


MEMORANDUM

TO: The Finance Committee
FROM: James J. Sandman 
DATE: July 13, 2012
SUBJECT: LSC's FY 2014 Budget Request

LSC Management recommends that the Finance Committee consider a budget request of \$470 - \$490 million for Fiscal Year 2014.

Last year, LSC requested \$470 million for Fiscal Year 2013. We project that the number of people eligible for civil legal assistance will increase by 1,537,000 persons (2.34 percent) from 2012 to 2014. If we were to increase the FY13 request by 2.34 percent, the total would be \$481 million.

All indications are that the justice gap has continued to grow. The size of the population eligible for civil legal assistance is at an all-time high and projected to increase between now and FY2014, while other funding sources have, on a national basis, diminished. Our recent survey of LSC grantees, described in detail below, paints a bleak picture of the impact of the 2012 funding cuts on our grantees and their ability to deliver legal services.¹ At the same time, we recognize that the United States is facing enormous budget pressures. As much as we might prefer to ask for the funding required to close the justice gap, we believe that such a request would be dismissed out of hand. We believe it is important that LSC's budget request reflect our awareness of federal budget realities if we are to maximize our effectiveness in discussions with the Administration and the Congress regarding LSC's budget.

Last month, members of the public presented their recommendations for the Corporation's FY 2014 budget request to the Finance Committee. Recommendations were submitted from:

- National Legal Aid and Defenders Association (NLADA) – \$516.5 million.
- Standing Committee on Legal Aid and Indigent Defendants (SCLAID) of the American Bar Association – \$470 million.
- Conference of Chief Justices and Conference of State Court Administrators – no specific amount requested; "...we urge LSC leaders to seek from Congress and the President a FY 2014 appropriation that is substantially above LSC's current appropriations level."

¹ See Appendix 7.

- Economic Policy Institute – no specific amount requested, but recommended LSC ask for increased funding with the goal of returning to the per capita funding levels from 1980. In 1980, we spent about \$27 per poor person to subsidize legal services; today we spend only \$9, about one-third as much.”²

The chart below shows LSC’s current funding level, House and Senate proposed funding for FY 2013, the Administration’s FY 2013 request, and the LSC Board’s request for FY 2013.

Budget Category	FY 2012 Appropriation	FY 2013 House Mark	FY 2013 Senate Mark	FY2013 President’s Request	FY2013 LSC Request
Basic Field	\$322,400,000	\$302,400,000	\$376,800,000	\$376,800,000	\$440,300,000
TIG	\$3,400,000	\$3,400,000	\$3,000,000	\$3,000,000	\$5,000,000
LRAP	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
MGO	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	\$19,500,000
OIG	\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000
Total	\$348,000,000	\$328,000,000	\$402,000,000	\$402,000,000	\$470,000,000

Basic field grants continue to represent the largest component of LSC’s overall budget. At approximately 94 percent of the total LSC budget, basic field grants were distributed to 135 grantees in 2011 to help address the civil legal needs of low-income Americans. Consistent with previous years, LSC Management recommends that the same percentage of that overall budget be allocated to basic field grants for FY 2014.

Growing Poverty Population

The size of the population eligible for civil legal assistance – Americans with incomes below 125 percent of the federal poverty line – is at an all-time high and is projected to grow in the coming years. Appendix 1 shows the growth in the size of the eligible population in recent years and the projected increases through 2014. In 2012, the number of people projected to qualify for legal assistance is 65.6 million. These Americans have incomes of no more than \$13,963 for an individual and \$28,813 for a family of four. The threshold amounts have increased significantly from 2010, when an income of \$10,830 for an individual, and \$22,050 for a family of four qualified for civil legal assistance.

² The most recent Census Bureau data (2010) show 46.180 million people in poverty (<100%); \$27 x 46,180,000 = \$1,246,860,000. The projection for 2014 is 49.678 million x \$27 = \$1,341,306,000. 125% would be greater: 2014 eligible projection is 67.164 million x \$27 = \$1,813,428,000.

The following table shows the annual percentage increases in the size of the eligible population between 2010 and 2014.

Persons Eligible for Civil Legal Services 2010-2014 ³		
Year	125% Poverty Population (in millions)	Percentage Increases from Prior Year
2010	60,443	---
2011	64,655*	7.0%
2012	65,627*	1.5%
2013	66,607*	1.5%
2014	67,164*	0.8%

* Projected

We believe that an increase in LSC's FY 2014 budget request compared to the FY 2013 request is appropriate in light of these numbers.

Effect of Relocation of Poverty Population on Funding Distribution

As the committee is aware, changes in the location of the poverty population since the last funding redistribution in FY 2003 will result in significant reallocations of basic field funding among program service areas. Appendix 2 shows the change in the eligible poverty population from 2000 to 2010 by state. Appendix 2A shows the change in anticipated LSC funding due to the shift in the eligible population. For example, although the eligible population in California increased by 1.4 million from 2000 to 2010, the change in California's share of the overall poverty population decreased by 8.3 percent during those years. As a result, California will see a decrease in its share of LSC funding by \$3.3 million, assuming total LSC funding at current levels. The eligible population in Florida increased by 1.4 million from 2000 to 2010, a 16.4 percent increase in Florida's share of the nation's poverty population. As a result, Florida will receive an additional \$2.8 million, assuming funding at current levels.

As Appendix 2A shows, the reallocation will cause eleven states, the District of Columbia, and Puerto Rico to lose more than 10 percent of their share of basic field grants. We believe that the Committee should consider the magnitude and impact of these losses in recommending a FY 2014 budget request to the Board.

Because the 2010 decennial census did not provide poverty data, LSC asked the Congress in its FY 2013 budget request to change the current law to allow data other than the decennial census to be used to determine the location of individuals in poverty. While the Congress has not made a final decision at this time, the House FY 2013 Commerce, Justice, Science and Related

³ 2010 data from U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements. 2011-2014 estimates based on 2010 and prior year data from U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements; Emily Monea and Isabel Sawhill, "An Update to 'Simulating the Effect of the 'Great Recession' on Poverty," The Brookings Institution, September 13, 2011, Figure A; and U.S. Census Bureau, Population Division, Table 1-C. Projections of the Population and Components of Change for the United States: 2010 to 2050 Constant Net International Migration Series (NP2009-T1-C), Release Date: December 16, 2009.

Agencies appropriations bill includes language eliminating the decennial census requirement for distributing LSC grants. The bill permits LSC to use other poverty data as determined by the Census Bureau and allows a reallocation among geographic service areas every three years. The Senate version does not include any language with respect to the census adjustment. Our conversations with House and Senate congressional appropriations staff lead us to anticipate that this will be resolved in accordance with LSC's request in the House/Senate conference on the final bill.

Continued Impact of the Great Recession

Nationwide, LSC grantees continue to report increased demand for legal services and an inability to meet those demands because of inadequate resources. The economic recovery continues to be slow and tenuous, with unemployment holding steady above 8 percent.⁴ The long-term unemployed—those who have remained jobless for 27 weeks or longer – constitute almost 43 percent of all unemployed.⁵

Foreclosure rates show little sign of abating, with the monthly rate increasing by 9 percent in May 2012 from the previous month to one in every 639 housing units. Several metropolitan areas showed much higher rates – one in 224 in Atlanta, and one in 179 in Riverside-San Bernardino, CA.⁶ One in eight mortgages is delinquent or in foreclosure. Sixty-three percent (50 of 79) of LSC's grantees identified increased demands for assistance on foreclosure issues as the single greatest change in the legal problems on which clients sought assistance in 2012.⁷

Due to funding cuts, LSC-funded programs eliminated a total of 696 FTE positions from 2010 to 2011, a 7.7 percent reduction. This includes a loss of 254 attorneys (5.8 percent), 167 paralegals (10 percent), and 275 other staff (8.9 percent). Appendix 3 illustrates the staffing trends of LSC grantees from 2008 to 2011. The reductions in staffing led to the closure of fewer cases by LSC grantees. In 2011, LSC grantees closed 32,589 fewer cases—a 3.5 percent reduction – compared to the previous year. Appendix 4 illustrates the trend of cases closed related to helping Americans during the recovery for the period 2008-2011.

