

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
FINANCE COMMITTEE

Saturday, August 2, 2008

9:45 a.m.

Sheraton Suites Hotel
422 Delaware Avenue
Wilmington, Delaware

COMMITTEE MEMBERS PRESENT:

Michael D. McKay, Chairman
Lillian R. BeVier
Thomas A. Fuentes (by telephone)
Sarah Singleton (by telephone)
Frank B. Strickland, ex officio

OTHER BOARD MEMBERS PRESENT:

Jonann C. Chiles (by telephone)
Herbert S. Garten
David Hall
Thomas R. Meites
Bernice Phillips-Jackson

1 STAFF AND PUBLIC PRESENT:

2 Helaine M. Barnett, President

Karen M. Dozier, Executive Assistant to the President

3 Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary

4 Mattie Cohan, Senior Assistant General Counsel

David L. Richardson, Treasurer and Comptroller,

5 Office of Financial and Administrative Services

Patricia D. Batie, Manager of Board Operations

6 Charles Jeffress, Chief Administrative Officer

Karen J. Sarjeant, Vice President for Programs and

7 Compliance

Jeffrey Schanz, Inspector General

8 Laurie Tarantowicz, Assistant Inspector General and

Legal Counsel, Office of the Inspector General

9 Ronald "Dutch" Merryman, Assistant Inspector General

for Audit, Office of the Inspector General

10 David Maddox, Assistant Inspector General for

Management and Evaluation, Office of the Inspector

11 General

John Constance, Director, Government Relations and

12 Public Affairs Office

Stephen Barr, Media Relations Director, Government

13 Relations and Public Affairs Office

Douglas B. Canfield, Executive Director, Legal Services

14 Corporation of Delaware

15

Linda Perle, Center for Law & Social Policy (CLASP)

16 Charles A. Wynder, Jr., Vice President for Programs,

National Legal Aid and Defenders Association

17 (NLADA)

Hillary Evans, Civil Associate, National Legal Aid

18 and Defenders Association (NLADA)

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1 P R O C E E D I N G S

2 (9:45 a.m.)

3 CHAIRMAN McKAY: Good morning. We'll call to
4 order the finance committee.5 And the first item on the agenda is the
6 approval of the agenda.

7 M O T I O N

8 MR. FUENTES: So moved.

9 CHAIRMAN McKAY: Is there a second?

10 MS. BeVIER: Second.

11 CHAIRMAN McKAY: All those in favor?

12 (A chorus of ayes.)

13 CHAIRMAN McKAY: Opposed?

14 (No response.)

15 CHAIRMAN McKAY: It's approved.

16 Let's take items 2 and 3 together. They
17 relate to the approval of the minutes of our meeting,
18 our open session, on April 26, 2008, and approval of
19 our closed session on April 26, 2008.

20 Do I hear a motion?

21 M O T I O N

22 MR. FUENTES: So moved.

1 CHAIRMAN McKAY: Second?

2 MS. BeVIER: Second.

3 CHAIRMAN McKAY: All those in favor?

4 (A chorus of ayes.)

5 CHAIRMAN McKAY: Opposed?

6 (No response.)

7 CHAIRMAN McKAY: It passes.

8 The fourth item on the agenda is consider and
9 act on proposed protocol for the acceptance and use of
10 private contributions to LSC. You will recall that the
11 audit committee has very exhaustively addressed this
12 issue. And after the chairman of the audit committee
13 and I had a telephone conference with the chair of the
14 board, Mr. Strickland, we agreed that the audit
15 committee would address it first, as it is scheduled to
16 do so.

17 Since there's an overlap in the
18 responsibilities of the committees, we decided to keep
19 it on our agenda in case a member of the finance
20 committee wanted to address it. I will tell you that
21 I've of course listened and participated in the
22 discussion on the protocol. I feel very comfortable

1 with the product of the audit committee. But I want to
2 make sure that every other member of the finance
3 committee feels the same way as I do.

4 (No response.)

5 CHAIRMAN McKAY: Hearing nothing, I assume
6 they do. And so I propose that we move on and simply
7 support the audit committee and their recommendation to
8 the board.

9 The fifth item on the agenda is consider and
10 act on fiscal year 2008 revised consolidated operating
11 budget, including internal budgetary adjustments and
12 budget reallocations. Mr. Richardson and Mr. Jeffress.

13 MR. RICHARDSON: Good morning, Mr. Chairman.

14 CHAIRMAN McKAY: Good morning.

15 MR. RICHARDSON: For the record, I'm David
16 Richardson, treasurer of the Corporation.

17 I have e-mailed each of you a document during
18 the week. If you do not have copies of that, I have
19 extra. But they should be inserted in your board book
20 at page 35 -- 135.

21 The first item in this is the review that was
22 undertaken and the internal budgetary adjustments. The

1 memo is dated July 29th. Under our guidelines -- we do
2 this quarterly -- the president is authorized to make
3 adjustments up to \$75,000.

4 The memo describes where we have reallocated,
5 where we've made some adjustments within management and
6 administration. There's additional money in the board
7 of directors budget, some with regard to the projection
8 of spending, to include this meeting and other
9 activities of the board.

10 It appears that we're going to have over
11 \$100,000 in funds that would not be used. We have
12 moved \$54,000 of those monies to help support other
13 needs. The first item that's noted in the memo is the
14 movement of money into the personnel compensation and
15 benefits for the executive office.

16 That's to help fund the locality payments that
17 need to be approved, the ones that are right now
18 projected to be paid on October 15th. So we have to
19 approve them in the September 30th financial statements
20 for year-end presentation.

21 Within my budget, financial and administrative
22 services, we've talked at length about the interest

1 rates being cut. Our interest rate has been cut from a
2 high of 4.25 percent earlier in the year to 1 percent
3 currently. Part of the interest that we receive
4 offsets bank service charges. So we have moved \$16,000
5 of money into the financial and administrative services
6 budget to help support those.

7 One other item is we did -- reported in April,
8 reported that we are doing a financial system update
9 that ran into a bit of a complication. It cost us an
10 additional \$3,000 for that update. And it is completed
11 now, so any problems, we're working with the software
12 on. But the software sales people are helping us. So
13 we had to move \$5,000 within the budget to help support
14 that activity.

15 The other item is \$20,000 for compliance and
16 administration -- excuse me, compliance and
17 enforcement. That money also is being used to support
18 the locality payment accrual for year end.

19 Two other adjustments that were over \$5,000 is
20 we moved money from the capital expenditure line within
21 the Office of Information Management, moved it to the
22 consulting line to help support some additional

1 programming that was needed, some consulting costs to
2 help develop a database for the loan repayment
3 assistance program, and also for LSC's program profile.

4 Also, the national conference, we had
5 originally budgeted \$95,000 for the conference. We
6 came in under budget for the conference, but we had to
7 reallocate within the line. We put the money in
8 consulting and travel costs, as it turned out that
9 costs had to be reallocated for the occupancy line for
10 the rental of space for the conference, and also the
11 audiovisual equipment.

