

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
BOARD OF DIRECTORS

OPEN SESSION

Saturday, April 16, 2011

10:19 a.m.

The Westin Hotel - Richmond
6631 West Broad Street
Richmond, Virginia 23238

BOARD MEMBERS PRESENT:

John G. Levi, Chairman
Martha L. Minow, Vice Chairman
Sharon L. Browne (by telephone)
Robert J. Grey, Jr.
Charles N.W. Keckler
Harry J.F. Korrell, III
Laurie I. Mikva
Father Pius Pietrzyk, O.P.
Julie A. Reiskin
Gloria Valencia-Weber (by telephone)
James J. Sandman, ex officio

STAFF AND PUBLIC PRESENT:

Kathleen Connors, Executive Assistant to the President

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

Katherine Ward, Executive Assistant, Office of
Legal Affairs

David L. Richardson, Treasurer and Comptroller

John Constance, Director, Office of Government
Relations and Public Affairs

Jeffrey E. Schanz, Inspector General

Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, Office of the Inspector General

Ronald "Dutch" Merryman, Assistant Inspector General
for Audit, Office of the Inspector General

David Maddox, Assistant Inspector General for
Management and Evaluation, Office of the
Inspector General

Joel Gallay, Special Counsel to the Inspector General,
Office of the Inspector General

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

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CLOSED SESSION

19. Approval of minutes of the Board's closed session annual meeting of January 27, 2011
20. Briefing by Management
21. Consider and act on personnel benefits matter
22. Briefing by the Inspector General
23. Consider and act on General Counsel's report on potential and pending litigation involving LSC
24. Consider and act on motion to adjourn meeting

Motions: 5, 5, 56, 60, 64, 70

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

2 (10:19 a.m.)

3 (Pledge of Allegiance)

4 CHAIRMAN LEVI: I now call to order the April
5 16, 2011 board meeting of the Legal Services
6 Corporation.

7 And do I have a motion to approve the agenda?

8 M O T I O N

9 DEAN MINOW: So moved.

10 CHAIRMAN LEVI: Second?

11 MR. KORRELL: Second.

12 CHAIRMAN LEVI: All in favor?

13 (A chorus of ayes.)

14 CHAIRMAN LEVI: Can I have a motion to approve
15 both sets of minutes?

16 M O T I O N

17 DEAN MINOW: So moved.

18 MR. GREY: Second.

19 CHAIRMAN LEVI: All in favor?

20 (A chorus of ayes.)

21 CHAIRMAN LEVI: We're now on item 5. Mindful
22 of my time, I'll keep it reasonably brief, for me.

1 We've been in office a year, and it's hard to
2 believe that a year ago we were in Tucson, Arizona. I
3 have to say that I've been thinking a lot about Tucson
4 since we were there, and I'm sure all of you have been,
5 too.

6 And I don't know whether the board ever
7 formally sent any kind of a note to our grantees out
8 there to let them know that we were thinking about
9 them, and I think we ought to do something along those
10 lines in some kind of a resolution, which I think would
11 be just in recognition of the tragic events that they
12 as a community have suffered and gone through.

13 I will say I have stayed in touch with the
14 executive directors, a couple of them out there, and I
15 believe the community is coming back together and
16 working through this. But certainly an incredible turn
17 of events for them.

18 It's been a very busy year for all of us. For
19 you who came on the board with me, one of you before
20 me -- Laurie -- and for those of you who joined us a
21 few months later, it's probably been busier than you
22 expected.

1 And even as we know that, I think we have many
2 good initiatives underway. And I don't want to say we
3 can see the light at the end of the tunnel because I
4 think we can see that there's a lot of light still to
5 come, but that we can see that good progress is being
6 made.

7 I want to thank all of the board members for
8 their work on the budget, independently, working with
9 John Constance and his team, with Jim, and others.
10 Some of you came up and testified; Robert did. Some of
11 you wrote op-eds, worked with the states' Attorneys
12 General. And a word about the budget.

13 As we heard yesterday, this is not a time
14 for -- yes, we should be happy in some respects, but
15 this is not a time for self-congratulation. The
16 gravity of the circumstance that exists -- and I was
17 reminded again yesterday of the gravity of it when we
18 listened to the domestic violence panel -- that exists
19 in this country in the civil justice arena cannot be
20 overstated.

21 And I think, unfortunately, that the
22 circumstance that exists is well-understood by those in

1 the field and working and toiling in the vineyard every
2 day, and very much less well-understood certainly
3 outside the bar, but even within the bar.

4 And I think our own board has done so much in
5 the last year -- there are only 11 of us -- to try to
6 do what we can in our own communities to elevate the
7 knowledge. But that's a pulpit that we all have, and
8 an opportunity, and I really want to thank all of you
9 for using it effectively, and I hope you will continue
10 to.

11 I want to thank Jim Sandman. I said to him
12 yesterday as we were walking through the beautiful
13 Richmond Museum, did he ever imagine a year ago that he
14 would be walking around a museum in Richmond, Virginia
15 with this motley crew? And we both laughed.

16 (Laughter.)

17 CHAIRMAN LEVI: But he is off to a terrific
18 start. I'm so grateful. I know we all are. This is
19 actually his first formal board meeting as president of
20 the Legal Services Corporation.

21 DEAN MINOW: Can we applaud?

22 CHAIRMAN LEVI: Yes, certainly.

1 (Applause)

2 CHAIRMAN LEVI: And thank you to Robert Grey
3 and to the Richmond law firms and the Virginia programs
4 for giving us a wonderful sense of not only the
5 Richmond community but the very impressive series of
6 programs that are taking place in the state of
7 Virginia. And we learned so much yesterday from the
8 pro bono panel and the outstanding work of the legal
9 community in Richmond particularly.

10 And also to our staff, our hardworking staff,
11 that even though we're only a few hours away from
12 Washington, nevertheless the setup, the detail work
13 that goes into putting a meeting like this
14 together -- I hope it isn't true that Kathleen was up
15 at 3:00 in the morning. It isn't, is it? Apparently
16 it is.

