

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE FINANCE COMMITTEE

OPEN SESSION

Saturday, January 26, 2013

10:33 a.m.

Hyatt French Quarter New Orleans
800 Iberville Street
New Orleans, Louisiana 70113

COMMITTEE MEMBERS PRESENT:

Robert J. Grey Jr., Chairperson
Sharon L. Browne
Martha L. Minow
Father Pius Pietrzyk, O.P.
Robert E. Henley Jr. (Non-Director member)
Allan J. Tanenbaum (Non-Director member)
John G. Levi, ex officio

OTHER BOARD MEMBERS PRESENT:

Charles N.W. Keckler
Harry J.F. Korrell, III
Victor B. Maddox
Laurie Mikva
Julie A. Reiskin
Gloria Valencia-Weber

STAFF AND PUBLIC PRESENT:

James J. Sandman, President
Rebecca Fertig, Special Assistant to the President
Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
Mark Freedman, Senior Assistant General Counsel,
Office of Legal Affairs
Lynn Jennings, Vice President for Grants Management
David L. Richardson, Comptroller and Treasurer,
Office of Financial and Administrative
Services
Jeffrey E. Schanz, Inspector General
Ronald "Dutch" Merryman, Assistant Inspector General
for Audit, Office of the Inspector General
Thomas Coogan, Assistant Inspector General for
Investigations, Office of the Inspector
General
Glenn Rawdon, Program Counsel, Office of Program
Performance
Carol Bergman, Director, Office of Government
Relations and Public Affairs
Carl Rauscher, Director of Media Relations, Office of
Government Relations and Public Affairs
Janet LaBella, Director, Office of Program
Performance
Frank B. Strickland, Non-Director Member,
Institutional Advancement Committee

Chuck Greenfield, National Legal Aid and Defender
Association (NLADA)
Terry Brooks, American Bar Association

C O N T E N T S

OPEN SESSION	PAGE
1. Approval of agenda	4
2. Approval of minutes of the Committee's meeting of October 1, 2012	4
3. Presentation of LSC's Financial Report for FY 2012	5
4. Consider and act on Revised Temporary Operating Budget for FY 2013, Resolution 2013-0XX	5
Presentation by David Richardson, Treasurer & Comptroller	
5. Presentation of LSC's Financial Report for the first two months of FY 2013	29
Presentation by David Richardson, Treasurer & Comptroller	
6. Report of the Selection of Accounts and Depositories for LSC Funds	35
Presentation by David Richardson, Treasurer & Comptroller	
7. Consider and act on submission of LSC's FY 2014 budget request	39
Presentation by Carol Bergman, Director, Office of Government Relations & Public Affairs	
8. Discussion of Committee's evaluation for 2012 and the Committee's goals for 2013	49
9. Public comment	62
10. Consider and act on other business	62
11. Consider and act on motion to adjourn meeting	62
Motions: 4, 4, 29, 60, 62	

1 PROCEEDINGS

2 (10:33 a.m.)

3 CHAIRMAN GREY: I'd ask the members of the
4 Committee to approve the agenda.

5 MOTION

6 FATHER PIUS: So moved.

7 CHAIRMAN GREY: Second?

8 MR. LEVI: Second.

9 CHAIRMAN GREY: All in favor say aye.

10 (A chorus of ayes.)

11 CHAIRMAN GREY: Thank you. And the approval
12 of the minutes of October 1st. I'd ask for a motion.

13 MOTION

14 FATHER PIUS: So moved.

15 CHAIRMAN GREY: Is there a second?

16 MR. LEVI: Second.

17 CHAIRMAN GREY: All in favor say aye.

18 (A chorus of ayes.)

19 CHAIRMAN GREY: Thank you.

20 Presentation of LSC's financial report for
21 2012, and to consider and act on revised temporary
22 operating budget. David Richardson, would you walk us

1 through that?

2 MR. RICHARDSON: Yes, sir. And again, for the
3 record, my name is David Richardson, the Treasurer of
4 the Corporation. I will be referring to page 206. The
5 memo is dated November 26. This was forwarded to the
6 Finance Committee and each member of the Board at that
7 time.

8 The audit had been well underway. These are
9 the final figures for the year. We have reviewed this
10 report at each of the board meetings, and I have also
11 provided written updates during the year. And rather
12 than going through line by line, I would say if
13 anybody's got any questions in regards to the report, I
14 would be glad to answer them for you.

15 CHAIRMAN GREY: Any questions of the
16 Treasurer?

17 (No response.)

18 CHAIRMAN GREY: Okay.

19 MR. RICHARDSON: The revised temporary
20 operating budget is on page 221. This particular
21 report gives you the information on the temporary
22 operating budget that you passed October 1.

1 Since that time, we have new carryover
2 numbers, and what we are doing is coming forward today
3 with a revised budget for you in the amount of
4 \$364,790,462.

5 That includes the carryover numbers from the
6 November 26 memo. They've been reported again on page
7 221. And we've made a few revisions within the budget
8 since that time. I have gone through on page 222 and
9 laid out why there was some differences in the
10 carryover that was in the temporary operating budget in
11 October and now.

12 The key one here that I would go over is that
13 in the third paragraph, we talk about the technology
14 grants. There was \$3.5 million in technology grants
15 awarded for September.

16 However, because there was approximately ten
17 of the grants that needed to be renegotiated at that
18 time, they were not fully awarded and signed off on
19 until later in October and November after the time that
20 we closed the books.

21 So there is a million-dollar increase in that
22 particular line as far as carryover, which is nothing

1 more than a timing difference. The money, like I said
2 in October, November, and December, much of that money
3 has already been awarded to grantees. But it needs to
4 be added to this year's budget to be able to
5 accommodate the spending.

6 Our provision for the acceptance of
7 contributions is also met with this particular report.

8 We received two gifts last year that I need to report
9 to the Board. We've used that money to increase our
10 grants from other funds available, and that is shown in
11 paragraph 2, right above the one for technology.

12 We received a grant, or a contribution, from
13 the Tribe Charitable Foundation of \$500 last year. And
14 we received \$100 from our insurance broker, CIMA. And
15 I've used those monies to increase the grants from
16 other funds available.

17 As a further word, in December we got an
18 additional \$500 from the Tribe Foundation. And of
19 course, we'll include that in a report to you later.
20 But just to make you aware of the money that has come
21 in and where it is being used to support the delivery
22 of legal assistance.

1 One other key thing with this particular
2 report -- we had comments last year about the research
3 initiative. We have received two grants from the
4 Public Welfare Foundation. One was for \$17,000; one
5 was for \$276,000. It was a total of \$293,000.

6 We spent a little bit of it, but we have set
7 up a separate line within the budget to account for
8 those. And we will report the spending of that
9 research money separately and keep you apprised of how
10 the money is being used and how it is being spent.

11 We did have an increase in the amount of
12 carryover of \$683,000 for management and grants
13 oversight. Each year I always try to estimate somewhat
14 low and then be able to add money to the budget.

15 This year some of the spending that normally
16 occurs late in the year did not occur, mainly in our
17 computer purchases and some other initiatives that were
18 just delayed until this year. Now that we have a Chief
19 Information Officer, some of that money is starting to
20 be spent. And that will actually be reported in
21 January with the spending that has just begun.