“Clients are already becoming more frustrated as they attempt to access our services. They can't understand why, when they qualify based on income, we are not taking their case. They can't understand why it takes us over a week to return a phone call. Staff is very demoralized as they face increased client demand with no resources. Staff feels as though they are being forced to make decisions on cases that are not in the client's best interest – such as

⁴ Unemployment was 8.2% in May 2012, virtually unchanged from 8.1% in April. Bureau of Labor Statistics, Economic News Release, [stats.bls.gov/news release/empsit.nr0.htm](http://stats.bls.gov/news.release/empsit.nr0.htm).

⁵ Id.

⁶ “U.S. Foreclosure Activity Increases 9 Percent in May,” RealtyTrac, June 14, 2012.

http://www.realtytrac.com/content/foreclosure-market-report/us-foreclosure-activity-increases-9-percent-in-may-7238?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+foreclosure-market-report-rss-feed+%28RealtyTrac+Foreclosure+Market+Report%29. “Home Foreclosure Rates on the Rise Again,” Sarah Childress, Frontline, June 14, 2012. <http://www.pbs.org/wgbh/pages/frontline/business-economy-financial-crisis/money-power-wall-street/home-foreclosure-rates-on-the-rise-again/>.

⁷ See Appendix 7.

either turning away a case with merit or providing telephone advice only when extended representation would clearly be the better choice.”⁸

Veterans and military families continue to represent a growing population in need of civil legal assistance from LSC grantees. The percentage of all veterans living in poverty has increased significantly in recent years, rising from 5.4 percent in 2007 to nearly 7 percent in 2010. In all, more than 1.4 million veterans are living in poverty, with more than 1 million additional veterans at risk of slipping into poverty.⁹

Other Funding Sources Continue to Drop

As the poverty population continues to grow, and as LSC-funded programs report increased requests for help with civil legal matters, the slow economic recovery has placed enormous financial pressures on an array of resources that traditionally support civil legal services.

LSC’s funding has dropped from \$420 million in FY 2010 to \$348 million in FY 2012—a reduction of \$72 million, or 17 percent. LSC’s current appropriation is equivalent to its FY 2007 funding level, despite a 29 percent increase in the number of people eligible for civil legal services since then. In addition to the cuts in grants from LSC, grantees have seen their non-LSC funding sources drop as well. Overall, funding from non-LSC sources dropped by nearly \$12 million, or 2.2 percent, between 2010 and 2011. Appendices 5 and 6 illustrate total funding sources of LSC grantees from 2008 to 2011.

The national numbers obscure wide variations in the funding picture across the states. Total funding nationally from non-LSC sources declined in 2011 by 2.6 percent from 2010, but two states had losses of more than 20 percent. Forty states saw decreases in non-LSC funding between 2010 and 2011.¹⁰ Given that the Federal Funds Target Rate is projected to be between 0 and .25 percent through 2014, there is no reason to anticipate that IOLTA revenues, one of the principal sources of non-LSC funds in most states, will increase.

Impact of Funding Cuts on LSC Grantees

In June of this year, LSC conducted a survey of all its grantees, requesting information about the impact of the 2012 funding reductions on the programs’ finances and services in 2012. The survey sought specific data about the following:

- Total projected 2012 funding and the impact on grantees’ budgets.
- The impact funding cuts will have on grantees’ staffing levels, offices, and staff compensation levels.

⁸ See Appendix 7.

⁹ “Broken Promise: The Need to Improve Economic Security for Veterans,” U.S. Congress Joint Economic Committee Chairman’s Staff, November 2011.

¹⁰ This information is provided to LSC by the American Bar Association’s Resource Center for Access to Justice Standing Committee on Legal Aid and Indigent Defense. ABA data collected in 2010 and 2011 for 2009 and 2010. The percentage losses for 2011 actuals will be much greater due to the LSC funding cut.

- The impact funding cuts will have on the services grantees provide clients.

133 of the 134 grantees responded to the survey. Nationwide, grantees reported significant reductions in funding, staffing and operations. Appendix 7 includes the summary of the survey results.

Highlights of the survey results include:

- 87 programs (65 percent) project a decrease in non-LSC funding in 2012.
- 119 programs (90 percent) project a decrease in total funding, including LSC funding.
- 100 programs (75 percent) project staff reductions totaling 791 people, including
 - 318 attorneys
 - 167 paralegals
- 22 programs (16.4 percent) expect to close at least 29 offices.

“Clients in three counties and one small city that contain the deepest poverty in our service area will no longer have a local legal aid office or staff. They will be served by offices that are 90 to 120 minutes away. We know from experience that when we close an office, knowledge of the existence of legal aid disappears on a community and we see a steady decline in the number of people seeking help from us.”¹¹

Of the 119 programs projecting 2012 funding cuts, 95 (80 percent) indicated they would make significant changes in their program’s services because of these cuts.

- 87 programs (91 percent) will serve fewer clients and accept fewer cases.
- 70 programs (73 percent) will restrict the case types accepted.
- 40 programs (42 percent) will reduce hours of intake.

Cuts in services will affect domestic violence, veterans and foreclosure:

- 38 programs (29 percent) will cut back services to victims of domestic violence.
- 12 programs (9 percent) will reduce services to veterans.
- 40 programs (30 percent) will cut back services on foreclosure-related issues.

Federal Budget Pressures

The federal government is under enormous pressure to bring down the deficit and limit spending. The House and Senate reached a bipartisan agreement on the debt limit in August 2011 that set discretionary spending limits for ten years, with a sequestration scheduled to go into effect January 2013. The Budget Control Act of 2011 (BCA) was signed into law and set discretionary spending caps of \$1.047 trillion for FY 2013, a reduction of \$27 billion from FY 2012. The BCA would reduce budget deficits by \$917 billion between 2012 and 2021. In addition, the automatic spending cuts would further reduce the deficit by at least \$1.2 trillion over the 10-year period. Therefore, the deficit reduction stemming from this Act would total at least \$2.1 trillion over the 2012-2021 period. In March 2012, the House passed its own budget resolution in which they decided to further limit their FY 2013 discretionary spending to \$1.028

¹¹ See Appendix 7.

trillion, while the Senate followed the limits set in the BCA. As a result, there is a \$19 billion difference in the ceiling for discretionary spending between the House and Senate for FY 2013, which has impacted the appropriations process this year. In other words, the BCA ensures that federal discretionary spending will decrease in the coming years, and it could decrease by even more than the BCA mandates.

* * *

The increase in the size of the eligible population, the decline in important sources of non-LSC funding, and the necessary census readjustment to ensure grants appropriately reflect shifts in poverty populations underscore the need for increased federal funding for civil legal services. Federal support is especially important as more Americans are at risk of being left behind by the slow economic recovery and find themselves confronting serious legal problems. *“At a time when client demand for our services is increasing, reducing staff and the loss of some substantive programs has a very negative impact on our efforts to close the justice gap.”*¹²

Technology Initiative Grants

Currently, the Technology Initiative Grants (TIG) program is funded at \$3,400,000. Last year, the Board approved a request of \$5,000,000 for FY 2013. We recommend the same request for FY 2014.