12 So we have moved \$3,000 into the occupancy and
13 \$9,000 into the other operating to help support those.
14 All that came from the consulting and travel lines. So
15 it's all within the budget.

16 I'd be glad to address any particular
17 questions you may have.

18 CHAIRMAN McKAY: Any questions?

19 (No response.)

20 CHAIRMAN McKAY: Charles, do you have anything
21 to add?

22 MR. JEFFRESS: I have an additional comment,

1 Mr. Chairman. David's presented the budget estimates
2 that have been made this year. This quarter thus far,
3 they're noted, but none of those require action by the
4 board.

5 However, we do anticipate a potential need for
6 a budgetary adjustment in the upcoming quarter with
7 respect to our budget shortfall that we expect at this
8 point for FY '09. We have recommended to the executive
9 team that we consider a proposal to Congress to
10 reprogram a portion of the funds that are, in '08,
11 allocated to the loan repayment assistance program,
12 that we reprogram them to the management and
13 administration budget to be able to fund the continuing
14 operation of the compliance and enforcement/compliance
15 oversight/administration and management for fiscal
16 year '09.

17 That reprogramming requires notice to Congress
18 and approval by the appropriations chairman and ranking
19 member of the House and Senate before we can do that.
20 We have to give them 30 days' notice for their
21 consideration. The board, of course, has to approve
22 such a reprogramming request before it being sent to

1 Congress.

2 So while that is not before you because it has
3 not been done, in anticipation of an FY '09 continuing
4 resolution at the FY '08 level and the reduction in
5 reserves that LSC as a result of our flat funding for
6 the past five years and using those reserves to support
7 operations, we're in the position of, for FY '09, not
8 having sufficient funds to fund current operations.

9 With the reprogramming of funds, we believe we
10 will be able to continue operations at the current
11 level, with some significant reductions in other
12 operating costs. Without the reprogramming of funds,
13 we would have to reduce personnel costs and reduce
14 staff in order to live within our '09 budget.

15 So we have no budgetary tests to recommend to
16 you. We do believe we should be approaching Congress
17 for a reprogramming of funds from the loan repayment
18 assistance program to management and administration in
19 order to fund the '09 continuing operations. And that
20 would require board approval.

21 We can discuss that at the moment, or if you
22 prefer, maybe it would make more sense to take that up

1 when we talk about the FY '09 temporary operating
2 authority for the Corporation, as well as John
3 Constance's presentation on the FY '09 appropriations
4 process.

5 But I wanted to give you a heads up at the
6 moment that should we do that and should that be
7 approved, it would necessitate a reprogramming, a
8 budgetary adjustment within management and
9 administration for '08 in order to carry this amount
10 forward.

11 CHAIRMAN McKAY: If we have a continuing
12 operating budget for fiscal year 2009 at the current
13 level, and if we do not make the kind of adjustment
14 that you've just discussed, what kind of a staff
15 reduction would be required to keep us within the
16 budget that we would have to operate under?

17 MR. JEFFRESS: In reviewing the costs in
18 operations for '09, David and I have worked with the
19 office directors to identify costs savings that we
20 could achieve in the '09 budget. Our office directors
21 have identified over \$700,000 in expenses that could be
22 reduced or postponed or avoided in '09, which brings

1 our shortfall, the amount of money that we would need
2 to -- the additional money we would need to find to
3 \$750,000.

4 Well, that was only the first round
5 of additional cuts in non-personnel costs. And we can
6 go back for a second round, and hopefully we'll get an
7 equal amount in the second round. Our estimate is that
8 to achieve a \$750,000 reduction -- and it is a
9 reduction -- that if we have to take that in personnel,
10 we're talking about eight to ten positions, depending
11 upon if there's a severance package offered to people
12 whose positions are eliminated.

13 CHAIRMAN McKAY: And that's what percentage of
14 the total number of positions?

15 MR. JEFFRESS: There are 88 staff on the
16 management and administration side, so that's about a
17 10 percent cut in personnel.

18 CHAIRMAN McKAY: About 10 percent in
19 personnel. So very significant.

20 MR. JEFFRESS: Yes.

21 CHAIRMAN McKAY: So we're facing some pretty
22 stern choices right now if aren't able to make the kind

1 of adjustments that you are wrestling with right now.

2 MR. JEFFRESS: Correct.

3 CHAIRMAN McKAY: All right. Well, very good.

4 Well, these next three items, 5, 6, and 7 on
5 the agenda, really seem to blend together. So I
6 would -- are there any questions at this point? Herb?

7 MR. GARTEN: Although I'm not a member of the
8 committee, I remember hearing yesterday -- I think
9 Lillian had asked about this --

10 CHAIRMAN McKAY: Could you speak into the
11 microphone, Herb?

12 MR. GARTEN: Yes. I recall -- it seems you
13 mentioned a figure of \$400,000, that you identified
14 \$400,000, that the balance that had to be covered is
15 400. Did I hear incorrectly?

16 MR. JEFFRESS: I think perhaps you mistook a
17 figure. The \$400,000 figure that was talked about is a
18 recovery that we've had from a lawsuit about our
19 insurance, our directors and officers liability
20 insurance recovery for the Oregon lawsuit. We've
21 recovered approximately half the legal expenses, in the
22 neighborhood of \$400,000, as a result of that recovery.

1 But the total shortfall in terms of the '09
2 budget for the appropriations amount, which is flat
3 funded, in Congress, and our spending this year
4 was -- our budget this year was \$14.8 million. Some of
5 the difference between the appropriation and the budget
6 is made up of what we carried forward from previous
7 years and by interest.

8 But in terms of what we expect to carry
9 forward this year, the \$400,000 that you mentioned,
10 about \$500,000 in unspent funds from '08, and about
11 \$100,000 in interest projected for next year, the
12 difference in that income plus the appropriation and
13 our current level spending is \$1.4 million.

14 Of that 1.4, as I say, the office directors
15 have so far identified a little over \$700,000 in
16 expenses that could be postponed. But there's still a
17 \$750,000 shortfall.

18 MR. GARTEN: Thank you.

19 MR. FUENTES: Mr. Chairman?

20 CHAIRMAN McKAY: Yes, Tom?

21 MR. FUENTES: Your microphone and Herb's
22 microphone are very clear and loud. But the message

1 coming through from Charles and David is a very
2 garbled, in-and-out pattern and I'm missing half of it.
3 Could you maybe switch microphones or something when
4 they speak or --

5 CHAIRMAN McKAY: Both of them can get the
6 microphone closer to them. And I encourage them to
7 really speak into the microphone for the benefit of
8 Tom.