22 The Inspector General had an increase there

1 also of \$123,000 in their contingency. The money was
2 used to increase their contingency line also, which
3 will help them support their budget planning for this
4 year and next year and possibly the year after as we
5 review the spending each month.

6 Then we look at the multi-year budgeting or
7 multi-year planning process. The IG looks at his
8 office, and we continue to look at ours very closely as
9 we report to you.

10 There were three increases -- actually, four
11 increases -- to our temporary operating budget per
12 lines. In the Executive Office, there was not enough
13 money put in the budget for a Chief Development
14 Officer; we need to increase that \$94,000.

15 We have a small adjustment of \$10,000 for
16 Legal Affairs for a new research initiative that they
17 would like to undertake, a subscription service.

18 Government Relations, we have --

19 CHAIRMAN GREY: What is that? What does that
20 mean?

21 MR. RICHARDSON: There's a new service that
22 they've looked at that will help them research

1 regulations, grants -- not grants, but --

2 MR. LEVI: Is it online?

3 MR. RICHARDSON: It is an online subscription.

4 CHAIRMAN GREY: I see. Okay.

5 MR. RICHARDSON: And it's to help them to be
6 more efficient.

7 MR. LEVI: That's what we --

8 CHAIRMAN GREY: I just -- it just -- that's
9 fine.

10 MR. LEVI: I thought for a subscription to a
11 journal, it was a little high.

12 MR. RICHARDSON: No. It's just to help them
13 be more efficient in their operations.

14 Government Affairs, one of our employees,
15 Treefa Aziz, has an opportunity to have a fellowship at
16 the Brookings Institution, and we need a replacement in
17 that particular office while she is serving in that
18 capacity. So we've increased the Government Affairs
19 budget \$77,500 for that need.

20 Then we had some personnel compensation and
21 benefits needed for Human Resources and Information
22 Technology in respect to two recent employee departures

1 from the Corporation.

2 I'll be glad to answer any questions that you
3 may have. But what we're trying to do is on page 225,
4 we have a resolution in regards to the revised
5 temporary operating budget.

6 CHAIRMAN GREY: Any questions of the
7 Treasurer?

8 MR. TANENBAUM: Yes. This is Allan Tanenbaum.
9 Several questions.

10 One, with regard to the carryover number, can
11 you give some perspective on how this number of 11
12 million against an operating budget compares to
13 previous year carryovers? Is this abnormal? Is this
14 about what has occurred over the last number of years
15 in terms of percentage of the budget?

16 MR. RICHARDSON: It's actually a little bit of
17 an increase. Last year the budget -- and let me turn
18 back here; there's so many numbers I don't try to
19 remember them all -- but we had carryover last year of
20 like \$4.5 million. This year -- and of course, we use
21 that in creating the next year's budget. This year it
22 increased \$1.3 million.

1 FATHER PIUS: I just want to say, it struck
2 me, too. I mean, the carryover is about a quarter of
3 the budget for us, and it's about a third -- for the
4 MG&O budget, and about a third of the Inspector
5 General's budget. I mean, these seem large.

6 I guess it's my -- I've raised the point
7 before. But I'm just kind of raising it again and
8 thinking out loud. They just seem rather large amounts
9 to me. But there you go.

10 CHAIRMAN GREY: Mr. President?

11 PRESIDENT SANDMAN: I can respond to that.
12 They are large, and there's an explanation for it. I
13 think it's a temporary phenomenon.

14 When I --

15 FATHER PIUS: How temporary?

16 PRESIDENT SANDMAN: A couple of years. When I
17 joined the Corporation two years ago, the Board had
18 just recently appointed the Fiscal Oversight Task
19 Force. It became apparent to me pretty quickly that
20 there were likely to be some organizational changes
21 within the Corporation that would require a different
22 form of staffing and additional expertise.

1 I wanted to be very cautious in filling
2 vacancies in our organizational chart that arise while
3 that structure was being worked out. I didn't want to
4 be doing additional hires to fill an organizational
5 chart that might shortly be outdated. The Task Force
6 did, in fact, recommend a restructuring of the
7 Corporation and the development of additional
8 expertise, particularly in the fiscal area.

9 The budget that we had for last year and the
10 budget we'd developed for the fiscal year we're now in
11 did not reflect Lynn Jennings' input. It doesn't
12 reflect assumptions about exactly what positions we're
13 going to be creating and filling.

14 But I thought it was important to retain
15 flexibility to do that in right way. So I anticipate
16 that over the course of the next year, we will make
17 significant progress in implementing the
18 recommendations of the Task Force, particularly in our
19 reorganization, and that we will begin to spend down
20 that carryover.

21 But this is going to be a process that will
22 take some time. It's not going to be a one-time thing,

1 where we hire some people and say, done. I think we'll
2 need to have the benefit of some experience with the
3 reorganization to see whether we've done it right.

4 But I take responsibility for the carryover,
5 the volume of the carryover, in the MGO budget because
6 it reflects my conservatism in filling vacancies
7 during a period of transition in the Corporation.

8 MR. TANENBAUM: Well, after we get to some
9 state of normal, would you expect that number on the
10 current funding levels that we've been receiving to be
11 in the -- and I don't want to put words in anybody's
12 mouth, but would normal be in the 3- to \$5 million
13 range? Two- to \$4 million range?

14 What would be the expectation based on
15 experience over the last ten years, fifteen years, of
16 how the Corporation operated? I'm just trying to get a
17 feel for an expectation. If this number is uniquely
18 high, what would be operating normal in a corporation
19 like this?

20 MR. RICHARDSON: It would certainly be a lower
21 carryover. It has grown --

22 MR. LEVI: You mean for the carryover?

1 MR. TANENBAUM: For the carryover, yes.

2 MR. RICHARDSON: For the carryover. It has
3 grown in recent years. In the last two years, it's
4 grown. Even the years prior to Jim's coming into the
5 office of President it had grown for a number of years
6 because of people leaving the Corporation, and then the
7 time it takes to hire new staff. But it has grown
8 steadily.

9 As far as answering the question as far as
10 future, how we see this spending down, it is just going
11 to be basically how quick we can implement the
12 reorganization. We have started hiring.

13 We're in the process of hiring one of the
14 offices, or positions, that's here, is the Chief
15 Development Officer. There has been interviews started
16 with that. So once we get that person on board, it
17 will start a spend-down of some of the money.

18 Additionally -- but that is also in the budget
19 already. If this budget were to remain status quo, we
20 want have 3.2 million carryover going into next year.
21 So that's the contingency that we have right now.

22 So we're going to have a two-year, maybe

1 three-year, spend-down of this carryover.

2 MR. TANENBAUM: The other question, with
3 respect to the Herb Garten Fund. Is the carryover a
4 function of not being able to solicit and identify more
5 recipients, beneficiaries, of the fund? Or is it
6 merely the amount of money that we need to pay the
7 existing lawyers who are eligible for the fund?

8 MR. RICHARDSON: The carryover money that we
9 have here, and I have a little chart in anticipation of
10 that question --

11 (Laughter.)

12 MR. TANENBAUM: And I didn't give you that
13 question beforehand.

14 MR. RICHARDSON: No, sir. There was no
15 prompting. We have \$1.6 million in carryover. All of
16 this money is allocated to recipients except
17 approximately \$36,000.