17 And thank you to Larry Tribe, who came to
18 Washington to address us. If you'll recall, maybe it's
19 been now so many days and with such action going on
20 that we've all forgotten that we were in Washington not
21 long ago, and that we had a fiscal oversight task force
22 meeting followed by Larry Tribe's terrific presentation

1 and then strategic planning exercise that I think got
2 us off to a very good start.

3 Our calendar and our schedule, a word about
4 that. Some of you have said, now, tell me when the
5 Washington meeting is so I can precisely understand.
6 It is Wednesday, the 20th and Thursday, the 21st. And
7 the reason for that is that the State Bar of Washington
8 is having -- and the grantees are involved, some of
9 them, in this -- their annual meeting starting Friday.

10 So the programs asked if we could make a
11 slight adjustment. And so we have made that
12 adjustment. And Gloria is going to be working for
13 Thursday afternoon. So if you think of Wednesday and
14 Thursday as our traditional Friday and Saturday, it
15 means that around noon on Thursday, the formal meeting
16 of the board will be over.

17 But we will then -- courtesy of the work, I
18 hope, of Gloria and of Harry -- we will then be
19 visiting a Native American reservation, maybe some
20 tribal courts. And that field trip will take the
21 afternoon and evening on Thursday.

22 So in terms of planning your own schedules, I

1 think that's a very important -- we don't always go to
2 areas of the country that give us that opportunity.
3 When we are in the northwest corner of the country, we
4 have an opportunity to do that. And I think, as a
5 board, for many, many reasons, if you can make it, it
6 would be greatly appreciated. I do that we're asking a
7 lot of you.

8 And then the other thing that you heard from
9 the strategic planning is that our strategic planner is
10 asking for a day. I will coordinate with him, and
11 we'll figure out what works best and where. I know
12 that some of you have to work.

13 (Laughter.)

14 CHAIRMAN LEVI: I feel that, too. And so
15 extending meetings out so that they cover an entire
16 week doesn't necessarily seem like a great option. So
17 we'll see what we can do to make it work for
18 everybody's schedules; and also recognize that there's
19 still a fiscal task force that is likely to report at
20 that meeting in Washington, and that the pro bono task
21 force will likely have been launched at that point.

22 I forgot to make sure -- and I'll take the

1 blame for this, although I do remember mentioning it,
2 but there hasn't been anything else going on in the
3 last month -- the need for a Law Day resolution. Mr.
4 Barr. But in any event, we don't have one.

5 Last year I put out a statement. Apparently
6 the annual practice has been that the president and the
7 chair issue a Law Day statement. I would prefer to
8 have a Law Day -- we'll just take a minute's break here
9 to say goodbye to Gloria.

10 (Multiple people say goodbye.)

11 CHAIRMAN LEVI: Are you going to dial back in?

12 PROFESSOR VALENCIA-WEBER: Yes, when I get to
13 the airport.

14 CHAIRMAN LEVI: Okay. And so I hope this year
15 that you'll grant me the privilege again of a Law Day
16 statement, since we don't -- and next year we'll move
17 to a resolution.

18 Then one final thing. It came up as we were
19 discussing with the Inspector General the question of
20 when might the GAO come around again. You know, I hope
21 when they come around again, we are absolutely ready
22 for them.

1 It's my anticipation that with the work that
2 we're doing together, that we should be happy to have
3 them -- nobody's happy to have them because of the
4 amount of work. But we are, I think, taking care of
5 what we need to and putting our house in order, and
6 that's the goal of this board.

7 And any time that anybody wants to come in and
8 take a look, we're open for that. I recognize, though,
9 the burden and the amount of work that it put to our
10 staff. And I hope that in getting this behind us and
11 doing the work that we're doing this year and I
12 anticipate next that we will convince all of those, not
13 just the Congress but also those private funders -- the
14 IOLTAs, the states, the foundations, that give to our
15 grantees -- that they can have confidence that their
16 money is being properly and well spent.

17 There's no substitute for that, and there
18 certainly is every expectation from this board that
19 that's the state that we're in today, and that that's
20 the it should be forevermore.

21 So with that, are there members' reports? Any
22 member wish to say anything?

1 (No response.)

2 CHAIRMAN LEVI: And Jim?

3 MR. SANDMAN: Thank you, Mr. Chairman.

4 I started as president of LSC on January 31st.

5 I'd like to thank the board and the staff of LSC for
6 making me feel so welcome. This board was a very
7 significant positive for me in making the decision to
8 come to LSC, and I haven't been disappointed. I am
9 proud to work with you all, and appreciate your
10 support.

11 I have never been a part of or even seen a
12 board as dedicated and committed as this one is, and as
13 energetic in the pursuit of the Corporation's mission.

14 Congratulations, and thank you for what you do.

15 And to the staff of LSC, I'd like to thank
16 them. People have been extraordinarily generous and
17 patient in helping me get up to speed. I'd like to
18 thank especially my predecessor as president, Vic
19 Fortuno, in helping me get oriented. He's been
20 enormously valuable to me.

21 I'd like to go over a few statistics from 2010
22 to give you a little bit of an overview of what's going

1 on out in the field. I'll give you a report on where
2 we stand in our 2011 TIG process. I'd like to explain
3 a little bit about what I've been up to since I
4 started, and offer you a few observations.

5 This slide shows the growth in cases closed
6 between 2008 and 2010. This is maybe the -- I can send
7 it to you. I will send it to you, and it will be part
8 of the record as well. This is in many ways the
9 primary metric that we use to measure the productivity
10 of our programs. Last year saw a 1.3 percent increase
11 in cases closed over 2009, and 2010 showed a 4.8
12 percent increase since 2008.

13 I think the statistic in many ways shows some
14 of the limitations of the data that we collect. You
15 have heard over the last few days that our most recent
16 estimate is that the population eligible to be served
17 by LSC programs has increased by 17 percent since 2008;
18 65 million Americans, we now estimate, qualify for
19 services at LSC-funded programs.