9 MR. JEFFRESS: It certainly wasn't
10 intentional, Mr. Chairman.

11 CHAIRMAN McKAY: Yes, Bernice?

12 MS. PHILLIPS-JACKSON: Are we discussing 5, 6,
13 and 7 at this time?

14 CHAIRMAN McKAY: We're on 5 right now. We're
15 going to move on to 6 unless there are any questions.
16 But I'm confident that once we get through 5, 6, and 7,
17 everyone will have a very good feel for where we are.
18 And so if you have a question, Bernice --

19 MS. PHILLIPS-JACKSON: I do.

20 CHAIRMAN McKAY: -- please go ahead, then.

21 MS. PHILLIPS-JACKSON: I just was thinking,
22 where are you guys at on revising 2008 FY? If we could

1 see details, or do you need to see details, or do you
2 have detailed reporting on this?

3 MR. FUENTES: Repeat the question,
4 Mr. Chairman?

5 MS. PHILLIPS-JACKSON: I just wanted to know
6 if they have -- I don't have them, but maybe the
7 committee has -- the details before they act on item
8 No. 5.

9 CHAIRMAN MCKAY: David, perhaps you could
10 answer that question, maybe go through the attachments
11 to -- maybe you could hand that to Bernice because I
12 think now I understand what her question is. It's
13 perhaps she did not receive the package that you
14 e-mailed out earlier this week. If you could hand that
15 out to her.

16 Does everyone else have copies of the two
17 July 29 memos from David? You will see that there's a
18 cover memo to each spreadsheet that explains -- that
19 sets forth, I believe, the kinds of details that you're
20 asking for.

21 MS. PHILLIPS-JACKSON: So I -- and I haven't
22 looked at it. Do you see where they're moving money?

1 Are you moving money?

2 CHAIRMAN MCKAY: Yes. And as I understand
3 it, the authority that management has is to make
4 adjustments within the budget less than \$75,000. They
5 can do that without approval of the board. But they
6 should and do report to us every quarter those
7 adjustments, and that's what's contained in the first
8 July 29th memo from David.

9 And he's just given a recitation of what those
10 adjustments are. And attached to that memo is a
11 revised consolidated operating budget, which would
12 reflect those changes, all of which were less than
13 \$75,000.

14 And I believe at this point that it would be
15 appropriate, unless you have more questions or unless
16 anyone else has questions, to consider the resolution
17 that's found at page 136 entitled, "Temporary Operating
18 Authority" -- well, actually, that's jumping ahead.
19 I'm sorry. We don't want to do that yet.

20 Yes. We want to consider and act on fiscal
21 year 2008 revised consolidated operating budget. Is
22 there a resolution for that?

1 MR. JEFFRESS: Since the adjustments thus far
2 are within management's authority to make, there's no
3 need for a board resolution to do that.

4 CHAIRMAN MCKAY: Thank you.

5 MR. JEFFRESS: Should you choose to recommend
6 a reprogramming of the LRAP money, we would need that
7 on that. But again, you'll just want to use that on
8 that when we deal with the FY '09 budget.

9 CHAIRMAN MCKAY: I think that would be the
10 appropriate time. As I've expressed to you, I feel a
11 high level of discomfort personally to address this
12 issue since it's presented to us quite late in the ball
13 game.

14 And I need more time to think about it, and
15 I'm going to recommend to the committee that we spend a
16 little more time and get a more fulsome recitation from
17 you, and that we address it, if necessary, by telephone
18 conference and vote that way rather than having to
19 address it now.

20 MR. JEFFRESS: The issue before us -- and
21 again, I'm sure John Constance is going to go into
22 this -- is to go to the Congress, if necessary, once

1 the board approves it. So we will look for --

2 MS. CHILES: I'm sorry. I am having trouble
3 what's being said. Could you move the microphone
4 closer?

5 MR. JEFFRESS: It's about two inches away.
6 I'll try to speak louder. I'm a little hoarse this
7 morning. I apologize. Is that better?

8 MS. CHILES: Yes.

9 MR. JEFFRESS: All right. If we are to
10 reprogram the LRAP money to cover expenses, if
11 necessary, for '09, the reprogramming is actually of
12 the '08 money. The LRAP money for '08 has not yet been
13 spent. Notices have gone out soliciting interest from
14 attorneys for that money. We expect those decisions to
15 be made in September and those checks to be cut in
16 October.

17 So the '08, fiscal year '08, LRAP money has
18 not been spent and will not be spent until October. As
19 of the first of October, assuming congressional action
20 on a continuing resolution for the federal government
21 for the fiscal year beginning October 1, there will be
22 a replenishment of those LRAP monies of another

1 \$500,000. So the '08 LRAP money is -- will not be
2 spent until October 1, and as of October 1, we will
3 have an additional \$500,000.

4 Our proposal is that that \$500,000 in '08
5 money be reprogrammed to support the '09 costs of the
6 Corporation; that the '09 LRAP money be in fact spent
7 in October of '08 to fulfill our commitment to the
8 attorneys who we expect to apply for the LRAP money.
9 There would be no loss in terms of the action this
10 calendar year for LRAP; we would continue to make good
11 on our promises.

12 If the Congress does not fund the LSC at
13 at least the \$14.5 million for management and
14 administration in '09, it would mean that that LRAP
15 money could not be reprogrammed back, and we would not
16 have the LRAP money for fiscal year '09.

17 We decided this was perhaps the best of the
18 alternatives facing us because with the passage of the
19 Higher Education Act and the establishment of an LRAP
20 program for civil legal assistance attorneys nationwide
21 and the funding of that program at \$10 million,
22 offering people up to \$40,000 over the course of their

1 career as opposed to the \$15,000 or \$16,000 which we
2 currently offer, that would be a far preferable
3 program. We will have demonstrated that the LRAP makes
4 a difference, and the Higher Education Act program
5 would be able to pick up and then fund this at a higher
6 level, and there would not be a need for a continuing
7 LSC LRAP program.

8 So in thinking about the alternatives before
9 us, the reduction in staff versus ending the LRAP
10 program in '09 and having it picked up with the bill
11 that has just passed Congress, our belief was the
12 better alternative was to reprogram the \$500,000 in
13 LRAP money to cover the continuation of our management
14 and program oversight staff in '09.

15 So that's the thought of management. We have
16 not gotten anything in writing to you; unfortunately,
17 it was just this past week that we got a response from
18 the staff at the Capitol Hill that reprogramming would
19 be well received up there should we send it. And we
20 didn't want to come to you with a program that wasn't
21 possible to achieve without knowing that.

22 So we just got that feedback this past week.

1 With that feedback, with the likely funding situation
2 facing us, we believe the appropriate action would be
3 to reprogram some of that LRAP money. Now, as the
4 chair indicated, that could be done at this meeting.
5 It could be done at a later time. But there are some
6 time constraints on us to get this done in time to have
7 an '09 budget that could cover the cost of our staff.

8 CHAIRMAN McKAY: So you're talking about now
9 recommending to the committee -- you are recommending
10 to the committee -- that we make an adjustment in the
11 budget for 2008 to create a savings that we would carry
12 over into fiscal year 2009 to help address the problems
13 that we have.