Since its start in 2000, TIG has made 492 grants, totaling nearly \$40 million. With these grants, legal services programs have been able to build a foundation for further progress that includes national systems for statewide websites and automated forms to support clients, staff, and pro bono efforts. With that foundation in place, LSC is poised to expand access to justice even more through technology innovations.

Continuation of the TIG program and the development of resources for the poor to take advantage of mobile devices in particular is an important tool for LSC to use in the implementation of this vision. Mobile devices are the fastest growing access low-income persons have to the Internet, and we intend to work with our grantees to be sure the websites and automated forms are optimized for use on mobile devices. The use of text messaging needs to be integrated in our delivery system to provide legal information on demand and reminders for appointments, deadlines and court hearings.

In addition, the technology working group of the LSC Pro Bono Task Force has recommended adopting best practices such as case management systems optimized to support pro bono; automated forms and use of mobile apps; facilitating integration and centralization for both attorneys and clients; providing and ensuring support for pro bono attorneys; and encouraging innovative approaches, including providing opportunities for non-lawyer volunteers. Increased TIG funding will allow LSC to fund projects that follow those recommendations.

¹² See Appendix 7

Herbert S. Garten Loan Repayment Assistance Program

Last year, the Board adopted a request of \$1,000,000 for the Herbert S. Garten Loan Repayment Assistance Program (LRAP) for FY 2013; we recommend the same amount in FY 2014.

Starting as a pilot program in 2005, LRAP has enabled LSC grantees to recruit and retain high-quality attorneys. Past evaluations of the program show that large law school loan debts for legal aid attorneys, coupled with low salaries, constitute major barriers for grantees in hiring and retaining talented lawyers. The evaluations found that LRAP mitigates the economic hardships confronting grantee attorneys and increases their ability and willingness to stay with their legal services programs.

With the appropriation of \$1,000,000 in FY 2012, LSC was able to provide loan repayment assistance to a new class of 79 attorneys. To date, loan repayment assistance has been provided to a total of 409 attorneys at 100 LSC programs. This year, seven new LSC grantees have LRAP recipients. An appropriation of \$1,000,000 for FY 2014 would permit LSC to assist a new class of 80 attorneys.

Management and Grants Oversight

Congress appropriated \$17 million to Management and Grants Oversight (MGO) for FY 2012. This is the same amount in both the House and Senate funding bills for FY 2013. Last year, the Board approved a request of \$19,500,000 for MGO. We recommend the same request for FY 2014.

As part of its commitment to sound fiscal oversight and a more efficient and effective system for evaluating and monitoring internal controls related to the proper use of funding by LSC's grantees, the LSC Board adopted the recommendations from the Special Task Force on Fiscal Oversight (Task Force) and directed management to begin implementation.

The proposed MGO budget would allow LSC to hire additional staff, implement the recommendations from the Fiscal Oversight Task Force, and increase the number of grantee oversight visits. Currently, LSC has a total of 103 budgeted positions – 11 of which are open and which we hope to fill in FY 2012 and FY 2013. The FY 2014 request would allow LSC to add 6 new employees – one Program Developer in the Office of Information Technology, one Program Counsel in the Office of Program Performance (OPP), and four auditors in the Office of Compliance and Enforcement (OCE) to help implement the recommendations from the Fiscal Oversight Task Force.

The recommended funding would also permit LSC to increase program oversight visits to ensure compliance with regulations and congressional restrictions, to help enhance the quality of civil legal services provided to clients, and to improve fiscal oversight.

Office of Inspector General

(This section was prepared by the OIG and included without change.)

The Office of Inspector General (OIG) was established by the 1988 amendments to the Inspector General Act as an independent office within LSC to promote economy and efficiency, and combat fraud, waste and abuse (FWA) in LSC's and its grant recipients' programs and operations. For FY 2014, the OIG is requesting \$4,200,000, generally the same amount appropriated since FY 2009. The OIG request is less than 1 percent of the total LSC budget request and considers the existing constraints on LSC funding, while conservatively planning to spend down anticipated carryover. The requested amount will permit flexibility in the OIG's work plan allowing the OIG to remain a relevant and effective resource for the Congress, the Corporation and the American taxpayer.

Specifically, the FY 2014 request will enable the OIG to thoroughly address current concerns and program priorities as well as requests for reviews by Congress, LSC Board or LSC management. The OIG will continue to review LSC operations with an eye toward improving grantee accountability by enhanced independent and objective oversight. In addition, the OIG will continue to assess internal LSC operations, identifying opportunities for LSC to be more effective and efficient in carrying out its statutory mission. The OIG uses a risk-based approach in reviewing grantee operations and internal controls to help ensure fiscal responsibility and to increase the availability of independent, objective information for LSC management to use in its grant competition and administration activities. The funds will also support the OIG's efforts to ensure that the work of grantees' independent public accountants meets all relevant standards through the OIG audit quality control program. In addition, the OIG will continue to combat FWA by conducting a range of fraud and compliance investigations and place a high priority on prevention and deterrence by employing a variety of outreach and educational initiatives, including conducting fraud awareness briefings and vulnerability assessments for grant recipients and their boards' of directors. The OIG operates a nationwide hotline for reporting suspected FWA to further help protect LSC and its grantees. The request will also allow the OIG to continue to improve internal efficiencies through a series of information management investments.

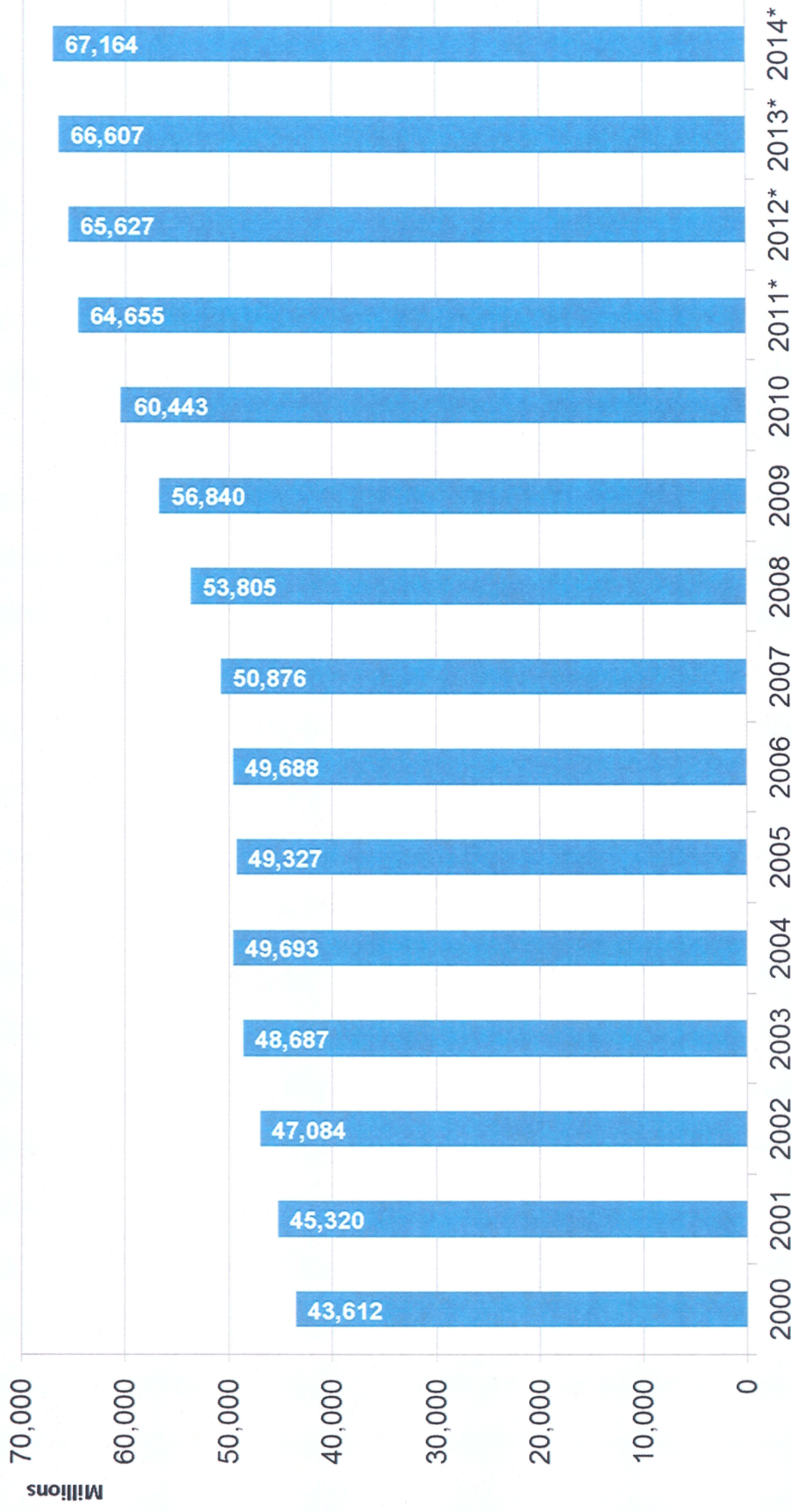
As required by the Inspector General Act of 1978, as amended, I, Jeffrey E. Schanz, Inspector General of the Legal Services Corporation, certify that the request includes \$60,000 which satisfies foreseeable OIG professional training needs for FY 2014. The request also includes \$12,000 for the OIG's projected pro rata share for support of the Council of Inspectors General on Integrity and Efficiency.

