert Guay, OAE Manager of Budget and Operations; Timothy M. Ellis, Esq., Chief Counsel of the Disciplinary Review Board ("DRB"); and the staffs of the OAE and the DRB.

The Committee thanks its Budget Subcommittee, whose dedicated members worked diligently to ensure thoughtful review and analysis of the proposed budget.¹ The Committee also deeply appreciates the wise guidance and counsel of its Justice Liaison, the Honorable Anne M. Patterson.

I. Overview

The disciplinary budget year runs from January 1 to December 31. The proposed 2025 budget is \$17,177,236, representing a 0.89% increase from the budget approved for 2024. As discussed in greater detail below (Section II(A)), the primary core expense is salaries and benefits, which comprises approximately 85% of the 2025 budget. Salary and benefit costs are expected to increase by \$383,963, or 2.7%, when compared with the latest estimate for 2024.² The fringe benefit rate (“FBR”) for purposes of the budget is projected to be 70.45% of salaries for full-time staff, a decrease of 5.7% from the rate used in the 2024 budget. Overall total expenses for 2025, including salaries and benefits, are expected to increase by approximately 1.7% when compared to the latest estimate for 2024.

As discussed in Section III, the DOC is recommending that the 2025 disciplinary system component of the annual attorney registration fee, exclusive of the \$2 designated for the New Jersey Board of Bar Examiners (“BBE”), remain the same at \$201 for plenary admitted attorneys practicing three to forty-nine years. This component of the fee was increased by \$28 last year and \$25 in 2023 following a nine-year period without an increase. Thus, the total attorney registration fee is anticipated to remain at \$267 for 2025.

As explained in Section IV, the \$201 disciplinary component of the registration fee is projected to generate revenues of \$13,889,100 from attorneys practicing from three to forty-nine years.³ Attorneys practicing two years or less pay

¹ The Budget Subcommittee consists of Co-Chairs Matthew P. O’Malley, Esq. and James Kravitz, Esq., and members Jeralyn L. Lawrence, Esq., Thomas J. Reck, and Nora Poliakoff.

² Current labor contracts will expire on June 30, 2028.

³ The \$201 fee is for the disciplinary system only. Additional sums are collected for the BBE, the Lawyers’ Fund for Client Protection, the Lawyers Assistance Program, and the Mandatory Continuing Legal Education Program.

\$23, yielding another \$35,650. Thus, total revenues from plenary admitted attorney registration fees are anticipated to be \$13,924,750. When other fees are added from In-House Counsel, Pro Hac Vice, and other revenue sources (\$2,925,155), total projected revenues for 2025 are estimated to be \$16,849,905.

With total projected revenues of \$16,849,905 and total expenses of \$17,177,236, there will be a budgeted deficit of \$327,331 for 2025. There was a budgeted deficit of \$410,828 in 2024, but the latest estimate shows a surplus of \$70,720. This is largely due to an unanticipated increase in revenue from interest income from funds on deposit and collection of payments from pro hac vice attorneys, as well as a decrease in anticipated expenses. For the period from 2017 to 2023, actual reserves have averaged 26.07% of the operating budget, although there was a significant decrease in the percentage beginning in 2022 (15.1% in 2022 and 15.4% in 2023). The reserve at the end of 2024 is projected to be \$2,306,554, or 13.7% of the operating budget. For 2025, the reserve is projected to be \$1,979,223, or 11.5% of the operating budget. The Committee's goal is a 10% reserve (see Section III below for further discussion on the annual assessment and reserve projections).

II. Expenses

A. Salaries and Benefits

The Department of the Treasury Office of Management and Budget has advised that, for budgeting purposes, the 2025 FBR is projected to be 70.45%⁴, a decrease of 5.7% from the 2024 budgeted rate of 76.15%. Based on available information, salary costs for 2025 are projected at \$8,566,258 (3.36% higher than the 2024 latest estimate), and benefits are projected at \$6,034,928 (1.78% higher than the 2024 latest estimate). Thus, salaries and benefits for 2025 for 93 full-time positions are projected to be \$14,601,186 (2.7% higher than the 2024 latest estimate), or approximately 85% of the budget.