18 What we do is we take an amount -- we usually
19 get about a million dollars. We know that there's
20 going to be some attrition, some dropout. So we award
21 an amount, but we set the amount aside the next two
22 years so that we can fulfill that commitment.

1 So we're always looking forward. We've always
2 got an amount of carryover. And at this point, because
3 of the attrition, it's a little higher than normal. If
4 it was exactly on schedule, it would be \$1.47 million.
5 We're at 1.63.

6 We've already started spending down some of
7 the additional money because we identified
8 people -- let's face it, with the cut of our funding,
9 it's normally your young attorneys, when there's a
10 layoff in the field, that is being laid off. Those are
11 the people who have been getting some of the LRAP
12 through the years. So the amount had grown.

13 So we've already gone in and done an analysis
14 to look at it. We awarded \$120,000 of this difference,
15 the 1.47 to -- it would be \$160,000. So we've already
16 awarded 120,000 of that.

17 We do another analysis. It's underway right
18 now. I actually talked to the gentleman who does this
19 in OPP earlier in the week. They're in the process of
20 reviewing this now to see if we can spend it down a
21 little further. But currently, it's just \$36,000 that
22 is not encumbered with a name beside it right now.

1 MR. TANENBAUM: And the last question that I
2 had about the carryovers, I was curious about the two
3 small contributions that we received, one from the L.H.
4 Tribe Foundation -- which I presume but don't know that
5 may be Professor Tribe -- of \$500.

6 But from a finance standpoint, is there any
7 reason why we couldn't solicit the L.H. Tribe
8 Foundation, who I assume has the same concerns that the
9 Corporation has, for a meaningfully -- a more
10 significant contribution for a specific purpose, that
11 might be the loan repayment or things that perhaps the
12 professor might be interested in?

13 But is there any reason to say, "Thank you for
14 \$500," but not see if we can finance other things by
15 soliciting in a more direct way that foundation and
16 others who I would presume have similar interests to
17 this Corporation?

18 MR. RICHARDSON: I'll attempt to answer that,
19 and anybody can jump in. We've basically been looking
20 at raising money, and that's one of the reasons we're
21 looking at the Chief Development Officer function.

22 We just have not started any type of

1 soliciting at this point. If we do, we're going to
2 have to register in particular states to make sure that
3 we follow all the rules and regulations of these
4 states --

5 MR. LEVI: We don't have to register in 50
6 states because we're not going to be -- I think we
7 should register in the big states. And then if we
8 decide we're raising money in Utah, we'll figure that
9 to ne. But I don't think we need to go that crazy. We
10 should register where it's appropriate.

11 MR. RICHARDSON: And that's one of the things
12 that we'll talk about with the Chief Development
13 Officer. We've already contacted an individual who
14 handles this for his business, and it's like \$135 to
15 register a state. So we've started that process, but
16 just waiting to move forward with it.

17 MR. LEVI: Well, I think we should probably
18 pretty quickly register in New York, Illinois,
19 California, and Washington, just to name a few. Maybe
20 Florida.

21 MR. TANENBAUM: Massachusetts.

22 MR. LEVI: Massachusetts, yes. Now, where is

1 the Tribe item? What page is this? 222?

2 MR. TANENBAUM: It was on page 222, the second
3 paragraph.

4 MR. LEVI: I just asked Martha, what's the
5 extent of his foundation?

6 (Laughter.)

7 CHAIRMAN GREY: He has more than \$500.

8 MR. LEVI: So any time a foundation raises its
9 hand and gives us money --

10 MR. TANENBAUM: We should ask for more.

11 MR. LEVI: -- I think that's an invitation to
12 ask for more, yes. Absolutely.

13 MR. TANENBAUM: I would think.

14 MR. LEVI: Just as it's dangerous to complete
15 your pledge.

16 MR. MADDOX: Mr. Chairman, I have a question.

17 CHAIRMAN GREY: Vic?

18 MR. MADDOX: I don't understand the \$77,500.

19 Can somebody explain that to me? If we're moving
20 somebody from Office of Legal Affairs to take these
21 duties, why do we need another \$77,000?

22 MR. RICHARDSON: Just to align the spending to

1 the office. So we're moving somebody from Legal
2 Affairs to Government Affairs, but we're also going to
3 be hiring into Legal Affairs. So --

4 PRESIDENT SANDMAN: We plan to hire a temp.
5 We have advertised for a person on a contract basis to
6 fill that gap. We may well be able to do it for less
7 money than that. That money, that amount, is based
8 simply on the salaries of the people that we're talking
9 about currently.

10 MR. MADDOX: So we're paying the salary for
11 Treefa Aziz to do this Hill work? Is that it?

12 PRESIDENT SANDMAN: Yes. The way the
13 fellowship works, she was selected for a fellowship
14 that gives her the opportunity to work in an office on
15 Capitol Hill and get exposure that we think will be
16 beneficial to the Corporation in the work that she does
17 in Government Relations.

18 DEAN MINOW: Has she agreed to stay for a
19 certain period of time after that?

20 MR. MADDOX: I mean, what a great resume
21 boost. I mean, personally I find this inappropriate.
22 I mean, I appreciate that there will be experience

1 gained. When I went to work on the Hill, I took a huge
2 salary cut because it was a great opportunity.

3 Personally, Jim, I just think that there is
4 not dollar-for-dollar value. I think it's
5 inappropriate for us to be paying the salary of someone
6 to go work on Capitol Hill and then have to hire
7 somebody to replace her.

8 That's my personal view. And if I had an
9 opportunity to vote against it, I would.

10 MR. LEVI: Does the Brookings Institution make
11 any contribution to this?

12 PRESIDENT SANDMAN: No.

13 MR. LEVI: They just arrange it and put their
14 name on it?

15 PRESIDENT SANDMAN: Carol might be able to
16 speak to it in more detail. But this is a
17 well-established, prestigious fellowship program that
18 has approximately 40-some participants.

19 MS. BERGMAN: Thanks. Carol Bergman, Director
20 of Government Relations, for the record.

21 The Brookings Foundation runs a congressional
22 fellowship program that's competitive, that people

1 apply for. And there are approximately 90 people
2 involved in the program this year from throughout the
3 government, including federal agencies and independent
4 agencies.

5 What they do is set up a several-week
6 intensive training program and shepherd the process of
7 the various persons finding places to work on Capitol
8 Hill. Almost everybody is a senior-level person who's
9 been working in government for a number of years, and
10 it's an opportunity to do something different and bring
11 it back to your place of employment.

12 Both Jim and I spoke extensively with Treefa,
13 when she was interested in applying for this, about the
14 fact that this only made sense to us if she was
15 planning on really returning very seriously to Legal
16 Services.

17 From her perspective, she was not looking to
18 move on at all. She saw this as an opportunity to
19 really gain experience and develop relationships, in
20 particular, with the Appropriations folks on both sides
21 of the Hill, and with leadership, and that her
22 priorities were going to be to try and identify a

1 position with the Appropriations Committee in either
2 the House or the Senate. And she had every intention
3 of coming back.