14 MR. JEFFRESS: That's correct.

15 CHAIRMAN McKAY: Assuming that the continuing
16 operating budget will be flat funded.

17 MR. JEFFRESS: That's correct.

18 CHAIRMAN McKAY: Yes. As I told you, I
19 feel -- I have a real discomfort addressing this kind
20 of an issue on such short notice. On first blush, it
21 seems to make sense. But speaking for myself, I make
22 mistakes under two sets of circumstances: when I drink

1 on the job, and when I do things hastily. And for the
2 record, I haven't had anything to drink this morning.

3 (Laughter.)

4 CHAIRMAN McKAY: I do feel like this is being
5 foisted on us late in the ball game. I understand the
6 explanation. You didn't hear from Congress. But as
7 I've expressed to you, Charles, to David, and to
8 Helaine, I have a significant level of discomfort about
9 how this has come to us.

10 It just seems to me that there was a
11 reasonable possibility that come October 1, we would
12 have been facing flat funding. There is that
13 possibility that either through appropriation or
14 because we would not have a bill, that we would have to
15 operate at the same level that Congress appropriated
16 the funds the last time around.

17 And realizing the carryover was not going to
18 be there because we've been spending it, that we as a
19 board should have been receiving notice of this sooner
20 so we could be thinking about this along with you
21 rather than have to address this.

22 And I've heard from certain members of

1 management that certain numbers were given to us. And
2 of course we've been given numbers. But to
3 realize -- I'm speaking for myself -- I was not aware
4 of the implications that if we receive flat funding,
5 that we would have to make a significant adjustment,
6 the kind of thing that you're recommending here that
7 seems to make sense, frankly, but I'd like more time to
8 think about it, or we might have to cut staff by
9 10 percent.

10 Well, that's the kind of thing I would have
11 liked to have read in a memo, perhaps at our finance
12 committee meeting in April, so we could be thinking
13 about it.

14 So particularly in light of the fact that the
15 education bill passed Congress yesterday -- that's
16 wonderful news -- with that \$10 million provision for
17 LRAP there, this might very well be the way to solve
18 the problem. But speaking for myself, I feel very
19 uncomfortable taking on something like this right now.

20 I would ask that we get a memo from staff
21 setting forth this idea. Let us look at the numbers,
22 and if you need us to make a decision, that we would

1 have to have a telephone conference ten days or two
2 weeks from now after we have a chance to look at it.

3 Now, I'm willing to follow the lead of the
4 collective wisdom of the board, the committee and the
5 rest of the board. But I do feel uncomfortable with
6 having to address this on short notice.

7 And I do want to remind everyone again of
8 something that I thought we had addressed pretty
9 clearly a couple of years ago, thanks to the
10 leadership of committee member Tom Fuentes, and that
11 is a reminder that we need unfiltered information from
12 Mr. Richardson. And David, I want to remind you that
13 if you have a concern, that you tell us.

14 And I just think it's important that you e
15 reminded of that, that management be reminded of the
16 importance, in light of Sarbanes-Oxley, of the new role
17 that board members must play. And that is not to be
18 micromanaging, but we have to be more involved in these
19 kinds of decisions. And that means that we need to
20 know about this stuff and be thinking about this stuff
21 before we arrive at a board meeting.

22 So having said that, I would like to hear any

1 other comments or response. Lillian?

2 MS. BeVIER: Mr. Chairman --

3 MR. FUENTES: I'd like to add something, if
4 I may. This is Tom Fuentes. You have been very
5 articulate, but perhaps also gracious and generous. I
6 share your discomfort, but I also want to express for
7 the record my displeasure, my displeasure sincerely and
8 seriously.

9 I think you have well stated the
10 disappointment of our committee. I want to express,
11 as a member of this finance committee, my total
12 endorsement of that concern. And I think that you're
13 proposing to give us the opportunity to address this in
14 greater depth is very appropriate. Thank you.

15 MS. SINGLETON: Mr. Chairman?

16 CHAIRMAN MCKAY: Yes, Sarah? And I'm sorry,
17 we did not acknowledge your presence. I wasn't aware
18 you were on the line till just a minute ago. But
19 thanks for joining us. Sarah, you have the floor.

20 MS. SINGLETON: Thank you. This is Sarah
21 Singleton. I agree with your comments. I agree with
22 Mr. Fuentes' comments.

1 I also would like to have an opportunity to
2 hear from the public on this particular proposal. I
3 think that this has been an area that has been touted
4 as being one way we are trying to address recruitment
5 and retaining issues. And I'd like to hear whether or
6 not people who are involved with those issues think
7 this is a good way for us to be balancing our budget.

8 CHAIRMAN McKAY: That's a great point. We do
9 need to make sure that the public remains involved in
10 this process as well. And that's a good point. Thank
11 you.

12 MR. MEITES: Just briefly, as an observer, if
13 you're going to defer this to another meeting of the
14 finance committee and presumably the board, that would
15 give the public notice and a chance to prepare remarks
16 of the kind Sarah mentioned.

17 CHAIRMAN McKAY: Exactly.

18 MR. JEFFRESS: Mr. Chairman?

19 CHAIRMAN McKAY: Yes.

20 MR. JEFFRESS: We'll be happy to provide that
21 memorandum that you asked for that has the detailed
22 proposal for the reprogramming. We will get it to you

1 very quickly, as I do think time is important.

2 And I will say for the record that when the
3 board, this finance committee, discussed the FY '08
4 budget for the Corporation, we had a very detailed
5 discussion in the committee about the fact that we were
6 using our reserves, and at the end of FY '08, if we
7 continue to have flat funding -- and this will now be
8 the fifth year of flat funding, where we absorbed pay
9 increases, we have absorbed transportation increases,
10 we have absorbed inflationary increases with the flat
11 funding -- this is now the fifth year of flat funding.

12 We had a very detailed conversation at the end
13 of '08 that we would not have the reserves and we would
14 not be able to continue at current operations. We
15 discussed that when we dealt with the '08 budget, and
16 it has now come to light.

17 It is not something I'm very happy with. The
18 House Appropriations Committee has recommended a \$16
19 million appropriation for management and administration
20 for FY '09. The Senate has recommended at \$13 million
21 appropriation, and they did that in the middle of June.

22 Continuing resolutions are often based on the

1 lower of the House or Senate numbers. One of our
2 considerations in bring this information to the board
3 at the appropriate time was, should the Senate number
4 have been sufficient to carry forward '09 at the
5 operating levels, there would not have been a need to
6 raise a concern of a potential reduction in force and
7 raise employees' concerns and raise public concerns
8 about our continuing operations.

9 With the Senate action in mid-June -- and
10 those who were at the June ED conference will remember,
11 even there, we had very encouraging comments from
12 legislative staff about appropriations for LSC. But
13 once that Senate number came out at \$13 million, it was
14 clear then if the continuing resolution is based either
15 on the flat '08 funding or on the lower of the House or
16 Senate levels, at that point \$13 million would not be
17 enough to continue our operations at the current level.

18 So it was at that point in mid-June it was
19 very clear. Even if the continuing resolution passed
20 at the old House and Senate levels, we were going to
21 have to do something to adjust our '09 budget. And it
22 was at that point that we started asking the directors

1 to identify savings and we started considering
2 alternatives.