The requested funds are required for the OIG to adequately perform its mission in FY 2014 and to maintain the required flexibility to redirect resources – whenever and wherever they may be needed – in a timely and effective manner. The requested appropriation will enable the OIG to focus its resources on significant and relevant issues and provide timely reporting to LSC and the Congress, thereby increasing accountability and public confidence in the LSC and the expenditure of LSC funds.

Appendix 1

Americans Eligible for LSC-Funded Legal Aid

Defined as those living below 125% of the federal poverty level



Sources: 2000-2010 data from U.S. Bureau of the Census, Current Population Survey, *Annual Social and Economic Supplements*. 2011-2014 estimates based on 2010 and prior year data from U.S. Bureau of the Census, Current Population Survey, *Annual Social and Economic Supplements*; Emily Monea and Isabel Sawhill, "An Update to 'Simulating the Effect of the 'Great Recession' on Poverty,'" The Brookings Institution, September 13, 2011, Figure A; and U.S. Census Bureau, Population Division, Table 1-C. Projections of the Population and Components of Change for the United States: 2010 to 2050 Constant Net International Migration Series (NP2009-T1-C), Release Date: December 16, 2009.

Appendix 2

Number and Percent of Persons Eligible for LSC Services by State (Incomes < 125% of Poverty Level)

State	2000 Census	2010 ACS	Decrease/Increase	Percent Change
Alabama	916,590	1,157,409	240,819	26.3%
Alaska	80,405	98,252	17,847	22.2%
Arizona	937,501	1,474,081	536,580	57.2%
Arkansas	556,346	707,110	150,764	27.1%
California	6,338,846	7,721,201	1,382,355	21.8%
Colorado	527,918	878,284	350,366	66.4%
Connecticut	343,095	454,174	111,079	32.4%
Delaware	93,494	127,651	34,157	36.5%
District of Columbia	132,085	128,464	(3,621)	-2.7%
Florida	2,630,260	4,037,657	1,407,397	53.5%
Georgia	1,368,291	2,201,129	832,838	60.9%
Hawaii	166,629	184,366	17,737	10.6%
Idaho	211,752	333,042	121,290	57.3%
Illinois	1,700,289	2,270,366	570,077	33.5%
Indiana	766,803	1,258,883	492,080	64.2%
Iowa	359,720	498,592	138,872	38.6%
Kansas	355,431	518,991	163,560	46.0%
Kentucky	815,741	1,037,048	221,307	27.1%
Louisiana	1,084,744	1,068,161	(16,583)	-1.5%
Maine	190,239	231,449	41,210	21.7%
Maryland	576,320	722,409	146,089	25.3%
Massachusetts	754,207	950,042	195,835	26.0%
Michigan	1,358,398	2,076,137	717,739	52.8%
Minnesota	522,071	804,326	282,255	54.1%
Mississippi	710,411	831,047	120,636	17.0%
Missouri	863,452	1,163,570	300,118	34.8%
Montana	174,900	194,831	19,931	11.4%
Nebraska	225,545	309,053	83,508	37.0%
Nevada	281,779	517,332	235,553	83.6%
New Hampshire	109,795	142,981	33,186	30.2%
New Jersey	922,068	1,164,581	242,513	26.3%
New Mexico	437,747	534,525	96,778	22.1%
New York	3,422,815	3,624,924	202,109	5.9%
North Carolina	1,290,238	2,130,743	840,505	65.1%
North Dakota	100,193	113,346	13,153	13.1%
Ohio	1,561,012	2,289,894	728,882	46.7%
Oklahoma	671,283	820,541	149,258	22.2%
Oregon	526,356	790,843	264,487	50.2%
Pennsylvania	1,737,375	2,164,616	427,241	24.6%
Puerto Rico	2,141,116	1,979,238	(161,878)	-7.6%
Rhode Island	156,604	186,245	29,641	18.9%
South Carolina	727,004	1,056,058	329,054	45.3%
South Dakota	130,351	153,704	23,353	17.9%
Tennessee	1,001,908	1,437,268	435,360	43.5%
Texas	4,172,890	5,818,091	1,645,201	39.4%
Utah	287,055	469,590	182,535	63.6%
Vermont	78,143	100,342	22,199	28.4%
Virginia	889,090	1,143,753	254,663	28.6%
Washington	814,308	1,151,170	336,862	41.4%
West Virginia	415,031	426,591	11,560	2.8%
Wisconsin	617,301	952,158	334,857	54.2%
Wyoming	75,806	83,770	7,964	10.5%
Total	47,328,751	62,690,028	15,361,277	32.5%

Source: U.S. Census Bureau, Census 2000 Summary File 4 (SF 4) - Sample Data, Table PCT141, Ratio of Income in 1999 to Poverty Level; U.S. Census Bureau, American Community Survey 2010 1-Year Estimates, Table S1703

Appendix 2A

Estimated Changes in Allocation of LSC Funding Based on Changes in the Distribution of the Poverty Population Among States, 2000 Census to 2010 American Survey