20 You don't see that reflected in these numbers
21 here because we don't have any current effective way to
22 measure unmet demand, the number of people turned away,

1 cases we were unable to take on. And I would like to
2 try to figure out a better way to capture that,
3 particularly in an era as dynamic as the one in the
4 last few years has been.

5 I'd like to mention that we had wonderful
6 cooperation from the field in getting them to submit
7 their 2010 data early this year. When I started at the
8 end of January and began to do advocacy work on Capitol
9 Hill in February, I was dismayed to find that all I had
10 was 2009 data. And I found it embarrassing to have to
11 make our case with data that were then two years out of
12 date, particularly when we're looking at the increase
13 in the poverty population that we've seen.

14 So with John Constance's encouragement and
15 urging, I sent out a memo to the field asking for their
16 help in trying to make our case, and they responded
17 beautifully. And we were able to use much more recent
18 information much earlier than we have been able to do
19 so in prior years.

20 We also have seen a significant increase in
21 the number of our cases closed that have been handled
22 by pro bono lawyers. The numbers you see on this slide

1 are part of the cases closed reflected on the prior
2 slide. 2010 saw a 3.6 percent increase over 2009, and
3 saw a 17 percent increase over 2008.

4 Cases closed by pro bono lawyers were 10
5 percent total cases closed in 2008, 11 percent in 2009,
6 and 12 percent in 2010. That corresponded with an
7 increase in LSC funding. I think it helps to make the
8 point that we can do more with pro bono resources when
9 we have more robust programs to do the intake the
10 placement and the training and provide support to
11 lawyers who are able and willing to take on cases pro
12 bono.

13 This slide shows the composition by subject
14 matter, by general subject matter, of the cases closed
15 over the past three years. And what it shows is that
16 there really hasn't been much of a change in the mix.
17 In all three years, family law was about 35 percent of
18 the caseload, and listing matters were about 25
19 percent. Income maintenance cases did rise from 11.1
20 percent in 2008 to 12.7 percent in 2010. Consumer
21 cases were 12.2 percent in each year.

22 This, too, shows some of the limitations in

1 the data that we collect. I think some of the most
2 interesting developments have been not in the general
3 subject areas of the cases that we handle, but in the
4 details. What kinds of cases within each of these
5 areas?

6 We saw an increase last year in foreclosure
7 cases of 20 percent over the prior year. Unemployment
8 cases were up 10.5 percent, landlord/tenant cases were
9 up 7 percent, and domestic abuse cases were up 5
10 percent.

11 Those statistics, though, once you get down to
12 the details of the subject matter, depend very much on
13 accurate and complete reporting by the grantees. And
14 as you heard at one of our panels yesterday, people
15 have different views about how successful we are in
16 capturing information at that detail.

17 I think it's very important, both as a part of
18 the management of our programs and also in our
19 advocacy, to be able to have more complete and reliable
20 data on matters like that

21 Generally, on data, I've noted that we need to
22 improve the timeliness of data reporting. We were

1 fortunate in being able to get our 2010 data in by
2 March of 2011, but we don't have anything approaching
3 realtime reporting of what's going on out in the field.

4 We don't have any significant data on the
5 outcomes of the cases that we handle. And that's
6 important for many reasons; to the extent that we're
7 trying to quantify the economic consequences of legal
8 aid, we have to be able to know what the outcome is,
9 whose economic benefit we're trying to measure before
10 we can make any progress. And as I mentioned, we don't
11 have any current reliable data on unmet need.

12 This slide shows funding for LSC programs over
13 the past three years, and it shows an overall increase
14 from one year to the next. Interestingly and
15 surprisingly, it shows that non-LSC funding increased
16 in 2010 over 2009, which was contrary to what we
17 expected to see. Funding from non-LSC sources went
18 from \$526.5 million in 2009 up to \$543 million, almost
19 \$544 million, in 2010.

20 The next slide shows the breakdown of the
21 non-LSC funding to show what changed, and it explains
22 the surprise. If you look at the bottom bar on each

1 chart, non-LSC funding from federal sources, there was
2 a significant increase between 2009 and 2010. We don't
3 have the detail to explain that, but we expect that a
4 lot of it was stimulus funding, which will not be
5 available in 2011.

6 State funding decreased by about \$30 million
7 between 2009 and 2010, from \$154.7 million down to
8 125.3. IOLTA funding, down \$17 million from 2009 to
9 2010, but down a whopping \$44 million from 2008. Local
10 funding was down \$2 million. Private funding was down
11 \$3 million, and down a total of \$4.2 million from 2008.

12 I found it surprising that private funding
13 decreased from 2009 to 2010. The anecdotal information
14 had been that private contributions had rebounded in
15 2010, at least across charities generally. So I was
16 disappointed to see that.

17 Another increase was in carryover funding, the
18 top bar on the chart. That is carryover funding from
19 the prior fiscal year from non-LSC sources. I don't
20 know what explains the increase between 2009 and 2010,
21 but I think the story that this graph shows is that a
22 number of the areas of increase in 2010 will not show

1 increases in 2011. Quite the contrary. And I think
2 that where we've seen decreases in state funding, IOLTA
3 funding, and local funding, the magnitude of those
4 decreases is going to be larger in 2011.

5 FATHER PIUS: Probably, in many ways, our
6 grantees will be feeling a much larger hit this year
7 and next year. Even though we feel like we're coming
8 out of this recession for our grantees, it might just
9 be the opposite.

10 MR. SANDMAN: That's exactly right. We have
11 focused on the fact that our funding is discussing by
12 only 4 percent to the field. But that's only a part of
13 the story. It's always important to keep in mind that
14 on average, our grantees get only 43 percent of their
15 funding from LSC. Knowing what's going on in the rest
16 of the funding world is critically important to getting
17 a sense of how our programs are really doing.

18 I need to move to another set of slides, if
19 you can indulge me a moment, and talk about TIG funding
20 for 2011. The process of applications, considering
21 applications for technology initiative grants, has
22 started this year. We have incorporated the

1 recommendations of the Inspector General in terms of
2 documenting the reasons for our decisions, and I think
3 have a much more robust process in place this year than
4 we've had in prior years.