4 It was about building up her ability to do
5 work on behalf of LSC. It was not looking as something
6 to move on at all. And both Jim and I felt like there
7 was no question that that was her commitment, and that
8 there would be enormous benefit to the Office of
9 Government Relations and our ability to advance Legal
10 Services' agenda moving forward.

11 Obviously, there's a personal advantage to a
12 person who's picked. It is a very competitive program,
13 is my understanding. And it seemed that the value to
14 us in the long run of what this would give to us moving
15 forward in terms of our ability to really advance our
16 agenda on Capitol Hill made it worthwhile.

17 It's a seven-month program, and it started at
18 the beginning of January.

19 CHAIRMAN GREY: Thank you.

20 Julie?

21 MS. REISKIN: I was just wondering what
22 happens with the LRAP program when someone, a young

1 attorney, is laid off? Do they then lose the -- I
2 mean, what are the rules around that? Because I
3 thought they had to be worked for a legal services.

4 But when they're laid off through no fault of
5 their own, I would hate to see them lose their job and
6 then lose -- like do they have to pay it back? What
7 happens?

8 MR. RICHARDSON: The way the program is
9 currently working is, there is a selection process.
10 It's for October 1 through September 30th.

11 At the end off the first six months, at the
12 end of March 31st, the employee and the executive
13 director of the program that they work for certifies
14 that they're an employee in good standing. We then
15 give them half the money.

16 Then at the end of September, they again have
17 to certify that they're an employee in good standing,
18 and we're supposed to get that by October 31st. And
19 then we write them a check, and it's always looking
20 back. It's not a prepayment.

21 When we originally set it up, it was a
22 prepayment. There were instances where we asked people

1 to pay it back when they left, some to go to law firms,
2 to different jobs. Some were laid off.

3 When we looked at those, we looked at if there
4 were -- because of no fault of their own, we looked at
5 their status at that point. If they were an employee
6 of good standing, then we did forgive the majority of
7 the loan up to the point where they were laid off. So
8 they did not have to pay all of it back.

9 But we've tried to be very humane about it as
10 far as looking at all the information, and run it with
11 due diligence to make sure that we are spending
12 corporate funds in the best way forward.

13 MR. HENLEY: Mr. Chairman, this is Bob Henley.
14 I'd like to make quick comment.

15 CHAIRMAN GREY: On the phone?

16 MR. HENLEY: Yes. Mr. Chairman, this is Bob
17 Henley. I'd like to just go back to the Government
18 Relations matter for a moment. A quick question.

19 Was any consideration given to having the
20 employee enter into an agreement with the Corporation
21 whereby, if in fact she did not return or returned only
22 for 30 days, some short period of time, that she would

1 have an obligation to pay back some or all of the
2 salary amount that was paid? That's a practice that
3 we've used in my firm over the years.

4 CHAIRMAN GREY: Carol?

5 MS. BERGMAN: We did not discuss that. I
6 think that it's a very good idea, and I actually think
7 we could still execute such an agreement with her at
8 this point if that were appropriate to do so. Jim?

9 MR. HENLEY: I think it just demonstrates that
10 you're really looking after the organization's funds.

11 MS. BERGMAN: No. Absolutely. No, I
12 appreciate the situation. My understanding, the way
13 the program works is that each agency bears the cost,
14 obviously, of their professional staff person's
15 fellowship.

16 MR. HENLEY: Right.

17 MS. BERGMAN: But I think that's a very good
18 idea.

19 MR. HENLEY: Thanks.

20 CHAIRMAN GREY: Thank you, Bob.

21 Vic?

22 MR. MADDOX: I think that I would like to

1 request the Management approach Treefa and negotiate,
2 or better yet, demand that kind of an agreement. I
3 mean, trust but verify.

4 PRESIDENT SANDMAN: We'll do that. We did
5 have the discussion with her on what I regarded as a
6 very professional basis about what her intentions were.
7 But we will do that.

8 MR. LEVI: You could write it up as a
9 memorandum of understanding.

10 MS. BERGMAN: No. Absolutely. We'll do it
11 immediately.

12 MR. LEVI: And typically, those are -- you ask
13 for a couple of years.

14 MR. HENLEY: Yes. Some period of time that
15 makes sense.

16 MR. LEVI: Now, you have to be careful because
17 it's also employment at will, so it's not a guarantee.

18 CHAIRMAN GREY: I think that all of those
19 suggestions are very helpful, Mr. President. I think
20 we're on the same page.

21 Any other questions or comments?

22 (No response.)

1 CHAIRMAN GREY: Mr. Treasurer? I wanted to
2 see if he has anything else to say.

3 MR. RICHARDSON: Not on this particular topic.

4 CHAIRMAN GREY: All right. The Committee is
5 asked to consider a resolution for a revised temporary
6 operating budget and special circumstance operating
7 authority for fiscal year 2013 on page 225. Is there a
8 motion?

9 M O T I O N

10 FATHER PIUS: So move.

11 CHAIRMAN GREY: Thank you, Father.

12 Is there a second?

13 DEAN MINOW: Second.

14 CHAIRMAN GREY: All in favor say aye.

15 (A chorus of ayes.)

16 CHAIRMAN GREY: Opposed, no.

17 (No response.)

18 CHAIRMAN GREY: Mr. Treasurer?

19 MR. RICHARDSON: Okay. On page 230, we've got
20 the November report. And again, I won't go through it
21 completely. This is similar to the report that you get
22 each month. It shows the spending in each of the

1 budget categories. I report the budget, the variance
2 to each line.

3 On page 232, the variance that we have with
4 MGO, I've laid out the open positions that we currently
5 have, signifying that there's a footnote here that the
6 Chief Information Officer was hired. The gentleman,
7 Peter Campbell, started on January 2nd. So that
8 position is currently filled.

9 We are in the process, as Jim has talked about
10 with the reorganization -- we have already posted for
11 two fiscal oversight analysts. We anticipate those
12 being of auditor type to look at the audits and
13 expenses of our grantees, and start the training
14 process as they come in. But the other two will be
15 staged in later in the year, and that's the way they're
16 budgeted. So they're not budgeted for the full year.

17 Basically, to go back, our basic field grants
18 are given January 1st to December 31st. So there's no
19 expenses in this period, but there will be expenses
20 reported to you in January.

21 I mentioned the technology before. We have
22 contained in here \$440,000 for the technology awards.

1 There have been five at this point, and there's
2 actually a couple more in December; so we'll start
3 seeing that spent down also.

4 I've identified other things such as the OIG
5 carryover, and they've actually looked at the report on
6 this also. And as we go further in the year, we will
7 continue to report our spending, our variances, and I
8 hope to provide you even more information in regards to
9 visits by our different offices so that you can be more
10 fully aware of the activities dealing with our
11 grantees.

12 If you have any questions? MR. TANENBAUM:
13 I've got a couple. I appreciate this is only two
14 months, and it's only through the end of November. But
15 based on what you've seen for December and year to
16 date -- or month to date -- in January, are there any
17 surprises that we will see when we get the December and
18 January reports?

19 Has anything come back during that time that's
20 not reported yet that would be a surprise to you?

21 MR. RICHARDSON: It is not. What I try to do
22 is if there's anything that is a surprise or some

1 additional reporting -- for instance, on page
2 231 -- when I wrote this report, I provided how much
3 the grant awards were we had made at that point for
4 January.