State	FY 2012 Funding	Change in Poverty Population Share 2000-2010	Estimated Funding Based on Full Census Adjustment ¹	Change in Funding ²
Puerto Rico	\$15,809,729	-31.9%	\$10,778,787	(\$5,030,941)
Louisiana	\$7,398,670	-27.7%	\$5,358,534	(\$2,040,136)
DC	\$951,876	-25.4%	\$671,661	(\$280,215)
West Virginia	\$2,745,177	-22.9%	\$2,120,356	(\$624,821)
New York	\$23,403,138	-21.8%	\$18,322,793	(\$5,080,345)
Montana	\$1,115,782	-18.1%	\$915,461	(\$200,321)
Wyoming	\$476,173	-16.1%	\$399,885	(\$76,288)
Hawaii	\$1,307,757	-15.9%	\$923,358	(\$384,399)
North Dakota	\$638,557	-13.8%	\$551,313	(\$87,244)
Mississippi	\$4,764,415	-12.4%	\$4,181,414	(\$583,001)
Rhode Island	\$1,046,256	-12.0%	\$923,377	(\$122,878)
South Dakota	\$833,653	-11.5%	\$738,764	(\$94,888)
Alaska	\$698,955	-10.3%	\$449,902	(\$249,054)
California	\$40,910,085	-8.3%	\$37,555,424	(\$3,354,661)
Maine	\$1,227,816	-7.9%	\$1,086,079	(\$141,737)
Oklahoma	\$4,270,274	-6.4%	\$4,004,302	(\$265,972)
New Mexico	\$2,859,393	-6.1%	\$2,687,573	(\$171,820)
Pennsylvania	\$11,336,605	-5.7%	\$10,703,404	(\$633,201)
New Jersey	\$6,082,169	-5.7%	\$5,745,872	(\$336,297)
Massachusetts	\$4,969,073	-5.7%	\$4,709,122	(\$259,952)
Maryland	\$3,813,382	-5.2%	\$3,618,100	(\$195,282)
Alabama	\$6,068,512	-5.1%	\$5,768,608	(\$299,904)
Kentucky	\$5,399,147	-3.9%	\$5,196,715	(\$202,432)
Arkansas	\$3,579,551	-3.1%	\$3,473,659	(\$105,892)
Virginia	\$5,708,138	-2.1%	\$5,597,678	(\$110,460)
Illinois	\$11,230,908	0.0%	\$11,245,834	\$14,926
New Hampshire	\$673,311	0.5%	\$686,981	\$13,669
Connecticut	\$2,240,282	0.7%	\$2,273,862	\$33,580
Vermont	\$474,895	2.6%	\$495,834	\$20,939
Missouri	\$5,545,145	3.9%	\$5,770,426	\$225,281
Texas	\$27,101,174	5.6%	\$28,667,901	\$1,566,727
Nebraska	\$1,401,901	6.4%	\$1,493,134	\$91,233
Iowa	\$2,242,847	7.1%	\$2,406,094	\$163,247
Washington	\$5,323,293	8.3%	\$5,771,387	\$448,094
Kansas	\$2,241,291	9.2%	\$2,451,702	\$210,411

Appendix 2A

Estimated Changes in Allocation of LSC Funding Based on Changes in the Distribution of the Poverty Population Among States, 2000 Census to 2010 American Survey

Tennessee	\$6,491,789	9.4%	\$7,114,021	\$622,232
Delaware	\$607,645	10.4%	\$710,599	\$102,955
South Carolina	\$4,762,590	11.1%	\$5,297,561	\$534,971
Ohio	\$10,176,802	13.4%	\$11,553,139	\$1,376,337
Oregon	\$3,379,292	14.5%	\$3,873,109	\$493,817
Florida	\$16,974,078	16.4%	\$19,789,626	\$2,815,548
Arizona	\$6,073,485	16.8%	\$7,106,118	\$1,032,633
Minnesota	\$3,307,453	17.6%	\$3,893,292	\$585,839
Michigan	\$8,880,746	18.2%	\$10,509,057	\$1,628,310
Wisconsin	\$3,925,191	20.9%	\$4,750,268	\$825,077
Idaho	\$1,292,918	21.5%	\$1,573,329	\$280,411
Georgia	\$8,986,696	21.9%	\$10,968,024	\$1,981,328
Colorado	\$3,381,135	26.6%	\$4,284,689	\$903,555
North Carolina	\$8,333,630	26.7%	\$10,569,744	\$2,236,113
Indiana	\$4,863,558	28.4%	\$6,252,318	\$1,388,760
Utah	\$1,793,596	29.9%	\$2,332,939	\$539,343
Nevada	\$1,788,006	44.4%	\$2,584,811	\$796,804

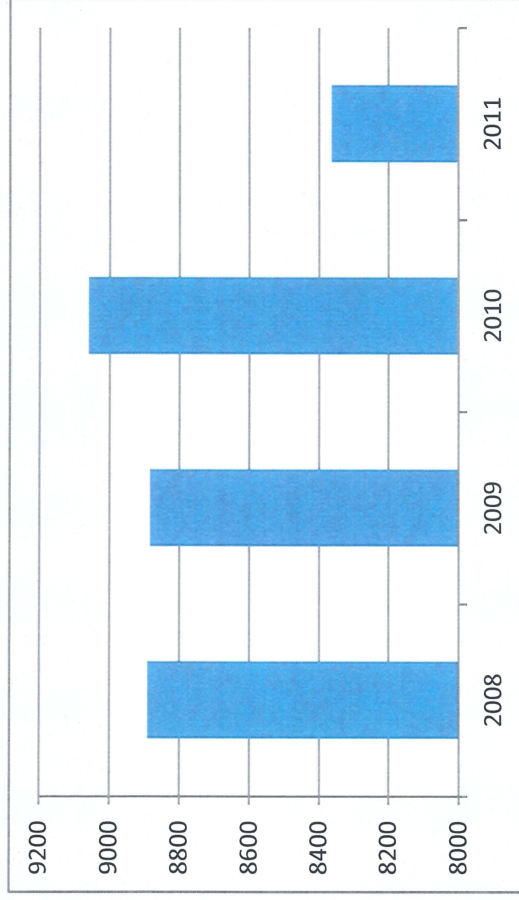
¹ Estimated funding based on FY 2012 appropriation level.

² LSC proposes to phase-in the full census adjustment over two years; 50% in FY 2013, 50% in FY 2014.

Source: Calculations based on data from U.S. Bureau of the Census, **Poverty: 1999**, Census 2000 Brief, May 2003, Table 3; U.S. Bureau of the Census, **Poverty 2009 and 2010**, American Community Survey, October 2011, Table 1. Data also reflect statutorily-required adjustments in poverty population calculations for Alaska (125% of poverty) and Hawaii (115% of poverty).