5 MS. REISKIN: Is that a letter of intent?

6 MR. SANDMAN: These are letters of intent.
7 These consider a letter of intent to be a preliminary
8 application to which we respond and invite a certain
9 number of those preliminary applicants to submit full
10 applications.

11 We had 82 letters of intent submitted this
12 year, the same number as last year, but up from 57 in
13 2008. I think it's important to look at what the
14 distribution of the applicant pool is, and we had
15 applications from 47 different programs this year in 32
16 states. A number of programs submit multiple letters
17 of intent. They're looking for multiple grants for
18 different technology projects.

19 And we invited -- for the 82 letters of intent
20 that we received, 58 have been invited to submit full
21 applications for TIGs in 2011. That's 36 programs from
22 27 states.

1 I've tried to take a look at who it is who's
2 applying and who's not applying. Are these the usual
3 suspects every year participating in this process, or
4 is there broad participation across all our programs in
5 applying for grants?

6 Over the past three years, 81 programs from 44
7 states have submitted letters of intent. That's 60
8 percent of all our grantees. But what that means is 40
9 percent of our grantees haven't participated in this
10 process, and we're looking at ways to try to involve
11 and reach out to those who haven't participated in the
12 process.

13 The goal, I think, of TIG should be not only
14 to move good programs to better and best, but not so
15 good programs up to good, and to educate them about how
16 they can benefit from participation in this process.

17 So how have I been spending my time? I've
18 spent most of my time over the past two and a half
19 months on funding issues. I am now the proud owner of
20 a congressional staff ID card that lets me ride that
21 little subway under the Capitol. I am thrilled. I am
22 very easily pleased, and I feel really cool when I do

1 it.

2 (Laughter.)

3 MR. SANDMAN: As those of you who were on the
4 search communicate know, participating in the
5 legislative process was not a draw for me in coming to
6 this job. Quite the contrary. I regarded it as a
7 negative. And what I've learned in the last two and a
8 half months is that if you're lobbying for your own
9 organization and if you believe in its mission, the job
10 is not only doable but pleasant and very rewarding.

11 And I've been assisted enormously by our
12 government relations staff, by John Constance and by
13 Treefa and by Steve Barr, who've really gotten me up to
14 speed very quickly. And I had the privilege and honor
15 of testifying next to Robert Grey. If you ever have to
16 sit next to -- anybody looks good next to Robert Grey.

17 (Laughter.)

18 MR. SANDMAN: I've also been spending a lot of
19 time on outreach to other organizations in the legal
20 services world. I met with directors of the state
21 IOLTA programs in Atlanta shortly after I started.
22 I've met with people from NLADA, from CLASP, from the

1 American Bar Association, both the Standing Committee
2 on Legal Aid and Indigent Defendants and the Pro Bono
3 Committee.

4 The ABA's Pro Bono Committee is going to be
5 holding a pro bono summit in October of this year, and
6 I'm on the planning committee for that event. My focus
7 in planning for that event is to try to be sure that
8 the summit addresses the justice gap, that it looks at
9 not just increasing pro bono hours overall, but looks
10 at increasing pro bono hours in a way that will reduce
11 the justice gap.

12 Those are two different things. You can
13 increase pro bono hours without necessarily doing
14 anything to narrow the justice gap. And I hope that
15 the program takes a serious look at that.

16 I've met with and had regular communications
17 with the Department of Justice's Access to Justice
18 Initiative, I spoke at the annual conference of the
19 National Center for Medical-Legal Partnerships, I met
20 with Esther Lardent from the Pro Bono Institute, and
21 I'm going to be speaking at the annual meeting of state
22 Access to Justice Commissions in Nevada next month.

1 Some of my observations on my dealings with
2 these organizations: I think we need more and better
3 collaboration with ours who are involved in the same
4 work that we're involved in. Take, for example, the
5 state IOLTA programs.

6 The state IOLTA programs are in the same
7 business as LSC is. They are grant-making
8 organizations funding legal services programs, doing
9 assessments and evaluations of the programs they fund.
10 They're often funding our programs.

11 But we don't have adequate coordination with
12 what they're doing. There are some real entrepreneurs
13 out there in the IOLTA world, and some of them, in
14 terms of the evaluations of the programs that
15 they're -- the kinds of evaluations that they're doing,
16 I think, are being very innovative and I think we can
17 learn from them.

18 We don't coordinate in a way that might allow
19 us to reduce the reporting burdens on our grantees. If
20 we're each requiring them to report different data, we
21 can be imposing reporting obligations on them that are
22 not terribly productive. I'd like to reduce the

1 reporting obligations on our grantees if we can do it
2 in a way that simultaneously improves efficiency and
3 effectiveness.

4 I've also found that in many instances, our
5 grantees look to other organizations and not to LSC to
6 find out what each other is doing. A great example of
7 that is the National Center for Medical-Legal
8 Partnerships.

9 When I spoke at that conference, I sat at the
10 lunch that day with a group of lawyers from LSC-funded
11 programs in Ohio. And all of them had come to the
12 conference to find out what each other was doing in
13 medical-legal partnerships, but they really wouldn't
14 think to look to LSC to find out that kind of
15 information.

16 I think there's a great opportunity for us to
17 do more to disseminate information between and among
18 our grantees. The group of people I sat with just -- I
19 was going to say "just happened to be," but it was more
20 that they were a group of young lawyers.

21 The group of people attending this conference
22 were overwhelmingly young. And I think there's a

1 reason for that, and the people I sat with told me
2 about it. They said that medical-legal partnerships
3 are a very hot draw in recruiting and retaining young
4 lawyers in the legal services field because they're
5 innovative. They're creative. They're where the
6 action is.

7 Medical-legal partnerships involve a legal
8 services organization teaming with a hospital or a
9 clinic or a group of doctors to try to provide
10 comprehensive services to people who may first have
11 presented as medical patients, but where the ultimate
12 solution to their problems involves a legal component.