⁴ The 2025 FBR is projected to be 71.45%, but, for budgeting purposes, 1% is deducted from the projected FBR in order to take into account the OAE's payment of its own workers compensation insurance.

From 2005 to 2015, the vacancy rate was budgeted at 2%.⁵ From 2016 to 2019, the Attorney Discipline Budget employed a 3.5% vacancy rate. In 2020, the Committee voted to adopt a 5% vacancy rate in order to more accurately reflect the average over the previous five years. Following additional discussions and historical research during the 2023 budget cycle, which revealed an approximately 7% average vacancy rate over the past 10 years, the Committee voted to adopt a 7% rate for the 2023 budget. The 7% vacancy rate was used for the 2024 budget and continues to be used for the 2025 budget.

B. Operating Expenses

Operating expenses for 2025 total \$2,576,050, or approximately 15% of the budget, representing a 3.7% decrease from the latest estimate for 2024 and a 1.66% decrease from the 2024 budget.

Notable operating expenses include the following:

- **Office Expenses:** Office expenses are estimated to be 3.9% lower than the latest estimate for 2024 and 10.51% lower than the amount budgeted for 2024. Specifically:
 - Recruitment expenses are expected to decrease by \$1,750 from the 2024 budget due to the completion of the OAE reorganization.
 - Library expenses are expected to decrease by \$10,250, largely due to an anticipated decrease in spending on the Gann Law book New Jersey Attorney Ethics by Kevin H. Michels, which is provided to District Ethics Committee (DEC) volunteers at the time of their first appointment.
 - Insurance expenses are expected to increase by \$15,000 over the amount budgeted for 2024 because of increases in OAE staff and staff salaries.
 - Data processing expenses are expected to decrease by approximately \$56,000 due to fewer planned projects related to

⁵ In 2012, there were an unusually high number of planned retirements, and a 5% vacancy rate was used.

system improvements, although future business requirements and the ever-changing technology landscape may necessitate requests for additional funding in years to come.

- **Other Expenses:** Other expenses, including expenses for meetings and conferences/education/training, are budgeted to be relatively flat when compared to the latest estimates for 2024. The 2025 budget has been reduced by \$16,400, primarily due to the decision to hold the annual OAE Training Conference virtually, a decision informed by polling the 2023 attendees. New member orientation and officers' meetings for DEC's and District Fee Arbitration Committees will continue to be held in person.
- **Equipment Expenses:** These expenses are budgeted to be 13.33% lower than the latest estimate for 2024. The OAE has continued to implement its asset management schedule, in part with the replacement of one quarter of staff laptops. Because the replacement laptops cost less than expected, the anticipated expense for 2025 has been decreased accordingly.

The budget narrative fully addresses all operating budget categories and variances of note.

III. The Annual Assessment and the Reserve

As in every year, the annual assessment and year-end reserve featured prominently in Budget Subcommittee discussions. For 2025, the OAE and the DRB proposed that the attorney disciplinary portion of the fee remain the same as the amount approved for 2024 - \$203, inclusive of the \$2 designated for the BBE - for a total anticipated attorney registration fee of \$267.

Of the 51 jurisdictions in the United States that charge an attorney registration fee, New Jersey ranks 37th with the current fee of \$267, with an average nationwide fee of \$352. New Jersey also ranks 10th lowest out of 18 states without a mandatory bar association membership requirement.

In 2025, the reserve is projected to decrease from the 2024 projected reserve of \$2,306,554, or 13.7% of the operating budget, to \$1,979,223, or 11.5% of the operating budget.

IV. Revenue Projections

Based on an annual assessment of \$201, the total revenue projected for 2025 is \$16,849,905. This is a 0.7% decrease (\$103,148) from the latest estimate for 2024. It is estimated that 69,100 attorneys practicing three to forty-nine years will pay the \$201 fee (65 less than that projected for 2024), while 1,550 attorneys practicing two years or less will pay the \$23 fee (75 less than that projected for 2024). Thus, total receipts from plenary-admitted attorneys paying the registration fee are expected to be \$13,924,750, or 82.6% of revenue.