Appendix 3 Staffing of LSC-Funded Programs, 2008-2011

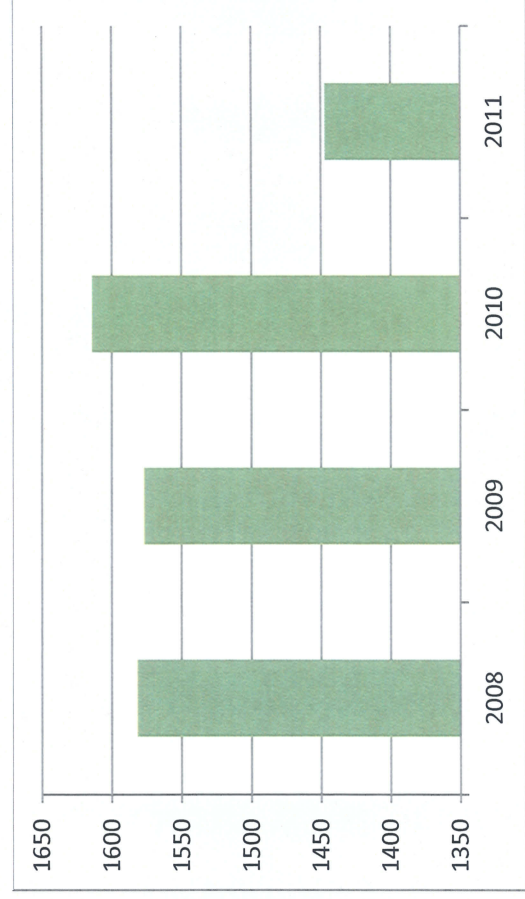
TOTAL FTE STAFF



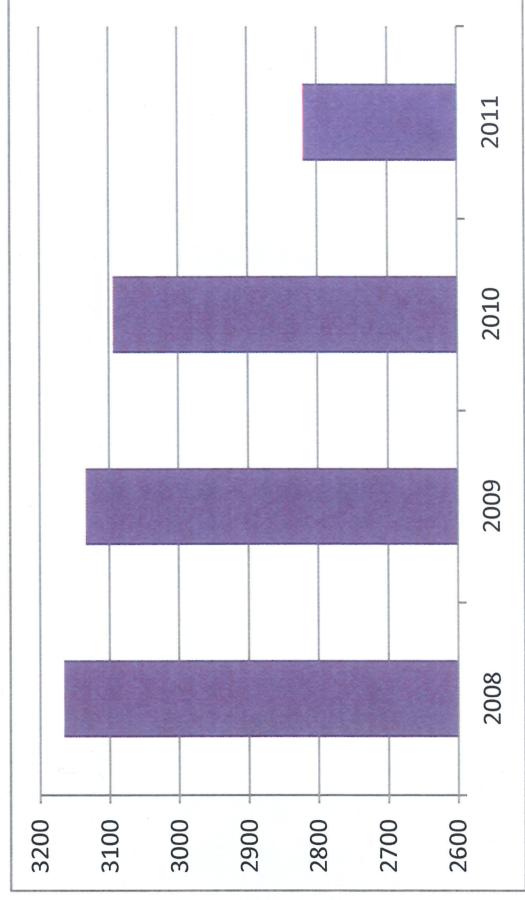
ATTORNEYS



PARALEGALS

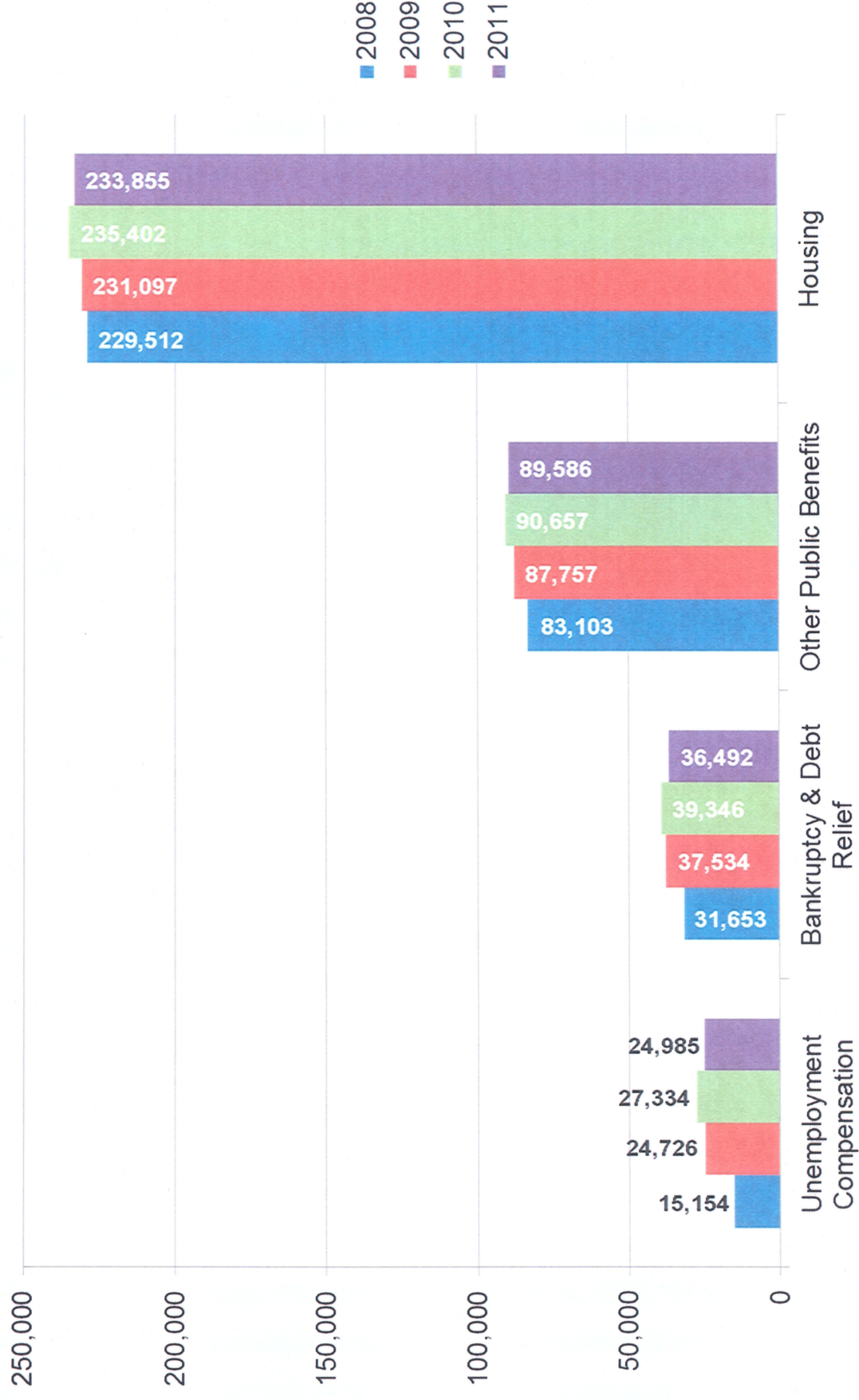


OTHER STAFF



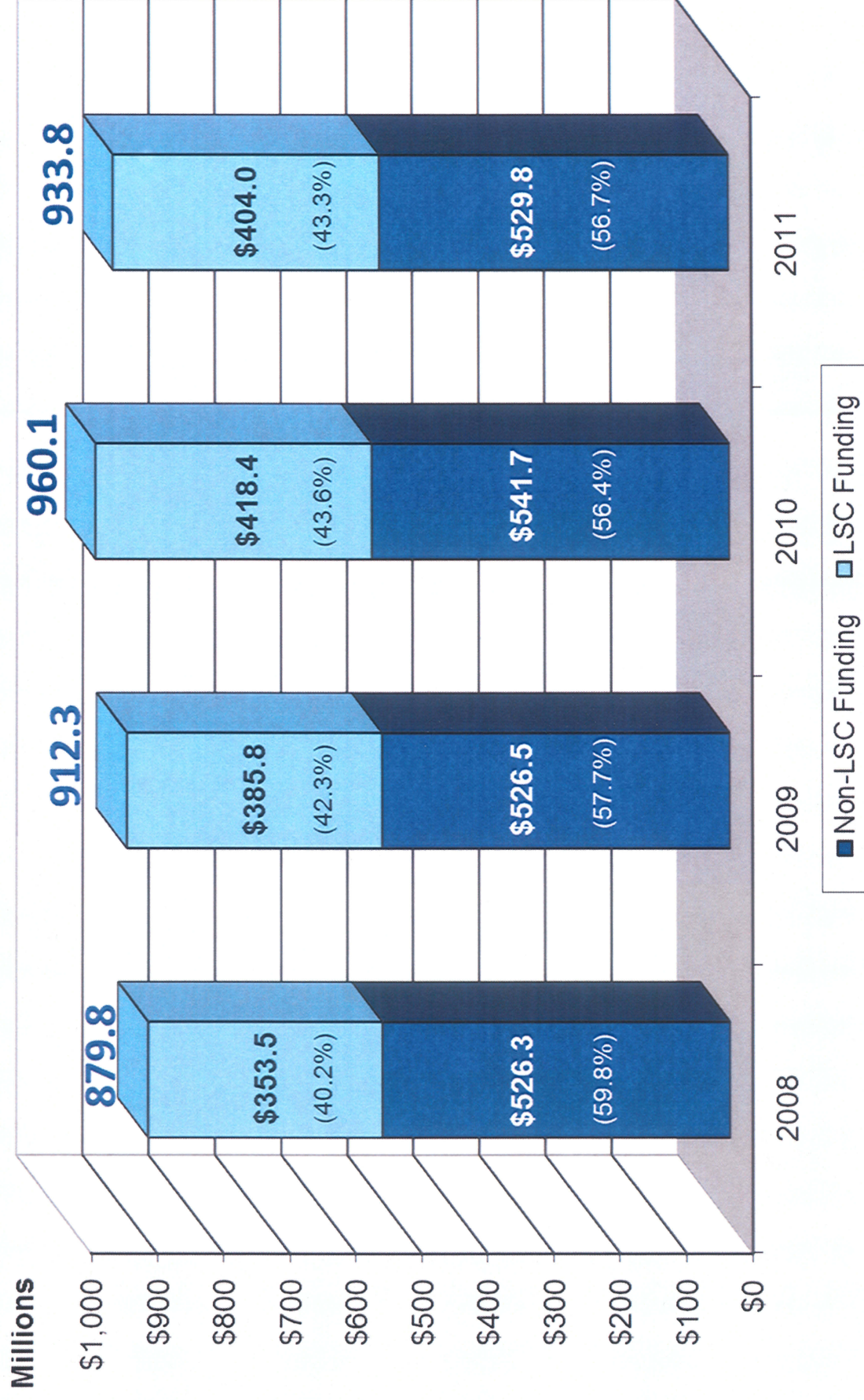
Appendix 4

Supporting Americans During the Recovery



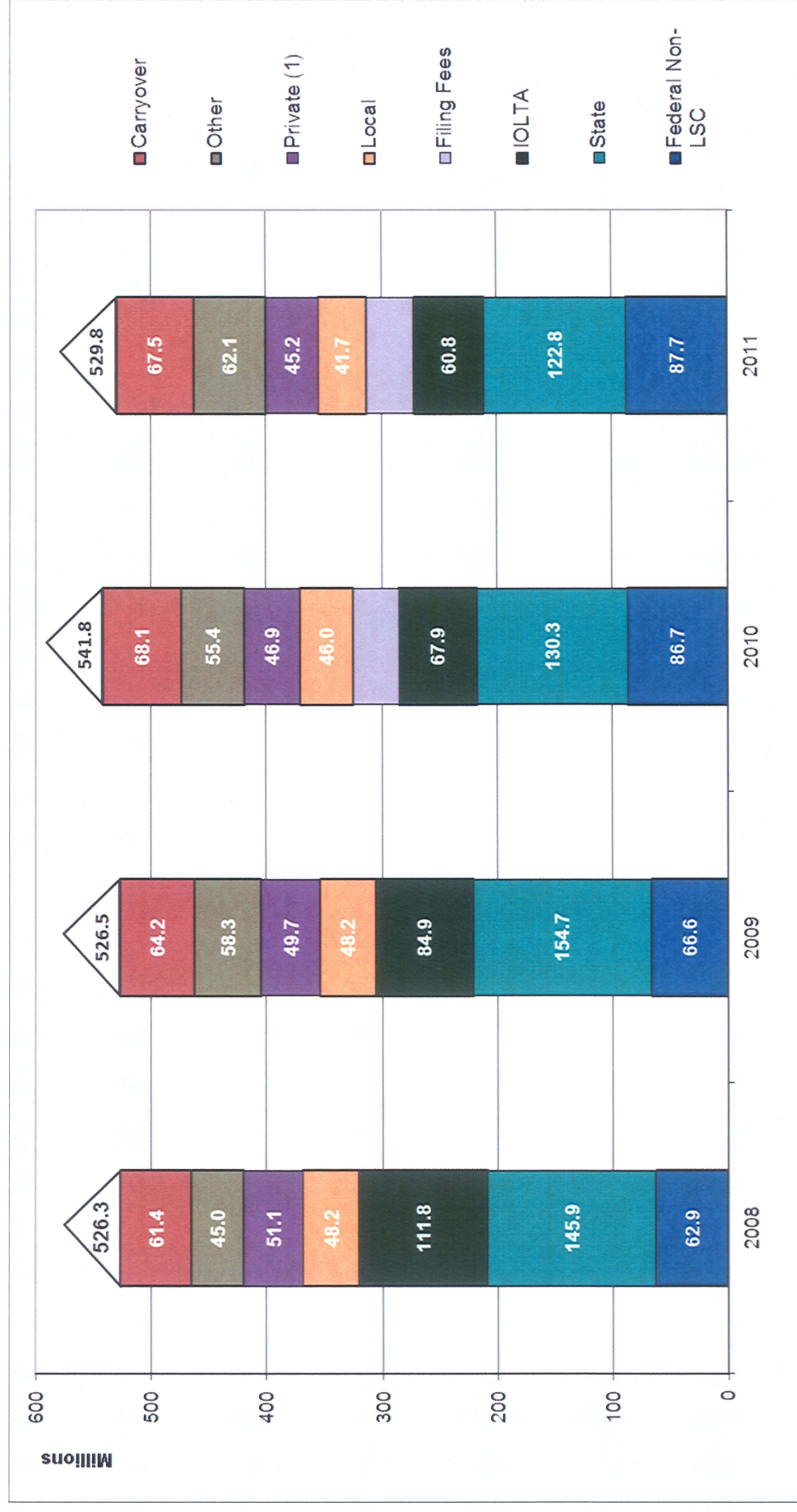
Appendix 5

Funding Sources, 2008-2011



Appendix 6

Sources of Non-LSC Funding 2008-2011



Appendix 7

SUMMARY OF RESULTS OF LSC SURVEY GRANTEES RE IMPACT OF 2012 BUDGET CUTS ON LSC GRANTEES' FINANCES AND SERVICES

Below are preliminary data from the survey LSC conducted of field grantees from late June to early July of 2012. Responses were received from 133 of 134 grantees regarding the projected impacts of 2012 budget cuts on grantees' funding, staffing, staff compensation, office closures and client services.¹

1. IMPACT OF 2012 BUDGET CUTS ON GRANTEES' FINANCES AND SERVICES

The following two tables show the number and percent of programs that have seen their non-LSC and Total funding amounts increase, decrease, or remain unchanged from 2011 to 2012.

Change in Non-LSC Funding, 2011 to 2012

	# of Programs	%
Decrease in non-LSC funding	87	65%
Increase in non-LSC funding	32	24%
No change	15	11%

Change in Total Funding, 2011 to 2012

	# of Programs	%
Decrease in total funding	119	90%
Increase in total funding	9	7%
No change	5	4%

The next two tables show the number and percent of programs who expect to have a 2012 budget deficit and the number and percent of programs that will use reserve funds to finance 2012 operations.

Projected Budget Deficit for 2012

	# of Programs	%
Yes	75	56%
No	59	44%

**Use of Reserves
(For the 118 programs that have a reserve)**

	# of Programs	%
Will use reserve	94	80%
Will not use reserve	24	20%

¹ These are preliminary data as there are some inconsistencies and duplicate responses. (For example, on two questions there were 134 responses when there should only have been 133.) These resulted primarily from the need to send out multiple invitation emails (sometimes to different staff people of the same program) to facilitate their responses. These problems will be remedied by the end of July.