13 So it may be dealing with substandard housing
14 or an environmental issue or income maintenance. And
15 the doctors realized that they could only get so far in
16 dealing with chronic recurring problems that had other
17 causes to them.

18 Interestingly, the initiative for
19 medical-legal partnerships has in most instances, I
20 believe, come from the medical end, not from the legal
21 end. It was the doctors who saw how a legal component
22 could help them better serve their patients. And in

1 fact, the lawyers I met at the conference told me that
2 they refer to the people they work, the individuals, as
3 "patients," not "clients."

4 But the lawyers that I met with were very
5 enthusiastic about this, and I think that's exactly the
6 kind of entrepreneurship we need to be encouraging. It
7 really involves going to where the clients are and not
8 depending on them to show up at the door of a clinic or
9 find us in order to serve their needs.

10 A couple of other observations. There are a
11 number of entrepreneurs out there in the legal services
12 field. Many of them are in our programs. Many of them
13 are outside our programs. Many of them are in
14 organizations like Equal Justice Works or the Pro Bono
15 Institute. Some are in non-LSC-funded programs, and we
16 need to do a better job of tapping into what they know
17 and spreading what they know to LSC-funded
18 organizations.

19 A final observation. I gave you a long list
20 of organizations that I've been in touch with. The
21 access to justice world is very diffuse, and in many
22 instances siloed. There is no clear national leader,

1 no organization, no single organization, no single
2 person, who's addressing access to justice issues in a
3 comprehensive way and coordinating the efforts of all
4 of the players out there.

5 At the state and local levels, there's
6 tremendous variation in the degree of coordination. I
7 think we saw yesterday that here in Virginia, there's
8 some wonderful coordination going on. But I don't
9 believe that's typical of what goes on nationally.

10 I was recently in Pennsylvania and have been
11 in Maryland, and I have been impressed there at the
12 extent of coordination among the judiciary, the IOLTA
13 funders, the bar associations, the legal services
14 providers, and the private bar. But it's an area where
15 there's a lot of room for improvement and I think an
16 opportunity for LSC to play a leadership role.

17 I have visited individual programs in Atlanta,
18 the Atlanta Legal Aid Society and Georgia Legal
19 Services; the Maryland Legal Aid Bureau; and when I was
20 in Pennsylvania, I met with, but did not get to visit
21 at their offices, the directors of all of the programs
22 in Pennsylvania.

1 We've had two questioned cost proceedings
2 since I started. One involved Capital Area Legal
3 Services in Louisiana. The other involved DNA Legal
4 Services in Arizona. The process under our regulations
5 for questioned costs involves the Office of Compliance
6 and Enforcement making a decision to disallow costs
7 that have been charged against LSC funds; if a grantee
8 disagrees with the findings of the Office of Compliance
9 and Enforcement, they can appeal to the president. And
10 in both of these cases there was an appeal to me.

11 In each instance, I did modify the questioned
12 cost conclusions of the Office of Compliance and
13 Enforcement. In the CALS case, the case involving the
14 Baton Rouge program, OCE had recommended disallowing
15 costs of \$714,000. The majority of that, \$485,000, was
16 attributable to the salary of the executive director
17 over four years. OCE had disallowed the entirety of
18 the executive director's salary because of
19 recordkeeping problems.

20 I modified that to disallow only two-thirds
21 rather than the entirety of the executive director's
22 salary because even though there were clear problems in

1 recordkeeping, there had been no finding that the
2 executive director was not doing work for them program.

3 There was no basis to conclude that he had not
4 provided any value to the program over the prior four
5 years.

6 On the contrary. Our own Office of Program
7 Performance had done a program evaluation visit in 2008
8 and had observed the executive director in action doing
9 work. Our staff had regulatory had contact with him.
10 And I thought the prudent thing to do under the
11 circumstances was to make some allowance for that.

12 There were also in that case two consulting
13 contracts where OCE had completely disallowed payment
14 of them, again because of documentation programs (sic).

15 But in each instance, there was evidence that work was
16 actually done on the contracts, so I disallowed half of
17 the contract amount rather than the entirety for each
18 contract.

19 In the DNA case in Arizona, OCE disallowed
20 \$348,000 in expenses charged to LSC. I reduced that to
21 \$170,000. One of the biggest components of the
22 reduction was for funds spent to purchase a building in

1 Arizona without adequate documentation.

2 But I concluded that the program would
3 nevertheless have incurred reimbursable occupancy
4 expenses, and had previously been paying rent in an
5 amount not much less than what they had spent on the
6 building purchase. So I allowed an amount of cost
7 equal to what they had been paying previously for rent.

8 Finally, I have established what I think is a
9 very constructive and what is to me a very useful
10 relationship with our Inspector General, Jeff Schanz.
11 I would like to thank him for reaching out to me and
12 for being so welcoming to me.

13 The way I view it, we share a common mission.

14 We are both committed to improving the efficiency and
15 the effectiveness of the Corporation that we serve, and
16 to detecting and deterring waste, fraud, and abuse. So
17 I regard him as a colleague in a shared mission of
18 serving the Legal Services Corporation.

19 That completes my report.

20 (Applause)

21 CHAIRMAN LEVI: Before we get to questions for
22 Jim, your report reminded me of two things. One is

1 that we are aiming to have -- there was a tech summit
2 that really launching the TIG program in 1998. There
3 has not been such a gathering of those in the legal
4 tech world since that time in any formal way.

5 And Jim and I and Glenn have been talking
6 about this. And if we can pull it off, we would like
7 to have a new such summit at the end of this year or
8 maybe early in the following year.

9 But there's a clear need now to get the
10 interested parties back together again and share all of
11 the many wonderful innovations. And I think that this
12 could be a very exciting thing.

13 The other piece of -- I myself have been to a
14 number of our grantee offices. Most recently, I was on
15 a college tour and found myself in Maine, and called
16 Nan Heald and had the pleasure of being received at
17 Pine Tree Legal Services. And what a terrific program
18 you all know that is.