3 So again, the committee and the board have
4 discussed the fact that the end of '08 was going to be
5 difficult if we had flat funding. In June, when it was
6 clear that with the action by the Senate we would not
7 have sufficient funding even at the lower of those two
8 levels, we immediately began acting to identify
9 savings, to identify ways to address this issue.

10 And the last quarter of this year, we expect
11 to save more money so we will have additional
12 carryover. I think we're taking responsible action
13 to address the budget of the Corporation and these
14 appropriations.

15 But I appreciate the committee and the board
16 considering this proposal of the reprogramming the LRAP
17 money, and we will get you a memorandum in detail on
18 this issue.

19 CHAIRMAN McKAY: Thank you. I just want to
20 remind management that communication has to be clear.
21 I mean, a sentence like, "We cannot operate at this
22 level," as part of a lengthy presentation of our

1 financial situation is different from saying, "If we do
2 not receive an increase in funding from Congress, we're
3 going to have to make a significant adjustment in the
4 way we operate things or cut staff by 10 percent." And
5 that communication has now been given to us at this
6 time.

7 All I'm suggesting is that kind of
8 communication should have been given to us sooner.
9 And again, I know it's easy to be a Monday morning
10 quarterback, so I want to be as constructive as
11 possible here.

12 But I do want to respectfully suggest that
13 waiting for Congress to act in June is waiting too long
14 because in the spring, it could have been reasonably
15 foreseeable that Congress would have decided to
16 continue to fund us at the same level. And if we knew
17 we couldn't function at the same level and that we had
18 to get an increase, then there should have been, number
19 one, planning sooner, or more importantly, that we be
20 brought into the process.

21 And again, I just want to sensitize management
22 more to the increased role that we must play as board

1 members in the wake of Sarbanes-Oxley. So this is a
2 combination of things here. We're recognizing our
3 enhanced role. We're trying now to constructively
4 communicate to management our recognition of that and
5 our request to management that they accommodate us to
6 make sure we fulfill our responsibilities. So enough
7 said.

8 Lillian, you wanted to say something, too?

9 Okay. Very good. Thank you.

10 Then unless I hear anything further, we'll
11 move on to the next item. Does the committee feel
12 comfortable, then, delaying this request about the LRAP
13 adjustment, waiting for a memo, and I think what I
14 understand the implications being that we get the memo.
15 This would require full board action because it's over
16 \$75,000.

17 And could that be done any time before the end
18 of September? I think you'd like to know sooner. How
19 soon would you like to get a decision from the board?
20 How soon do you need a decision from the board?

21 MR. JEFFRESS: If the decision is to reprogram
22 the money, as long as the decision is taken this fiscal

1 year, that's not a problem. However, should the
2 decision, either the board's decision or Congress's
3 decision, be to deny that reprogramming, then we'd have
4 to proceed with reduction in force. And that requires
5 notice, and it requires planning. So it would be
6 helpful to have a decision as soon as possible.

7 John may have some different comment in terms
8 of the congressional schedule.

9 MR. CONSTANCE: For the record, John
10 Constance, director of government relations and public
11 affairs.

12 The only thing that I would add to that is
13 that under the rules of reprogramming, there's a 30-day
14 notice that Congress is required to be given. And
15 therefore, we're dealing with a September 30 deadline
16 in terms of giving them adequate time within this
17 fiscal year to reprogram money within this fiscal year.
18 So we're dealing somewhat with an August 30 deadline in
19 order to actually have that to them if we're right down
20 to the day of 30 days giving them notice.

21 The way this is done, under the law and under
22 the rules, we're not proposing it to them. We're

1 noticing them on the fact that we are going to
2 reprogram. And then they have 30 days to comment. And
3 the wording usually of reprogramming is, if we don't
4 hear within 30 days, we assume acceptance.

5 So that's the only deadline window that we're
6 really talking about here.

7 CHAIRMAN McKAY: I'm wondering if we could
8 consider the following schedule: that we give
9 management a week to prepare a memo to the committee
10 copying the entire board; that we give a week for
11 public comment, and that we have a meeting of the
12 finance committee, followed immediately by the board,
13 one week later. So that's really a two-week schedule.

14 Let me ask that first of management, and then
15 ask if the committee and the board agrees with that.

16 MR. JEFFRESS: Mr. Chairman, we can get that
17 memo to you within the next few days. It would not
18 take us a week to get you that memo.

19 In terms of public notice, we need to notice
20 the meeting of the committee, and in that Federal
21 Register notice, which has to be published seven days
22 ahead. So a two-week schedule would work for us to

1 achieve that.

2 CHAIRMAN MCKAY: Then that would be -- we can
3 get the memo out early next week, get that out to the
4 public. Give the public at least a week to respond.
5 Give us a day or two to digest the public comment, then
6 have a meeting. And do all that within a two-week
7 period of time?

8 MR. JEFFRESS: Yes.

9 CHAIRMAN MCKAY: How does that sound with the
10 committee?

11 MS. BeVIER: Mr. Chairman, the timing sounds
12 just fine. I'm a little bit uncertain about what
13 exactly the memo is supposed to address. I take it
14 that what you're suggesting is you need to have
15 management give, in writing, the rationale that they
16 have given us here.

17 And then -- I mean, I'm curious to know what
18 just exactly what kinds of positions would be cut, what
19 the personnel implications are, and so forth. But
20 maybe that's too much information. I mean, if it's
21 just simply that we're asking management to put in
22 writing their recommendation, and it's either up or

1 down, is that what you're inviting them to do?

2 CHAIRMAN MCKAY: Yes. What I'm kind of
3 thinking is that if we do not approve the adjustment
4 that they contemplate now, then we would address the
5 next step. That is, they would then -- management
6 would then have to decide what kind of staff reductions
7 or whatever adjustments they would make.

8 MS. BEVIER: Well, it seems to me that in this
9 memo that it ought to be at least made clear to us what
10 the alternative is if -- I mean, if we decide not to do
11 it, what other choices, in a general way, would be
12 confronting the Corporation. Because I don't see how
13 we can say yes or no if we don't have a sense of as
14 compared to what.

15 CHAIRMAN MCKAY: Herb? I agree.

16 MR. GARTEN: Just a question. As long as
17 we're meeting our obligations, and we will be because
18 we will have the funds on October 1, what comments or
19 complaints could the public have if we did this
20 reprogramming?

21 MR. JEFFRESS: Again, our expectation is that
22 the only impact would be, in September or October of

1 '09, potentially not having money for an additional
2 year of LRAP. Because of the pickup of the Higher
3 Education Act, because of the potential, even, that
4 Congress will act and increase the M&A money such that
5 there will be sufficient funds to reprogram the LRAP
6 money back, I think it's a high likelihood that this
7 will not have much impact at all.

8 But to the extent there is an impact, it would
9 be the potential loss of FY '09 LRAP money in October
10 of '09 for attorneys in legal aid programs.