The following comments by survey respondents highlight the funding challenges grantees confront:

- *"The cuts have decimated our program because they are coming from all funding areas at once, and we have few options for compensating for those reductions. The budget cuts are destroying what has been a highly efficient and effective, stable and respected program."*
- *"Funding cuts are being experienced across a broad spectrum of grantors, especially state and local sources. We are expecting funding reductions from all sources (State, Federal and Private)."*
- *"This was the biggest budget calamity since 1996."*
- *"Our other federal grants were cut as deeply as LSC and in some instances, much more deeply. Our state grant is in danger of being eliminated due to the terrible financial trouble our state government is in."*

2. STAFF REDUCTIONS²

Programs Projecting 2012 Staffing Cuts Because of 2012 Funding Cuts and Net Change in Staffing

	# of Programs	% of All Grantees	Net Staffing Change (2011-2012)
Reduction in Total FTEs	100	75%	-791
Reduction in Total Attorney FTEs	99	74%	-318
Reduction in Paralegal FTEs	70	52%	-167

LSC Grantees' Projected Staffing Changes from 2010 to 2012 Number and Percent Change in Total, Attorney and Paralegal FTEs

Staff Category	2010 Levels	2010-2011 Change		2011-2012 Change		2010-2012 Change	
		#	%	#	%	#	%
Total	9846	-661	-6.7%	-791	-8.6	-1452	-14.7
Attorneys	4601	-241	-5.2%	-318	-7.3%	-559	-12.1%
Paralegals	1727	-141	-8.2%	-167	-10.5%	-308	-17.8%

Note: 2012 data are from LSC Survey; 2010 and 2011 are from LSC Grantee Activity Reports. Also, 2012 data do not include information from the 15 grantees whose total funding increased or did not change from 2011 to 2012.

The following survey comments highlight the impact of budget cuts on programs' staffing:

- *Staff cuts as a result of loss of funding were devastating to our program. We lost highly experienced attorneys, paralegals, social workers, intake staff, process servers and other important support staff. Loss of staff adversely affected morale and translated directly into loss of services for our clients throughout the city.*
- *The exact number of positions to be lost depends on continuing uncertain funding possibilities, but there will be significant reductions even if all of the funding possibilities come to fruition.*
- *We expect to lose another 18 to 22 FTE over the next 12 months. The total loss from 2011 through 2013 is expected to be in the range of 42 to 46 FTE's, a 38% to 41% loss from April 2011*
- *The program has lost 12% of its attorney staff, 13% of its paralegal staff and 19% of its support staff.*
- *We spend years building [staff] capacities and then we get to see the future of the program walk out the door with a pink slip. It's all very discouraging for those that build it, those that remain, and those forced out. It's clearly devastating for the community.*

² Based on data from 119 respondents reporting their programs' total funding had decreased from 2011 to 2012.

- *[Our program] has lost 40% of its staff over the past two years, resulting in a severe reduction in capacity at the same time as the demand for services continues to escalate.*

3. STAFF COMPENSATION REDUCTIONS³

Sixty-four (64) programs, 54% of all grantees, expect to reduce staff compensation in 2012 because of 2012 budget cuts. The following table shows the types of cuts that programs plan implementing.

Types of 2012 Staff Compensation Cuts Grantees Are Implementing Because of 2012 Budget Cuts

Type of Cut in Staff Compensation	# of Programs	% of Programs Reducing Compensation
Postpone/cancel scheduled salary increases	45	69.2%
Salary reductions	17	26.2%
Furloughs	20	30.8%
Convert full-staff to part-time staff	23	35.4%
Increasing staffers' costs (e.g. increased premiums or co-pays) or reducing health insurance coverage	38	58.5%
Cuts in program contributions to employee pensions	32	49.2%

In describing the impact of staff compensation cuts, one director noted that:

- *We have already implemented [several types of compensation cuts] in 2012. It is very discouraging, and even loyal and long term employees are exploring other employment options, which magnify the long term impact of grossly inadequate federal funding.*

4. OFFICE CLOSINGS

Programs Closing Offices in 2012 Because of 2012 Budget Cuts

# of Programs Expecting to Close Offices	% of Grantees	Total # of Projected Office Closings
22	16.4%	29

The following survey comments provide some directors' assessments of the impact of office closings in their program:

- *Clients in three counties and one small city that contain the deepest poverty in our service area will no longer have a local legal aid office or staff. They will be served by offices that are 90 to 120 minutes away. We know from experience that when we close an office, knowledge of the existence of legal aid disappears on a community and we see a steady decline in the number of people seeking help from us.*
- *We have closed offices in two communities with substantial poverty populations. Clients in these communities often do not have transportation to get to our remaining offices.*

³ Based on data from 119 respondents reporting their programs' total funding had decreased from 2011 to 2012.

5. IMPACT ON CLIENT SERVICES

Of the 119 programs reporting that their total funding would fall from 2011 to 2012, 95 programs (80%) indicated they would make significant changes in their program's services in 2012 because of these cuts. The following table identifies the type of changes these 95 programs anticipated implementing in 2012.

Changes in Client Services Programs Are Implementing in Response to 2011 Budget Cuts

Type of Change in Client Services	# of Programs	% of Programs Making Changes
Serve fewer clients	87	91%
Reduce hours of intake	40	42%
Accept fewer cases	87	91%
Restrict types of cases accepted	70	73%
Eliminate particular substantive law practice units	16	17%
Substitute pro se for program representation	46	48%
Substitute pro bono assistance for program representation	39	41%

The following comments express perspectives articulated by many survey respondents:

- *The continued cuts in funding are demoralizing to staff and damage Legal Aid's reputation in the community as more and more eligible clients are declined for service.*
- *Clients are already becoming more frustrated as they attempt to access our services. They can't understand why, when they qualify based on income, we are not taking their case. They can't understand why it takes us over a week to return a phone call. Staff are very demoralized as they face increased client demand w/no resources. Staff feel as though they are being forced to make decisions on cases that are not in the client's best interest...*
- *The number of people in need of our services grow as we are able to serve fewer of them. It's very frustrating and sad.*
- *The cuts create a perfect storm around our clients; there are not only more of them, including formerly middle class Americans but they have fewer services ... We are trying to do more with less and have instituted a number of structural changes to do that. However, there are limits to what staff can do and we are stretched beyond those limits now.*
- *The unmet needs for core services in the areas of housing, domestic violence, economic security, and access to health care and education are huge. Because these core services are hard to fund [from other sources], the loss of general LSC funding is devastating.*

6. REDUCTION IN SERVICES TO DOMESTIC VIOLENCE VICTIMS, VETERANS AND ON FORECLOSURE SERVICES

The following table shows the number and percent of LSC grantees that expect to reduce the services they provide in 2012 to victims of domestic violence, veterans, and on foreclosure-related issues because of 2012 budget cuts.

Legal Area with Service Reductions	# of Programs	% of Programs
Domestic Violence	38	29%
Veterans	12	9%
Foreclosure	40	30%

Examples of the cuts in services on domestic violence issues include:

- *"Some [of our] offices have reduced or eliminated their Domestic Violence services."*
- *"We have suspended most representation of domestic violence clients in post-judgment enforcement actions."*
- *"Representation will require that the violence be recent and severe and holistic services previously offered will be discontinued"*
- *"We will only represent permanently disabled victims of Domestic Violence"*
- *"Provide representation only if other party is represented."*

Examples of the cuts in services on veterans' issues include:

- *"We will no longer be providing any special services to veterans."*
- *"Fewer [veterans] clients will be represented, even with advice and brief service"*
- *"We had hoped to increase our level of service to veterans, including things like legal clinics for homeless veterans. Due to staff reductions, we will not be able to increase veterans' services as we had planned."*

Examples of the cuts in services on veterans' issues include:

- *"[We have lost our] foreclosure attorney and closed the foreclosure sub-unit"*
- *"We no longer have the resources to help clients negotiate loan modifications"*
- *"While for years the demand for assistance has far surpassed our capacity, we have currently closed off new cases involving owners. ... Efforts to involve pro bono attorneys with foreclosures have had very limited result"*