5 So I try to look forward and give you a report
6 on what the current status is as far as the current
7 month. But if there's any additional expense or large
8 expenses that are coming up, I try to make you aware of
9 those also.

10 MR. TANENBAUM: The other question I'd direct
11 to the President. In terms on 232 of the open
12 positions, I'm assuming that it's your present thinking
13 that this particular head count once you've filled
14 these positions is, we look forward to the next couple
15 of years.

16 We won't see an additional number of open
17 positions owner by attrition -- we won't see a
18 substantial number of newly created positions, as you
19 have here.

20 I understand these were in response to the
21 Fiscal Oversight Task Force, some of the
22 recommendations, which created new positions. You

1 don't anticipate that we're going to have this number
2 of new positions as we --

3 MR. LEVI: Well, there might be some arising
4 out of the Pro Bono Task Force, too.

5 MR. TANENBAUM: Right. Right. But other than
6 that, in terms of just business as usual operations,
7 this particular organizational chart with these open
8 positions, you expect to be able to fulfill your
9 mission?

10 PRESIDENT SANDMAN: Well, I'd anticipate
11 having additional positions beyond this, or possibly
12 some different positions. For example, we do plan to
13 fill the four fiscal oversight analyst positions that
14 are listed here.

15 But in terms of the program analysts, the
16 other positions, I think, are still -- they may be
17 affected by our reorganization. I think our
18 reorganization could result in the creation of
19 additional positions that are not reflected here.

20 MR. TANENBAUM: And that, as we go forward
21 over the next couple of years, would result in an
22 increase in the amount of that line item. Right?

1 PRESIDENT SANDMAN: Yes. It would result in
2 an increase in head count, yes.

3 CHAIRMAN GREY: Charles?

4 MR. KECKLER: Yes. I was just doing a quick
5 calculation. But if you have a more specific
6 calculation, it sort of look to me, eyeballing it,
7 there's about \$2 million in compensation and benefits
8 expenditure for those listed positions.

9 Is that the approximate thinking?

10 PRESIDENT SANDMAN: Yes.

11 CHAIRMAN GREY: Further questions? Father?

12 FATHER PIUS: I'll keep following up on that a
13 little bit. I assume that will mean some changes to
14 this budget as we go. Is there existing
15 funds -- because the reason I'm asking is if you look
16 at suspending the date, the variance over last year is
17 the biggest change in the executive portion. It's
18 almost double what we spent, and that's almost entirely
19 due to compensation and benefits.

20 PRESIDENT SANDMAN: Yes.

21 FATHER PIUS: And that seems to -- it will
22 increase even more in the upcoming year. And are the

1 budget allocations sufficient to deal with what we
2 might expect those, or do we think we're going to have
3 to make some significant changes in upcoming meetings?

4 PRESIDENT SANDMAN: I think the budget
5 allocations are sufficient on the Executive line. In
6 what the OPP and OCE lines, they may change. But I
7 think we can work within the total amount that we have
8 budgeted.

9 CHAIRMAN GREY: Other questions?

10 (No response.)

11 CHAIRMAN GREY: Mr. Treasurer?

12 MR. RICHARDSON: There is no resolution with
13 that particular item. But as we move to the next one,
14 we have been talking about the selection of our
15 accounts and deposits, depositories for LSC funds.

16 CHAIRMAN GREY: That's item No. 6 on the
17 agenda.

18 MR. RICHARDSON: And page 244, I have a
19 writing in here. We have been talking with Mr. Grey,
20 Jim and I in regards to an annual reporting that needs
21 to occur. We have discussed our banking needs. We
22 currently are with Bank of America and Wells Fargo

1 Bank.

2 To give you a bit of history, beginning in
3 September -- excuse me -- December of 2010 until
4 December 31, 2012, any funds in a non-interest-bearing
5 account were covered by FDIC insurance. This was
6 actually discussed, or brought up to extend it in
7 December, and it received no support.

8 So basically what we have to do is to set up a
9 way of protecting our funds. Our bank asked us to
10 deposit our money for our grants two days prior to
11 transmitting them. That amounts to about \$30 million a
12 month that sits in a bank sometimes two, three, four,
13 days.

14 So what we have done, in discussions with both
15 banks, is to set up a sweep account. We are setting a
16 target balance that's under the FDIC limit of 250,000.

17 We've set the limit at 245 in one bank. We've set it
18 at 248 in the other.

19 Any money over that amount will be swept into
20 a mutual fund that purchases only government-backed
21 securities. It is not FDIC-insured, but that's the
22 only thing that's available to us. The fund itself is

1 backed by the full faith and credit of the government.

2 So that's what we were looking for in setting this
3 particular item up.

4 We've gone through and had many discussions.
5 I actually started this last June with the banks,
6 anticipating this. After Thanksgiving, we had further
7 discussions. We had meetings on it.

8 Jim and I had a couple of conversations with
9 the Bank of America in regards to how they were
10 handling it. They were originally suggesting that we
11 go one way because of the way it was reported in 2009
12 in our financial statements.

13 I will just say that probably
14 within -- hopefully, it will not involve a credit risk
15 issue that came out of the 2009 audit because we have
16 been assured that both these funds are backed by the
17 full faith and credit of the government.

18 But that's just something we'll have to look
19 at, is to make sure that they report it correctly, and
20 work with them so that it'll be reported correctly in
21 our audit. Because that's one of the things that the
22 auditors do review annually.

1 This is something that, based on Board
2 Resolution 2012-003, that we're going to do annually.
3 And I'll be glad to answer any particular questions
4 that you may have at this time about that.

5 FATHER PIUS: This is Father Pius. I assume
6 that the administrative and management costs of these
7 sweep accounts are small, very small?

8 MR. RICHARDSON: It's \$150 a month to do this.

9 CHAIRMAN GREY: That much?

10 MR. RICHARDSON: And I can tell you we
11 probably will not earn enough interest to cover that.

12 PRESIDENT SANDMAN: I would like to clarify
13 one thing. The funds themselves are not backed by the
14 full faith and credit of the government. They invest
15 in vehicles that are backed by the full faith and
16 credit of the government.

17 CHAIRMAN GREY: As Chair of the Finance
18 Committee, I'd like to let the Board know with great
19 assurance that Jim as President and David as Treasurer
20 have been most diligent about examining every
21 possibility to conserve and preserve the funds of the
22 association (sic) with the highest degree of guarantee

1 for any catastrophic financial failure that could
2 occur. I'm convinced that they have done everything
3 that is humanly possible to find those vehicles that
4 will protect the funds of the association.

5 But it is at this point that they have been,
6 and at their own initiative want to be, transparent
7 with the Board about the approach that they're taking.

8 And I concur in their desire to do that.

9 Are there any further questions about that
10 item?

11 (No response.)

12 CHAIRMAN GREY: Mr. Treasurer?

13 MR. RICHARDSON: I will ask Carol Bergman to
14 come up in case you have any particular questions. But
15 we don't have a resolution that is on page 257 in
16 regards to the 2014 appropriation request.

17 MS. BERGMAN: Mr. Chairman, I'd like to make a
18 presentation before we get to that.

19 So I know that the agenda says that we're here
20 to talk about FY '14. But since FY '13 has not been
21 resolved for the government as a whole, I thought we
22 would briefly talk about where things stand.