19 But while I was there -- and she sent me a
20 follow-up note -- she asked for any input, suggestions,
21 that we or others at LSC might have for her updating of
22 the statesidelegal.org. Take a look. If you have some

1 suggestions, I'm certainly not a techie, but I think
2 we'll turn that over to Glenn and ask that -- but if
3 you have suggestions of your own, please, she's very
4 interested in getting them.

5 And the veterans project is, I think, an
6 opportunity, like the medical-legal partnerships, that
7 we began this year, and I look forward to its
8 continuing to grow and to make the same kind of
9 difference.

10 I'm sure that there are questions from the
11 board for Jim, and I would like to give that
12 opportunity. Martha?

13 DEAN MINOW: So, Jim, if we had any questions
14 that I'm sure none of us had about why we're so
15 thrilled that you're in this role, this report gave us
16 all of the comfort and encouragement and motivation
17 that we could need. So thank you so much, and thank
18 you for your amazing work since you've come on
19 board -- even before you came on board.

20 I do have a comment and a question. On the
21 possibility of playing more of a support to the field
22 on substance, it strikes me that here the model

1 partnership is a good one.

2 So whether it's medical-legal partnerships
3 where there is an existing organization, whether it's
4 the veterans initiative where -- in fact, I know my law
5 school is copying very much what we're learning from
6 what one of our grantees has done -- it may make sense
7 to find some other partner to work with on that. And
8 that would also have the added benefit of strengthening
9 ties with the field.

10 So it similarly struck me yesterday when we
11 had the panel, where you have an individual grantee
12 that's become an expert in a field such as the Hague
13 Treaty, to literally think of giving a name to them as
14 the spearhead or mentor role or what have you; and then
15 even come up with a website or a listserv where those
16 groups in different roles can relate to one another,
17 and then think about what really basic infrastructure,
18 technological and other, would help those partners play
19 that role. That's a comment.

20 The question goes to your important point
21 about realtime data. You pending strategic planning,
22 pending research efforts, is there anything that can be

1 done -- I know we have very limited resources -- to put
2 in place just the basic questions that allow for
3 grantees and others in the field to give you
4 information as you need it, not on an emergency basis?

5 MR. SANDMAN: Yes. I think there are ways to
6 do it. But I think the culture in the field currently
7 is to be reluctant to report information to LSC until
8 it's been thoroughly scrubbed because they don't want
9 people coming back after the fact and accusing them of
10 having distorted data.

11 But I think we can deal with that. I think as
12 long as the necessary qualifiers are attached to
13 whatever information they report, and we pass that on
14 in whatever use we make of the information, we can deal
15 with that.

16 And I think that -- my sense is that the field
17 would be very receptive to requests for that if they
18 understood how it were to be used and that it's in
19 their self-interest to provide it. If the grantee
20 doesn't see the benefit in reporting, I think we should
21 always step back and ask, well, maybe they're right.

22 But in most of the situations that I've been

1 faced with up until now, it's been pretty clear to
2 everybody why I was asking for what I was asking for,
3 and they were happy to provide it.

4 MR. GREY: I'd like to echo Martha's comments,
5 Jim, as well. I think there is a breath of fresh air
6 in this organization that is being appreciated not only
7 here in this organization but throughout the field, and
8 I think in Congress.

9 I mean, I think after having the opportunity
10 to testify with you, there was a different sense of
11 respect and stature associated with this organization
12 because of you. So I thank you.

13 Two things. John, you have taken us down a
14 path that I think has been very instructive, and that
15 is, you have offered the opportunity for people that
16 are experts and have developed certain niche program
17 focuses to come and testify.

18 We are trying to figure out how to best take
19 advantage of technology. And it would seem to me that
20 we ought to have a videographer who takes that and is
21 able to stream that and have that on the website as to
22 what's new, and that rather than say to ourselves, we

1 need to get this somehow out to the field, we ought to
2 have the field looking at it as we're looking at it and
3 reacting to it as we're reacting to it.

4 And then people can step up, Martha, as you've
5 said, and say, I want to lead that, or I want to be a
6 part of that, because that's what I do, or I'd like to
7 do that. And we don't have to wait for a board
8 meeting.

9 We could organize panels throughout the year
10 that could give, it seems to me, our organization a
11 chance to really put ourselves on the cutting edge of
12 what is going on in the field visually and
13 collectively. We paid a lot for this stuff in D.C.
14 Let's get it going.

15 CHAIRMAN LEVI: I couldn't agree more. And it
16 is why I began the -- and to show both ourselves in the
17 building and outside that we have this ability, and
18 let's get going and start to use it.

19 And I think it's good for morale as well, not
20 just that it advances the cause. But people will start
21 to feel much more connected. And the opportunity it
22 sitting right there for it. I think it may be an

1 issue -- ask Jim -- of the staff within the building to
2 pull those kinds of things together for us.

3 Does it exist?

4 MR. SANDMAN: I think we can do that.

5 MR. GREY: Thank you.

6 MR. KORRELL: Thank you, Mr. Chairman.

7 Mr. President, you observed that in your
8 survey of the legal services world, that there's not a
9 clear national leader. There's no one taking the role
10 of having the main voice.

11 Is it part of your vision that that is
12 something that LSC will step up and do? I mean, do we
13 have the capacity for it? Do we have the credibility
14 for it? And if so, I'd hope you'd communicate that to
15 us as we're pulling together a strategic plan.

16 (Laughter.)

17 MR. SANDMAN: I think there is a role for us
18 to play, certainly. Whether it's the role is something
19 else. There is a world out there of non-LSC-funded
20 programs that I think would be wary of looking to LSC
21 for leadership.

22 That's not to say that we couldn't do it. And

1 there is a turf consciousness among the players
2 currently in the field that I think can get in the way
3 of deferring to anyone to lead the effort. That's one
4 of the problems.

5 I think we can play an enhanced role, but I'm
6 not yet at a point where I can say that we can play the
7 leadership role.

8 CHAIRMAN LEVI: Julie? Incidentally, I would
9 second what Jim said. I think, and I think you've been
10 seeing what we've been doing, that part of my year here
11 has been to -- and in bringing the panels together, has
12 been to try to move up our leadership role. But where
13 that lands remains to be defined, I think.