11 MR. GARTEN: But you're meeting your
12 obligations, as far as you're concerned?

13 MR. JEFFRESS: We are meeting the obligations
14 to the public thus far, yes.

15 MR. GARTEN: All right. So if I'm a
16 recipient, it doesn't make any difference to me what
17 year you charge as long as I get my money when I'm
18 supposed to. So what's my problem? I'm a recipient.

19 MR. JEFFRESS: I think that was our analysis
20 as well, that this was a desired recommended course of
21 action.

22 MR. GARTEN: I see it as a paper transaction,

1 personally.

2 CHAIRMAN MCKAY: Then do you want to propose a
3 change to our schedule?

4 MR. GARTEN: I'm satisfied that I understand
5 now what you're doing. It's on the record. If we have
6 the transcript of it, we have something in writing,
7 exactly what it is. And I don't see the need for
8 publication and another meeting of the board on
9 something that to me is obvious. We have to do
10 something about it, and they've come up with a
11 solution. But that's one man's opinion.

12 MS. BeVIER: Mr. Chairman, it seems to me it
13 wouldn't hurt to put it off if there are people that
14 are seriously uncomfortable with doing it. So I think
15 that the timing that you have suggested is appropriate
16 because I could think that it's important that we have
17 a genuine consensus, where everybody is on board and
18 everybody feels like they know what the stakes are and
19 what's appropriate. So I'm comfortable waiting.

20 CHAIRMAN MCKAY: And I agree with you, Herb.
21 I've spent a day talking with folks about this since I
22 heard about it when I got into town late Thursday. And

1 frankly, I haven't been quite comfortable with the
2 recommendation. As I indicated, I do better, frankly,
3 if I have a chance to think about it and look at it.

4 I'd like to have David do a budget adjustment.
5 We could look at the numbers and make sure we feel
6 comfortable with it. So I guess I'd prefer to wait.
7 But I have to say, on first blush, this sounds like a
8 good solution to our problem.

9 MR. GARTEN: I'm very comfortable in waiting.

10 CHAIRMAN MCKAY: Thank you.

11 MS. SINGLETON: Mr. Chairman, if we
12 decide -- this is Sarah Singleton again. If we decide
13 that we are not going to wait but are going to act
14 today, could you at least ask for public comment before
15 we vote on this?

16 CHAIRMAN MCKAY: I think we're going to go
17 ahead and wait unless I hear a screaming objection from
18 someone else here. And that otherwise would have been
19 a great idea.

20 But we're going to, I think, go on
21 approximately a two-week schedule here, giving
22 management the opportunity some time next week to

1 present a memo to us. And we will then schedule a
2 meeting, as consistent as possible with everyone's
3 schedules. And then in that intervening period of
4 time, the public will have the opportunity to comment,
5 and that comment will be shared with us.

6 MR. FUENTES: Do you want that in the form of
7 a motion, Mr. Chairman?

8 CHAIRMAN McKAY: Please.

9 M O T I O N

10 MR. FUENTES: I would so move the chairman's
11 recommended action.

12 CHAIRMAN McKAY: Second?

13 MS. BeVIER: Second.

14 CHAIRMAN McKAY: All those in favor?

15 (A chorus of ayes.)

16 CHAIRMAN McKAY: Opposed?

17 (No response.)

18 CHAIRMAN McKAY: The motion passes. Thank
19 you.

20 MR. JEFFRESS: Mr. Chairman?

21 CHAIRMAN McKAY: Yes?

22 MR. JEFFRESS: I'm not trying to suggest a

1 vote. But Chuck Wynder with NLADA has asked me to let
2 you know that he would like to make a public comment at
3 this time, if you would entertain it.

4 CHAIRMAN McKAY: Sure. Please.

5 MR. WYNDER: Yes, Mr. Chair. I appreciate the
6 opportunity. I just wanted --

7 CHAIRMAN McKAY: For the record, tell us who
8 you are.

9 MR. WYNDER: Sorry. My name is Charles
10 Wynder, Jr., and I'm the vice president of programs at
11 NLADA.

12 CHAIRMAN McKAY: Thank you.

13 MR. WYNDER: And I would like to just inform
14 the committee and the board as well as management that
15 we appreciate the opportunity as the National Legal Aid
16 and Defenders Association to make public comment after
17 looking at and evaluating the impact to programs and
18 staff in the field as it relates to reprogramming of
19 LRAP monies.

20 And it also -- the option would be, the
21 proposing option, would also have an impact potentially
22 on the quality of the services that are rendered to

1 clients. And we would like to be able to evaluate the
2 pros and cons of the impact.

3 And so we appreciate the opportunity because
4 it's not so clear that if you do the one, you don't
5 have an impact for more than just the timing of other
6 monies. We don't know exactly when the other monies
7 for loan repayment that are expected to be in the
8 pipeline will come. That could be a full year.

9 But it could also send a negative signal to
10 our members and your grantees that participate in the
11 LRAP funding. But as I said earlier, it also could be
12 negative to programs and to clients if there's a
13 significant staff reduction.

14 So on behalf of our members, which are also
15 your grantees, as well as us as an institution, we
16 appreciate the opportunity to have a chance to public
17 comment. And we also just wanted to note that we do
18 think it is a significant shift. And it's not just a
19 pro forma type thing in terms of only your coverage
20 level, but it may have an impact that we appreciate the
21 opportunity to weigh in on.

22 CHAIRMAN McKAY: Well, we look forward to that

1 comment. Thank you.

2 MR. FORTUNO: Just if I may, Mr. Chairman,
3 just on a small technical point, while I think it would
4 be preferable to give 30 days notice, strictly
5 speaking, the section of our appropriations act that
6 addresses reprogramming provides that notice be given
7 to the House and Senate committees on appropriations
8 15 days in advance of such reprogramming of funds.

9 So I just want it to be clear that although I
10 think 30 days would be preferable, strictly speaking,
11 the statute requires a minimum of 15 days notice.

12 CHAIRMAN McKAY: Thank you.

13 MR. CONSTANCE: Mr. Chairman, John Constance
14 again. The only thing I would add, it has been
15 affirmatively requested of us by everyone we have
16 talked to on the Hill in discussing this that they be
17 given 30 days, which is standard. And I recognize that
18 our law is different from that, but we have gotten that
19 request.

20 CHAIRMAN McKAY: I think the schedule we're
21 contemplating would be well -- you know, certainly more
22 than 30 days. And that would be great. Thank you.

1 Okay. Anything more on item 5 on the agenda?

2 (No response.)

3 CHAIRMAN McKAY: Item 6, presentation on LSC's
4 financial reports for the third quarter ending June 30,
5 2008. Gentlemen.

6 MR. RICHARDSON: Again, there's a second memo
7 that I transmitted to you. It is also dated July 29th,
8 June financial report. In service of time here, the
9 report shows that we are well within budget this fiscal
10 year.