1 You may remember that Congress on September
2 28th passed, and the President signed into law, the
3 continuing resolution for Fiscal Year 2013. So it
4 funds everything, including LSC, for six months,
5 through March 27th.

6 So everything is operating at an FY '12
7 budget, which for LSC was 348 million. The CR actually
8 included a small increase of .612 percent, which is
9 divided across the board for all federal agencies,
10 including LSC. So that gives us a total of 350.1
11 million, the increase of about 2.1 million on an
12 analyzed basis from FY 2012.

13 The CR did not include any legislative
14 language regarding the distribution of basic field
15 grants based on changes in the poverty population, as
16 determined by the U.S. Census Bureau. So that's been
17 an ongoing issue, to try and ascertain at what point
18 language can be inserted into whenever there is
19 actually a budget.

20 Although it is possible that there's going to
21 be an omnibus bill for funding the rest of 2013, I
22 think it's highly unlikely. The expectation is that

1 there is going to be another CR that will be enacted
2 for the rest of the year.

3 The only question is whether or not the CR
4 will continue at the same level. It's obviously being
5 wrapped up into conversations about the debt ceiling
6 and about sequestration.

7 There's been much conversation in the House
8 about introducing a CR with across-the-board cuts. So
9 it's unclear how that's going to play out moving
10 forward at this point.

11 On the most positive note, as you've heard,
12 the Hurricane Sandy disaster relief supplemental
13 appropriations that initially passed in the Senate in
14 December includes \$1 million for legal services
15 programs that were affected by the storm. The House
16 voted on it on January 15th, and the final bill that
17 passed the House does include the \$1 million for LSC.

18 There was an amendment by Congressman Duncan
19 of North Carolina to strip out the LSC funds, which was
20 defeated. There were a number of amendments to cut the
21 broader package for Hurricane Sandy.

22 Every amendment was defeated, but actually,

1 the amendment to strip out LSC funds was defeated by
2 the larger margin of only 15 votes. But almost every
3 member from the New York and New Jersey and Connecticut
4 delegations voted against the Duncan amendment.

5 The Senate is expected to take up the
6 legislation on Monday afternoon, and there is only one
7 amendment that has been ruled in order, which is about
8 creating offsets. So there's nothing that is aimed at
9 LSC in particular so the expectation, obviously, is
10 that then this will move forward.

11 So then we move to 2014. So in August, the
12 LSC Board voted to request a congressional
13 appropriation of \$481 million for 2014. The resolution
14 that Dave is referring to is to add an increase line of
15 \$5 million for the Pro Bono Innovation Fund. The Pro
16 Bono Innovation Fund proposal is in your board book on
17 page -- it's attached, I think, to -- it's right before
18 the resolution -- 254.

19 The Pro Bono Task Force report was issued in
20 October, with a series of recommendations. And one of
21 those recommendations was the creation of an innovation
22 fund to promote creativity in expanding legal

1 assistance across the country.

2 In response, after reading it -- and folks may
3 recall that our Appropriations Subcommittee Chairman,
4 Frank Wolfe, was at the release of the report on
5 Capitol Hill.

6 After he and his staff looked at the report,
7 they came back to us and asked us if we would include a
8 request for funding the Innovation Fund in our 2014
9 budget submission moving forward.

10 So that's what the proposal reflects. And it
11 has been completed in consultation with Appropriations
12 staff, who have found this very exciting. The idea is
13 that the purpose is to establish a competitive grant
14 program to invest in projects that identify and promote
15 innovations that are replicable in pro bono for the
16 benefits of eligible poverty populations.

17 It would be modeled on the TIG program.
18 That's why we want a separate line item, so that it
19 doesn't get included or merged with basic field grant
20 funding.

21 In our discussions with OMB and the White
22 House regarding the 2014 budget submission, we've

1 talked about this. Everybody thinks this is a great
2 idea moving forward.

3 I think that's the basic introduction for
4 this. And that would lead us, then, to the
5 resolutions. We're asking the Board to adopt that
6 resolution moving forward for the 2014 budget request.

7 The only other thing I would say is that, as
8 folks know from following what's going on, at this
9 point sequestration has been delayed until March 1st.
10 The debt ceiling has now been delayed by four months,
11 with the recent vote. As I said, the continuing
12 resolution is set to expire March 27th.

13 Legally, the White House budget is supposed to
14 go up to Capitol Hill on February 4th. This year it's
15 the first Monday in February. There certainly will be
16 a request for an extension. It's unclear at this point
17 what the date of that submission is; folks on the Hill
18 are not expected this until the end of February or
19 March or later.

20 So it's hard to imagine, frankly, that there's
21 going to be much conversation about 2014 until they've
22 resolved the other issues regarding '13 and what's

1 going on financially. But given that the State of the
2 Union is now scheduled for February 12, we're certainly
3 talking it's something significantly later than that.

4 There have been a few changes in the new
5 Congress that we are certainly following up on.
6 Obviously, lots of new members for us to meet, but the
7 only thing I want to mention is we have a new Ranking
8 Member in the House on the full Appropriations
9 Committee, Nita Lowey from New York, who's been a
10 strong ally of legal services.

11 There are a couple of small changes on our
12 appropriations subcommittee. And the other big change
13 is in the Senate. Folks, I'm sure, have paid
14 attention -- Senator Barbara Mikulski is now taking
15 over the chair of the Senate Appropriations Committee.

16 She has decided to hold onto the chair of the
17 Subcommittee on Commerce, Justice, and Science, so she
18 will continue to be the chairperson for our
19 Appropriations Subcommittee.

20 Senator Shelby is the ranking in the full
21 committee of appropriations in the Senate. They have
22 not reorganized yet, so it's not been clear who is

1 going to be the Ranking Member on our Appropriations
2 Subcommittee.

3 In the House, there's been a bit of a change
4 with the jurisdiction of the Judiciary Committee, which
5 involves our oversight. Historically, Legal Services
6 has come under the oversight jurisdiction of the
7 Subcommittee on Courts that's chaired by Howard Coble.

8 This time, the Committee has decided to
9 reorganize their subcommittees, and the Subcommittee on
10 Constitution now includes Civil Justice. And they have
11 not made public yet what the exact jurisdictional
12 changes are, but we are expecting that it's very likely
13 that Legal Services will now be encompassed within this
14 Subcommittee rather than the Subcommittee on Courts.

15 If that's true, the Chairman is Trent Franks
16 from Arizona. The Ranking Member is Jerry Nadler from
17 New York. But the staff have a request in to the
18 parliamentarian in the House for a ruling on
19 jurisdiction, and the House is sponsored to make public
20 their expectations and intentions in the next week or
21 so.

22 Happy to answer any questions.

1 CHAIRMAN GREY: Are there questions from the
2 Committee?

3 MS. BROWNE: This is Sharon.

4 CHAIRMAN GREY: Sharon?

5 MS. BROWNE: Can I ask a question on the Pro
6 Bono Innovation Fund proposal? You mentioned, Carol,
7 that the number came up, went through the
8 Appropriations staff. Can you go through some of the
9 thoughts behind a \$5 million figure as opposed to some
10 other one, what we hope to achieve?