14 MS. REISKIN: Yes. Thank you. I echo
15 everyone's comments. I'm incredibly impressed, with
16 you and with this board. It's really an amazing
17 experience for me.

18 A couple comments on some of the stuff you
19 said. I was really interested what you said about the
20 medical-legal partnership, about them coming in and
21 people thinking it was a medical problem but it was
22 really a legal need.

1 What I see in my community is the opposite,
2 where everyone thinks they need a lawyer -- because
3 everyone thinks they need a lawyer, but sometimes what
4 they need is medical, particularly mental health
5 care -- not to say that their issues aren't real, but
6 sometimes it's the other way around.

7 I'm very interested in seeing the
8 medical-legal partnership. It seems to be mostly
9 focused on children and families. I see a huge need
10 for it to go to veterans particularly. And also, we're
11 doing a project in Colorado, creating a disability
12 application assistance that will have a legal
13 component.

14 But we're hoping to do that exact kind of
15 thing, but to try and get it right the first time so
16 we're not years on appeals, and working with our
17 programs and about 20 other groups to do it. So I just
18 thought that was interesting.

19 In terms of the money issue, I think
20 absolutely. The poverty programs are always 18 to 24
21 months behind in terms of people needing Medicaid, food
22 stamps, those kinds of things, coming out of any kind

1 of recession or financial problem.

2 So I think you're going to see that increased
3 need go on for a while. And I wasn't at all surprised
4 by those numbers running a nonprofit, giving -- because
5 our needs are all greater and the competition is
6 fiercer.

7 And donors are still holding on, and a lot of
8 foundations, during the recession they narrowed their
9 areas and restricted funding, and they haven't
10 unrestricted it yet. So I think it's going to be a
11 couple -- just from what I see in my little corner,
12 it's going to be a couple years.

13 And my final -- it's not a comment, it's a
14 question -- is I totally understand and agree with the
15 outcomes issue. But how do we do that? Because if you
16 look at just number of cases closed or even win/loss,
17 that isn't necessarily the best measure because like
18 again, my little knowledge is not what you guys' is.
19 But I know just with administrative law judge appeals,
20 if you have a really high win record, that just might
21 mean that you're taking the easy cases.

22 I know our Colorado Legal Services right now

1 is taking some very difficult but very important issues
2 that deal with due process. And they're going to be
3 time-intensive, so it might be fewer cases.

4 And I don't know if we're -- we're in a tough
5 circuit. I don't know if we're going to win. But I
6 think it's really important that they do this and take
7 this issue on. And even if we don't win, it might lead
8 to some other systemic changes, like it might lead to a
9 rule -- I don't know where it's going to lead.

10 But I guess what are your thoughts around
11 that? But I also don't want to say, oh, we can't do
12 outcomes because it's too hard, either.

13 MR. SANDMAN: It's a great question, and
14 you're a few steps beyond what I was raising. You're
15 thinking ahead.

16 We don't have the fundamental information at
17 this point about what the result achieved was in a case
18 that we decided to handle. You're down the road
19 thinking about, how do we pick the cases that we handle
20 to maximize impact?

21 But we may have a case categorized as a
22 foreclosure case. Was the foreclosure averted? Was an

1 eviction averted? Was it delayed? We don't have that
2 kind of information, so we can't even begin to get to
3 where you're trying to take us, quite properly, without
4 that baseline information about the results of the
5 cases that we're handling. We're farther behind than
6 you --

7 MS. REISKIN: It's not about judging. It's
8 about knowing.

9 MR. SANDMAN: It's about both, ultimately.
10 But we can't judge until we know.

11 CHAIRMAN LEVI: I just want to say Jim has
12 done all of this in two and a half months. You wonder
13 when he's been sleeping.

14 (Laughter.)

15 CHAIRMAN LEVI: But anyway, how lucky we are
16 to have you. It's just a terrific thing. And based on
17 these two and a half months, well, you're setting a
18 very high bar for yourself. In any event, we're
19 thrilled.

20 MR. SANDMAN: I just want to say I'm thrilled
21 to be here. I think I -- as I said when I was first
22 appointed, I think I have the best job in American law,

1 and I'm very grateful to be here.

2 CHAIRMAN LEVI: Mr. Inspector General?

3 MR. SCHANZ: Jim, that was a very impressive
4 presentation. But I give you Dutch Merryman.

5 (Laughter.)

6 MR. SCHANZ: We forewent one issue on the
7 audit committee because we thought it was important
8 enough just to bring it straight to the board, and
9 Dutch will talk to you about that.

10 MR. MERRYMAN: Thank you. Just to play off of
11 Jim's comment, I'm sitting closer to you, sir. Am I
12 looking any better than anybody? I just want to know.

13 (Laughter.)

14 MR. MERRYMAN: Just real quick -- I know we
15 have a lot of business to cover -- but I just wanted to
16 bring the board up to date on -- we've talked several
17 times about increasing and using contractors to help
18 look at some of the problem IPAs that we think we have
19 to get a better idea, a better understanding why some
20 issues that happen out in the field have not been
21 discovered by the IPA process. And then also we talked
22 about having a more routine and more robust program,

1 looking at the IPAs themselves.

2 We have let a contract and we will have people
3 on site on Monday to start look at one of the troubled
4 IPAs in very specific detail. We'll get a report for
5 each of four years on what went right, what didn't go
6 right. Was there something that was obvious or not?

7 We're looking for this not only to find out
8 whether or not we can discover whether the audit was
9 done completely correctly, but also, are the lessons
10 learned that we can get out to all the other IPAs to
11 try to be alert for other types of things that they may
12 be considering looking at.

13 For instance, this one was a direct result of
14 prepaids, very large prepaids. Do we need to get more
15 emphasis in that area if they're very large, and make
16 sure that people understand that that's what happened.

17 Shortly after they finish that review onsite,
18 they'll go to the next one. We have two under this
19 contract, and that will be to look at another troubled
20 program on what happened there and what can we learn
21 from that. And the same thing -- we'll try to get
22 lessons learned.