11 There's two items that I would note for you
12 for the record. That is on page 1, where we talk about
13 basic field, you have a number of grantees that were
14 short-term funded. There has been a decision to fund
15 the California Rural Legal Assistance with a grant for
16 the remaining six months, so that expense will be
17 recognized in July. The other grantees have not
18 received additional funding at this point.

19 The technology grant, I had mentioned before,
20 we have a \$39,000 grant that was returned to the
21 Corporation. Actually, it's a grant that was provided
22 that the last payment was not made, so the money was

1 returned to this line. That was \$39,000. And there
2 was one grant in the middle of this year for \$4,000.
3 So that's the reason there is actually a credit as far
4 as expenses this year.

5 We're on target to provide grants in
6 September, I understand. So hopefully, before the end
7 of the year, the additional -- the \$2.1 million that we
8 have in that line will be spent.

9 The other item, as we talked about, management
10 and administration, we're under budget for this year.
11 But it also shows in the memo that we are spending at a
12 rate currently of \$850,000 more than last year. Also,
13 with the IG budget, they are currently \$613,000 under
14 budget. And they're spending at a rate of \$414,000
15 more than last year.

16 And one item that I'd like to make note
17 of -- it was in the last memo -- and that is that the
18 IG is planning on hiring three staff members this
19 quarter. So their spending will continue to increase.

20 CHAIRMAN MCKAY: Any questions? Or Charles,
21 do you have anything to add?

22 MR. JEFFRESS: Nothing.

1 CHAIRMAN McKAY: Thank you. Any questions?

2 (No response.)

3 CHAIRMAN McKAY: Thank you. Item 7 on the
4 agenda is report on the status of the fiscal year 2009
5 appropriations process. Mr. Constance.

6 MR. CONSTANCE: Thank you, Mr. Chairman. For
7 the record, I'm John Constance, director of government
8 relations and government affairs. My pleasure to meet
9 with you this morning.

10 Congress has started to take action on the
11 FY 2009 appropriations bills. To date, both House and
12 Senate appropriations committees have approved
13 \$390 million for the Corporation's FY 2009 budget, a
14 \$40 million, or 11 percent, increase over current
15 funding levels. Both bills have also carried forward
16 the locality pay language from last year.

17 While both committees approved the same amount
18 for LSC's total funding, there are differences in the
19 distribution of those funds within the appropriation.
20 The largest of these differences is in the management
21 and administration line, which has been mentioned
22 earlier, where the House has recognized our request for

1 additional oversight funding and has recommended a
2 \$3 million increase. The Senate has recommended
3 \$500,000 in additional funding for M&A.

4 Let me give you, just for the record briefly,
5 the breakdown in terms of the two bills in terms of how
6 the sub-allocations are laid out. In the case of the
7 House appropriations bill, it's \$367 million for basic
8 field, \$3 million for our TIG program, \$1 million for
9 LRAP, \$16 million for M&A, and \$3 million for the
10 Office of the Inspector General.

11 In the case of the Senate appropriations bill,
12 it is \$369 million for basic field, \$3.8 million for
13 our technology program, \$1 million for LRAP, \$13
14 million for M&A, and \$3.2 million for the Office of the
15 Inspector General.

16 The Senate bill includes report language that
17 directs \$30 million from basic field grants to be used
18 to provide legal assistance related to homeownership
19 preservation, home foreclosure prevention, and tenancy
20 associated with home foreclosures in the 100
21 statistical areas, as defined by OMB, with the highest
22 foreclosure rates. The House report does not include

1 this provision.

2 Let me back up there, Mr. Chairman. I think I
3 misspoke. The Senate report language includes that
4 language, not the bill itself, which is a significant
5 difference that I'll be happy to answer any questions
6 on.

7 Given the upcoming presidential election, no
8 one is expecting the appropriations process for 2009 to
9 end until some time next year. While the chairman of
10 the House appropriations has said they intend to
11 appropriations bills before July, most of that effort
12 was stalled. I believe one bill will make it to the
13 floor, and that is not our appropriations bill.

14 To date, there's no indication that the Senate
15 will take any further action on the appropriations
16 bills this year, though Senator Byrd has publicly
17 stated his desire to move an additional supplemental
18 appropriations measure before the end of the session.
19 Contents of that bill were made public on Thursday by
20 Congressional Quarterly.

21 Senator Mikulski has added \$37.5 million for
22 LSC in the proposed bill to provide legal assistance to

1 families whose homes are in foreclosure. We will of
2 course keep you informed as soon as we hear about any
3 activity on that or any of the other matters going
4 forward.

5 Mr. Chairman, the president's report, a copy
6 of which, as you know, has been provided to the board,
7 recaps the recent Senate Judiciary Committee hearing on
8 the justice gap. I mention it because it was not only
9 the first oversight hearing on LSC in some time, it had
10 a great deal of content having to do with the resources
11 and the vast need for more investment in civil legal
12 aid for the poor.

13 I'll be happy to answer any questions from the
14 committee.

15 CHAIRMAN McKAY: Thank you very much. Thanks
16 for you good work.

17 MR. CONSTANCE: Okay. Thank you.

18 CHAIRMAN McKAY: The next item is considering
19 and acting on adoption of fiscal year 2009 temporary
20 operating authority, effective October 1.

21 Mr. Jeffress and Mr. Richardson.

22 MR. JEFFRESS: Mr. Chairman and members of the

1 committee, on page 120 -- I'm sorry, 136 and 137 of
2 your book, there's a resolution proposing temporary
3 operating authority for the Corporation for the year
4 beginning October 1.

5 We followed the same process this year that we
6 followed last year. Since your board meeting doesn't
7 occur until the end of October and we'll begin the
8 fiscal year prior to the first of October, we need your
9 authority to keep spending money during October until
10 we present to you a consolidated operating budget for
11 the year, which we will present at the October meeting.

12 The temporary operating authority resolution
13 before you projects the appropriation by Congress at
14 the \$12.5 million level. It projects a carry-forward
15 of about \$500,000 plus the \$400,000 in a legal
16 settlement which is to be forthcoming, half of which
17 we've gotten so far, and about \$100,000 in interest.

18 So this provides temporary operating authority
19 only at the level of the funds which we are assured of
20 at this point, and does not include any reference to
21 the reprogramming of the LRAP money which we discussed
22 earlier.

1 On page 137 is the table that spells out the
2 projected income that makes up this operating
3 authority. And if you'd like, I'd be happy to go over
4 any of the items that are in that table that you would
5 like discussion of.

6 CHAIRMAN MCKAY: I guess I have a question.
7 You say it does not address the LRAP issue that we will
8 be addressing in the next two weeks. But can you go to
9 page 137 of the board book and look at line item III,
10 Loan repayment assistance program, in column 2, 2008
11 carryover.

12 And by looking at this, it appears that this
13 does include the LRAP carryover. Am I misreading that?
14 And can you tell me why it does not?

15 MR. JEFFRESS: I'm sorry. This book, I said,
16 doesn't include it. It includes it in the LRAP
17 account. It does not include a transfer of that money
18 from transfer to M&A. But it does include the LRAP
19 money. It just lives it in the LRAP account.