11 I know when we were going through our 2014
12 budget appropriation request, it was fully documented.

13 There was a lot of discussion on what we were supposed
14 to achieve. And this just seems to be a number that's
15 being thrown out there.

16 So can you elaborate for me?

17 PRESIDENT SANDMAN: Sharon, this is Jim. I
18 can respond to that question.

19 Our goal with the fund is to stimulate
20 innovation and to be able to fund the projects that we
21 think are worthy in an amount that will allow them to
22 be implemented.

1 So we have to be able to offer grants that are
2 considered meaningful by the grantees if they're going
3 to make the effort to apply for them, and then if the
4 grants are going to have any impact.

5 If you were to assume, hypothetically, that
6 each of our grantees might get a grant out of the \$5
7 million, that would be an average grant of \$37,313,
8 which isn't a lot of money. If you were to assume that
9 only one-quarter of the grantees were to get grants out
10 of this innovation fund, the average grant would be
11 \$125,000.

12 We don't have any experience yet with this
13 fund to know how many applications we might get and
14 what the cost of them might be. But I think \$5 million
15 is a reasonable number in light of those parameters and
16 in light of what our experience with TIG has been.

17 MS. BROWNE: Thank you.

18 MR. LEVI: And it's not a perfect world. But
19 this is consistent with the TIG line item, and seems to
20 be the level at which there is comfort for our
21 proposal. Frankly, to come in too low, I don't know
22 much -- I don't think we want to be in a position of

1 promising an innovation fund, then have it be too low
2 to do anything meaningful.

3 To me, it's not an exact science. We can talk
4 about what the development role might be to try to
5 match some of that. But we need a meaningful
6 enough -- and we've got Chairman Wolf's and others'
7 attention here. This is an opportunity that's not
8 going to come around that many times.

9 CHAIRMAN GREY: Sharon? Does that answer your
10 question?

11 MS. BROWNE: Yes. That answers my question.

12 My other concern is that this is 2014. Is
13 there any way that we can start working on this in 2013
14 instead of having to wait? On the Pro Bono Task Force,
15 there were numerous people who we talked to who had
16 innovations that they had implemented.

17 MR. LEVI: Yes.

18 MS. BROWNE: And it seems to me that what we
19 should be doing is not just relying upon an innovation
20 fund, but should be also looking at some of those
21 people who we talk to and see if we can't push out some
22 of their innovation ideas to other grantees.

1 MR. LEVI: Very well said.

2 CHAIRMAN GREY: Martha?

3 DEAN MINOW: I also have a question about the
4 innovation fund. It's drafted. It seems to imply
5 applications from grantees to operate in their local
6 communities, with partners in their local communities,
7 which is obviously a great model.

8 But there are other models that could include
9 collaborations across grantees. And I wondered about
10 whether it could be adjusted to permit that as well as
11 collaborations that may leverage some private funds.

12 CHAIRMAN GREY: Mr. President?

13 PRESIDENT SANDMAN: Following the TIG model,
14 we have had joint applications in the past that we have
15 funded. So I think that we would be able to do that
16 within this model without having to amend it.

17 DEAN MINOW: Well, one followup question, and
18 it relates to Sharon's comment. With TIG, quite
19 appropriately, we were bottom-up. In this area, we
20 have some thoughts based on our prior work.

21 So even this idea of collaborations across
22 groups, there might be ones we would want to nudge,

1 encourage, solicit, push. And I just would want to
2 make sure that it's written in a way that doesn't
3 preclude the direct involvement of LSC National in the
4 development of the projects.

5 PRESIDENT SANDMAN: Absolutely. And there,
6 too, we have experience with the TIG model, where each
7 year, when we send out the request for proposals, we
8 identify focus areas that we're particularly interested
9 in.

10 The signal is that if you submit an
11 application within one of our areas of focus, it's more
12 likely to be funded than something else might be. And
13 we would expect to exercise similar direction in this
14 context.

15 MR. TANENBAUM: You know, to follow up --

16 CHAIRMAN GREY: Whoa, whoa, whoa, whoa, whoa.

17 MR. TANENBAUM: I'm sorry.

18 CHAIRMAN GREY: Sharon, are you okay? Sharon,
19 does that answer your question?

20 MS. BROWNE: Yes, it did.

21 CHAIRMAN GREY: Julie?

22 MS. REISKIN: Yes. While we're talking about

1 this, especially with this innovation, I would hope
2 that we would make sure that there were adequate funds
3 made available for evaluation, either by us contracting
4 with some national evaluator, or making sure that each
5 grant has an independent evaluation component, not just
6 the typical nonprofit thing of -- I mean,
7 self-evaluation's always good and always important and
8 should always be there.

9 But again, if we're going to be modeling and
10 making data-driven decisions -- and evaluations aren't
11 cheap, especially if we're looking at innovation;
12 that's where they're so important -- and it's got to be
13 there from the beginning, and there's got to be money
14 for it.

15 So that's just a comment, really. But we
16 should think now about, do we want a national
17 evaluation firm that will be available? Or do we want
18 to let each grantee find something -- and again, I
19 don't have a thought one way or another. I just think
20 we need to start thinking about that as soon as
21 possible.

22 PRESIDENT SANDMAN: The proposal, as we've

1 written it, does include an evaluation component. But
2 it doesn't get into any detail about how we would go
3 about accomplishing that.

4 I think we have the flexibility to do it in a
5 number of ways. I'd like to see what the applications
6 are and what kinds of projects we're talking about
7 before trying to prejudge what evaluation model might
8 work best. We might want to evaluate different grants
9 in different ways.

10 MR. TANENBAUM: Robert?

11 CHAIRMAN GREY: Yes, Allan?

12 MR. TANENBAUM: I think we're at a unique
13 place. And I think this is different than the
14 technology grants in this respect.

15 My sense is that the organized bar, both on
16 the state, local, and even the national level, are
17 concerned about the training that newly admitted
18 lawyers are going to be getting because they are not
19 employed or they are underemployed.

20 They're joining together to form groups to
21 practice law with none of the mentoring or the teaching
22 that has occurred traditionally in law firms. And

1 state bars in particular are looking out and realizing
2 that there could be some huge problems in the
3 profession.

4 So they are thinking about how they can get
5 these lawyers with some appropriate mentoring, some
6 work, that our grantees certainly could provide under
7 appropriate circumstances.

8 The point is that they're willing to put some
9 money up behind working on this problem, which we could
10 use this fund to leverage through challenge grants,
11 that if people other than the grantee puts up some
12 money, or our grantees, like state and local bars, in
13 some challenge grant to solve the larger problem that's
14 of concern to the organized bar, but solve our problem
15 of not having enough staff.

16 So if there's a way to incorporate in the
17 details the ability to have challenge grants with folks
18 other than LSC grantees right now, I think it could
19 open up some opportunities and some thought process by
20 the LSC grantees to go and try to jointly develop a
21 program with the organized bar where they would have
22 some skin in the game as well.

1 CHAIRMAN GREY: Thank you.

2 Father?

3 FATHER PIUS: One of the things I've raised
4 again, and I understand we're winding it down, but the
5 size of the MG&O budget and the carryovers that were
6 existing every year. And the provisions for this
7 include that 5 percent of the fund go to Management.
8 That's \$250,000 on top of the \$19.5 million we're
9 already asking, which is still way above anything we
10 ever spend every year.