Pro hac vice fees are estimated to generate \$1,276,350, while in-house counsel licenses are expected to generate \$239,190 in revenue. Other significant sources of revenue include late fees for attorneys who fail to timely register (\$225,000), prior years' assessments that attorneys failed to pay (\$265,000), and the recovery of the costs of disciplinary investigations and proceedings from disciplined attorneys (\$300,000).

V. Conclusion

The DOC is thankful to the staff of the OAE and the DRB for their diligent work in preparing and presenting the 2025 Attorney Discipline Budget. The Committee is confident that the budget is fiscally responsible and will provide the OAE and the DRB with the resources needed to continue serving the public, the profession, the disciplinary system, and the Judiciary at large. As always, the Committee thanks the many volunteers who serve New Jersey's disciplinary system, making it one of the best in the country.

The DOC respectfully requests that the Court permit the publication of this Budget Report and the Budget Overview. Following the public comment period, the Committee will resubmit the 2025 Attorney Discipline Budget for the Court's approval.

Respectfully Submitted,

/s/ *Matthew P. O'Malley*

Matthew P. O'Malley, Esq.
Chair

Enclosures

cc: Members of the Disciplinary Oversight Committee
Hon. Glenn A. Grant, J.A.D.
Administrative Director of New Jersey Courts
Steven Bonville, Esq., Chief of Staff, AOC
Heather Joy Baker, Esq., Clerk of the Supreme Court
Matthew Kelly, Esq., Deputy Clerk and Chief Counsel, Supreme Court
Christine Muller, Deputy Clerk and Chief Administrator, Supreme Court
Demery Roberts, Esq., Deputy Chief Counsel to the Supreme Court
Todd McManus, Director, OMAS
Valerie Fragé, Assistant Director, Financial Services, OMAS
Timothy M. Ellis, Esq., Chief Counsel, DRB
Nicole Acchione, Esq., First Assistant Counsel, DRB
Johanna Barba Jones, Esq., Director, OAE
Jason D. Saunders, Esq., First Assistant Ethics Counsel, OAE
Ryan J. Moriarty, Esq., Statewide Ethics Coordinator, OAE
Robert Guay, Manager of Budget and Operations, OAE

1.1 2025 DISCIPLINARY BUDGET OVERVIEW

REVENUES:

Attorney Registration Fees:

Practicing 3 - 49 years @	69,100	\$201	\$	13,889,100
Practicing 2 years @	1,550	\$23		35,650

Total Registration Fees \$ 13,924,750

Other Fees:

Pro Hac Vice Fees		\$	1,276,350
In-House Counsel			239,190
Multi-Jurisdictional Practice			19,899
Disciplinary Costs Recovered			300,000
Fee Arbitration Filing Fees			40,000
Late Fees			225,000
Reinstatement Fees			62,000
Interest on Funds			493,000
Prior Year Payments			265,000
Misc. Revenue			4,716

Total Other Fees \$ 2,925,155

Total Projected Revenues 2025 \$ 16,849,905

EXPENSES:

Salaries & Benefits:

Salaries with capacity @	93.0%	\$	8,566,258
Allows for vacancy rate @	7.0%		
Fringe Benefits @	70.45%		6,034,928

Total Salaries & Benefits \$ 14,601,186

Operating Expenses:

Office Expense		\$	499,950
Hearing Fees			106,000
Other Expenses			180,100
Maintenance & Fixed Expenses			334,700
Special Purpose Expenses			1,390,300
Emoluments	\$	715,300	
Attorney Reg. Costs		<u>675,000</u>	
Equipment Expenses			65,000

Total Operating Expenses \$ 2,576,050

Total Projected Expenses 2025 \$ 17,177,236

Revenues Less Expenses 2025 \$ (327,331)

ADD: Projected Ending Reserve, 2024 2,306,554

Projected Reserve, End of 2025 \$ 1,979,223
11.5%