20 CHAIRMAN MCKAY: And that means it's there,
21 but it is not authorized to be spent in the way you are
22 recommending until the board votes on it in two weeks

1 or so?

2 MR. JEFFRESS: That's correct.

3 CHAIRMAN McKAY: Thank you. Are there any
4 other questions?

5 (No response.)

6 CHAIRMAN McKAY: Do I hear a motion relating
7 to Resolution 2008-007, beginning at page 136?

8 M O T I O N

9 MS. BeVIER: So moved.

10 CHAIRMAN McKAY: Second? Could I get a second
11 on this motion, please?

12 MS. SINGLETON: This is Sarah Singleton. I
13 second it.

14 CHAIRMAN McKAY: Thank you. Discussion?

15 (No response.)

16 CHAIRMAN McKAY: All those in favor of this
17 resolution, say aye.

18 (A chorus of ayes.)

19 CHAIRMAN McKAY: Opposed?

20 (No response.)

21 CHAIRMAN McKAY: The resolution passes. Thank
22 you.

1 Discussion regarding planning for fiscal year
2 2010 budget. And who's going to lead that discussion?
3 Charles?

4 MR. JEFFRESS: Yes, Mr. Chairman.

5 As you know, on October 14th, the finance
6 committee will meet to discuss the proposed budget
7 recommendation to Congress for fiscal year 2010. In
8 past years, management has developed a recommendation
9 and given it to the committee to consider. We will be
10 doing that again this year. In past years, we've also
11 solicited public comment and public input on that
12 decision, and we would propose to do that again this
13 year.

14 A typical process, if it's agreeable to the
15 committee, would be for us to publish a notice in the
16 Federal Register in mid-August that we are considering
17 our budget proposal for 2010, and invite public
18 comment.

19 The committee has indicated an interest in, in
20 addition to that notice, writing letters to interested
21 parties to invite their comment. In particular, we
22 identified seven policy institutes last fall to write

1 to. We would propose to do that again, and invite them
2 to speak.

3 In discussions with the chairman yesterday, or
4 day before yesterday, we had a discussion that there
5 are other organizations that in the past have commented
6 on the LSC budget such as the AARP -- who else did we
7 talk about?

8 CHAIRMAN McKAY: Ag organizations.
9 Agriculture.

10 MR. JEFFRESS: We talked about the possibility
11 of agriculture organizations, approaching an
12 agricultural organization, given Senator Grassley's
13 interest in us, to speak on this as well. And at the
14 direction of the committee, we'd be happy to invite
15 anyone else that you would think would be appropriate
16 to provide public input. I can't guarantee they will,
17 but we'd be happy to invite them.

18 But our plan would be, mid-August, to
19 advertise for public comment; to write directly to
20 those folks that we would like to invite to speak; and
21 for management to prepare a recommendation, and get it
22 to the finance committee the first of October for your

1 consideration at the October 14th finance committee.

2 And that's our plan. I want to make sure that
3 is agreeable to the finance committee.

4 CHAIRMAN McKAY: Questions or comments?

5 MS. BeVIER: Mr. Chairman, I'd just like to
6 ask the staff to send us a list of the organizations to
7 whom we are sending invitations.

8 MR. JEFFRESS: I'll do that, and be happy to
9 add to that if you've got suggestions.

10 MS. BeVIER: Thanks.

11 CHAIRMAN McKAY: Any other questions or
12 comments?

13 (No response.)

14 CHAIRMAN McKAY: The next item is IRS
15 Form 990. I would remind the committee that the
16 chairman of the board is a stern taskmaster. He's
17 asked that we try to complete our business by 10:30.

18 And so I'm wondering, David, if you could give
19 us about a one-minute summary of Form 990, and if we
20 can't complete our discussion, we can put it over. All
21 right? I do want to ask that you highlight the one
22 provision that we discussed yesterday.

1 MR. RICHARDSON: Okay. The 990 is something
2 that is a tax report that we file every year for a
3 nonprofit. This is the first year that it has been
4 changed significantly since 1979. It is zeroing in on
5 being more transparent. It has a great deal more
6 reporting requirements. There's an 11-part core form
7 that we fill out. There's 16 supplemental forms.

8 We provide how much compensation we pay the
9 board of directors, the officers and directors, key
10 people of the Corporation.

11 The item that Mr. McKay is speaking of, we've
12 asked in the past that you give us some information as
13 to the number of hours that you are spending on Legal
14 Services activities. On the form, we provide how much
15 compensation you're receiving. It asks us to provide
16 the average number of hours that you're spending on LSC
17 activities each week.

18 So if you just give us what you're doing
19 monthly, an approximation, a projection, we'd be good.
20 And then we will do the calculation to make it on a
21 weekly basis for the reporting.

22 There's a number of policies that are being

1 changed this year. They're asking us also to report if
2 we have certain policies in place -- conflicts of
3 interest, of which you received training on this
4 morning; whistleblower protection; document retention
5 and destruction. So we will be putting that
6 information together and providing it in the 990.

7 It also asks us to put in place, and requires
8 us to put in place, that this 990 be reviewed by the
9 members of the board who have oversight on this
10 activity.

11 CHAIRMAN McKAY: And we will do that. Thank
12 you, and I do want to invite to the board's attention
13 the fact that we now will need to be putting our time
14 in. And it just seems to me that -- and that's from
15 October 1 to September 30th.

16 MR. RICHARDSON: That is correct.

17 CHAIRMAN McKAY: And since we meet at the end
18 of October, it might make sense for us to gather that
19 time and be prepared to submit it in our October
20 meeting each year. And I don't think it's hard to
21 estimate how much that time is.

22 And if you don't provide it at our October

1 meeting, you will be gently reminded on a weekly basis
2 after that, so that certainly by September 1 or so,
3 David will have that information so he can complete
4 that form in a timely manner.

5 Are there any other questions or comments?

6 MS. BeVIER: I'd appreciate a reminder before
7 the October meeting about getting this information, and
8 the form you want it in and so forth.

9 CHAIRMAN McKAY: That would be great. Thank
10 you.

11 Any other questions or comments?

12 (No response.)

13 CHAIRMAN McKAY: Item 11, consider and act on
14 other business. Is there any other business?

15 (No response.)

16 CHAIRMAN McKAY: Item 12. Is there any other
17 public comment?

18 (No response.)

19 CHAIRMAN McKAY: Will I hear a motion for
20 adjournment at 10:29 a.m.?

21 M O T I O N

22 MR. FUENTES: So moved.

1 CHAIRMAN McKAY: Second?

2 MS. BeVIER: Second.

3 CHAIRMAN McKAY: All those in favor?

4 (A chorus of ayes.)

5 CHAIRMAN McKAY: Opposed?

6 (No response.)

7 CHAIRMAN McKAY: We're adjourned.

8 (Whereupon, at 10:29 a.m., the committee was

9 adjourned.)

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