11 I would suggest that we either remove the
12 management fund and manage it under existing funds,
13 which I think are more than sufficient, or that we
14 transfer it.

15 That is, we reduce our request for the MG&O
16 budget from 19.5 million to 19 million and an overall
17 request dropped by 500,000, conveying to the Congress
18 at the same time our commitment to this by decreasing
19 our management fund to transferring it, in a sense, to
20 the innovation fund. So that's sort of my thoughts on
21 this.

22 CHAIRMAN GREY: Well, I think it's a

1 worthwhile consideration.

2 MR. LEVI: Wait. The question is, are we
3 allowed to pay the Management out of the carryover?

4 CHAIRMAN GREY: Well, I don't --

5 FATHER PIUS: Or existing --

6 MR. LEVI: Or the existing --

7 PRESIDENT SANDMAN: Yes. We are allowed to do
8 that. We could do that. The fact is that, based on
9 the TIG experience, we are going to have to assign
10 staff specifically to administer this grant program.
11 We currently have three, four full-time-equivalent
12 people administering the TIG program, which is a
13 small -- that's \$3 million.

14 So if we do that, we're making a permanent
15 commitment that we're going to fund three or four
16 full-time positions to run this program. Those
17 positions have got to come from somewhere. I think
18 that that might come at the expense of our ability to
19 beef up our fiscal oversight capacity.

20 CHAIRMAN GREY: Well, here's my thought, which
21 is -- and I actually thought about what you just
22 articulated. I do think this is also far enough down

1 the road that we're going to learn a little bit more,
2 as we have each year, as we make adjustments going
3 forward.

4 But inasmuch as this was through great
5 encouragement, I think, by the Congress that we don't
6 cut off our nose to spite our face at this moment, but
7 to acknowledge that there was congressional support for
8 the idea, that adding it as opposed to neutralizing it
9 at this particular moment gives us and points out its
10 uniqueness to the budget.

11 I think that, not to tie Jim's hands, but to
12 suggest that flexibility at this moment gives him the
13 opportunity to come back to us with further thinking
14 about what you just said, and that is, if there's an
15 opportunity to be fiscally thoughtful and responsible
16 in the administration of the use of funds, that we can
17 exercise that and ask that question at the appropriate
18 time as well, if that's okay.

19 FATHER PIUS: Yes. Actually, I almost didn't
20 even raise the idea because of Carol's mention of the
21 closeness to which she had discussed this with
22 Appropriations and their commitment to this already.

1 So that weighs heavily on me as well.

2 But I did want to voice publicly my ongoing
3 concern. For example, every time we get a cut from
4 Congress, what's cut? Field, and not Management. And
5 that bothers me. If our grantees have to sacrifice, I
6 think we need to be willing to sacrifice where we can,
7 especially for something like this. And conveying that
8 to Congress, you know, is -- it was an idea.

9 But it's an ongoing issue for me and it's an
10 ongoing concern for me with regards to budget
11 allocations generally. And I understand that much of
12 that is limited by Congress and Congress's insistence
13 that these be large, and in my view, sometimes overly
14 large. But it's still a concern.

15 CHAIRMAN GREY: I think all of us agree with
16 that, actually. And so I think our diligence with
17 regard to further modifications of the budget also, or
18 we also continue to ask ourselves that question.

19 Vic?

20 MR. MADDOX: Yes. I just want to publicly
21 associate myself with Father Pius's remarks. I mean, I
22 appreciate you doing it for me. But I think it's a

1 very important point.

2 I think this goes back to my concern for
3 effectively increasing the congressional relations
4 budget by \$77,000 for a seven-month period. I think
5 that's a lot of money. And I think that if that
6 \$77,000 were available for a grantee, that's two
7 lawyers, maybe, or lots of paralegals.

8 We're talking about an 8.2 percent
9 across-the-board cut, which is actually the law as we
10 sit here today. And it will become reality on March
11 1st. There's a lot of gamesmanship going on in
12 Washington. And so far, the Republicans in Congress
13 haven't shown the capacity to actually impose a cut,
14 but that's what the law says.

15 It just seems to me that with these kinds of
16 numbers, which are -- I don't know of a corporation
17 that, in the private sector, would say, okay. We're
18 going to take -- in times of shrinking budgets and
19 rising costs, we're going to take \$77,000 out of our
20 payroll and donate it to another organization,
21 effectively, on the hope that in future years we'll see
22 more productivity from that employee.

1 So I agree with Father Pius. I also recognize
2 the need for flexibility. I certainly don't mean to
3 question Jim Sandman's leadership or good faith in
4 these decisions. And I haven't given it the kind of
5 thought that, obviously, you and the Finance Committee
6 have.

7 I appreciate your leadership. I just want to
8 make it clear that I feel like belts need to be
9 tightened, and it doesn't seem like the Executive
10 Office is showing much in the way of cinching in the
11 belt.

12 CHAIRMAN GREY: Thank you.

13 We have exceeded our time, Mr. Chairman. I
14 think you've heard some concerns --

15 MR. LEVI: But you need to have a vote on
16 that.

17 CHAIRMAN GREY: I realize that. Thank you for
18 your observation of that need.

19 (Laughter.)

20 CHAIRMAN GREY: Is there a motion?

21 M O T I O N

22 DEAN MINOW: So move.

1 CHAIRMAN GREY: Is there a second?

2 FATHER PIUS: I second.

3 CHAIRMAN GREY: All in favor?

4 (A chorus of ayes.)

5 CHAIRMAN GREY: Mr. Chairman, I think we
6 have -- I will make one comment before I conclude, and
7 that is with regard to our evaluation.

8 It does reflect that -- and I think this is
9 sort of in keeping with the comments of Father Pius and
10 Vic Maddox that really regular oversight by the
11 Committee itself with regard to the expenditures of the
12 Corporation should be very regular, and that those
13 discussions should be with regard to a continuing view
14 of being thoughtful as conservators of this fund that
15 we have in front of us.

16 That observation was made in the evaluations.

17 And so I'm going to charge the Treasurer with
18 scheduling those calls on a regular basis for us, and
19 that each time a report for our consideration on the
20 entire finances of the association is distributed, that
21 it accompany a conference call to discuss the very
22 expenses and revenue items that we should be paying

1 attention to.

2 With that, Mr. Chairman, I will ask Father
3 Pius for his --

4 FATHER PIUS: Move to adjourn this committee
5 meeting.

6 MR. LEVI: You haven't had public comment.

7 FATHER PIUS: Oh, no, no, no. That's all
8 right.

9 CHAIRMAN GREY: That's where I thought you
10 were going.

11 Is there public comment with regard to the
12 Finance Committee's report?

13 (No response.)

14 CHAIRMAN GREY: Father Pius?

15 M O T I O N

16 FATHER PIUS: Move to adjourn.

17 CHAIRMAN GREY: Is there a second?

18 DEAN MINOW: Second.

19 CHAIRMAN GREY: All in favor say aye.

20 (A chorus of ayes.)

21 (Whereupon, at 11:45 a.m., the Committee was
22 adjourned.)

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