1 We've also put a request for bid on the more
2 routine. We're going to try to cover all of the IPAs
3 in a four-year cycle. The first, so we put out a
4 contract to do 35 this year. We'll get the bids back
5 the end of April, we'll evaluate those, and we'll start
6 for fiscal year 2010 to do the first 35 with option
7 years so that in a four-year time, we'll get to all the
8 IPAs.

9 And each year we will try to look what
10 information -- we've asked for a summary report each
11 year also from whoever gets the contract so that we can
12 get information out to programs and IPAs if we have
13 some consistent or some repetitive problems out there
14 so we can keep improving the process. And we'll assess
15 it each year.

16 MR. SCHANZ: That's the IG'S report. Thank
17 you for your time.

18 CHAIRMAN LEVI: Questions?

19 (No response.)

20 CHAIRMAN LEVI: The promotions committee?

21 MS. MIKVA: There is no need for action from
22 the committee. We had two wonderful presentations, and

1 we are sort of working out two issues I know the
2 committee will be addressing. One is providing
3 services in rural areas, both pro bono and grantee
4 services; and then the client board member initiative.

5 We are developing what we want to do with those.

6 CHAIRMAN LEVI: Thank you. Questions?

7 (No response.)

8 CHAIRMAN LEVI: Mr. Grey?

9 MR. GREY: Thank you, Mr. Chairman, members of
10 the board. Previously distributed was a resolution
11 recommending to the board a consolidated operating
12 budget for fiscal year 2011 which incorporated the
13 Continuing Resolution passed by Congress.

14 It resulted in a reduction, overall reduction,
15 of the funds available to LSC. Those areas where the
16 reduction would be noted or accounted for are in basic
17 field programs to the tune of about \$758,800;
18 technology initiatives, \$6,800; management grants and
19 oversight of \$34,000; the LRAP grants of \$2,000; and
20 the Inspector General, \$8,400.

21 I'm going to ask David Richardson to add to
22 that the overall analysis of how we're going to

1 implement this and to answer any questions that the
2 board might have. But suffice it to say that in the
3 main, we are in good fiscal shape. We are under budget
4 in many categories, and are being very judicious with
5 the appropriation of funds that have not been spent,
6 anticipating those areas where we think we will have
7 the greatest need.

8 Mr. Treasurer?

9 MR. RICHARDSON: Again, for the record, my
10 name is David Richardson. In putting this together,
11 what we do have for the field is a 4 percent decrease
12 in funding for the year. This will
13 basically -- because we've got to spread at this
14 decrease over a seven-month period, it will result in a
15 decrease in their monthly funding of 6.85 percent.

16 We have already provided this information to
17 the field. We've not broken it out completely yet, but
18 we've given them some baseline information so that they
19 can make the preparations that's needed for their
20 continued operations.

21 MR. GREY: Just as a way of providing some
22 anecdotal inauguration, have you had any reaction from

1 the field about this?

2 MR. RICHARDSON: Yes. We've received a number
3 of calls because earlier in the week, of course, we
4 were -- actually two weeks ago, we were expecting a
5 much larger cut in funding. And the calls that we are
6 receiving are basically expressing relief that it was
7 not as large a cut, of course, as we had originally
8 anticipated.

9 And certainly that is due to President Sandman
10 and your efforts on the Hill, going in and talking.
11 And certainly the people from NLADA, the ABA, who have
12 gone to bat to speak for funding of our grantees. And
13 all of them should, and you, should applaud yourself
14 for a great effort.

15 You hate to say applaud yourself for a
16 reduction in funding. But yet with what we were
17 seeing, we had great success with this.

18 CHAIRMAN LEVI: We shouldn't forget the
19 Conference of Chief Justices, either.

20 MR. RICHARDSON: And I'm sure there's many
21 others that I'm not aware of. But there's many people
22 who spoke in our behalf.

1 MR. GREY: Madam Vice Chair?

2 DEAN MINOW: One of our predecessor board
3 members, John Broderick, former Chief Justice of the
4 New Hampshire Supreme Court and now dean of the
5 University of New Hampshire Law School, when I reported
6 the results of your report yesterday, he wrote back,
7 "Well, that's the best bad result I could imagine,"
8 which I thought was a pretty good phrase.

9 (Laughter.)

10 DEAN MINOW: I wonder before, though, there's
11 too much relief what kind of advice we should be giving
12 the field in planning for next year. I know nobody
13 knows, but there will be more cuts.

14 MR. RICHARDSON: John Constance, you want to
15 join me?

16 MR. CONSTANCE: No.

17 (Laughter.)

18 MR. CONSTANCE: For the record, John
19 Constance, government relations and public affairs.

20 I would say this, that certainly the
21 now-House-passed budget for 2012, which lays out the
22 budget goals that Congress has for programs like ours,

1 are pointing to 2008 levels. Coincidentally, that is
2 exactly the level that the \$70 million cut for 2011
3 would have done to our field programs.

4 So I would say that in terms of the potential
5 impact of that, we have already done that analysis.
6 We've already provided that to the field. We've
7 already provided those talking points. But obviously,
8 this was aimed at trying to turn back what the effect
9 would have been on H.R. 1, the bill for 2011.

10 We have a lot of work ahead of us. I would
11 say that we will keep the field informed going forward
12 at every step of the way in terms of where we see this
13 going for 2012. We were certainly heartened by the
14 fact that the President's budget has a \$450 million
15 goal for LSC for 2012. That's very good news.

16 The work that this board did and all of the
17 groups on our behalf did for 2011 is good news and
18 certainly can be replicated. But the outcome is not
19 certain.

20 And we certainly are going to work very hard
21 to make it a certain on our side of the ledger as we
22 possibly can. And I think the data that you have heard

1 the last two days, I think Jim Sandman's sense of what
2 we need in order to make the case, and what we have
3 learned in 2011 in terms of the process, all instruct
4 our efforts going forward. And we look forward to the
5 challenge.

6 CHAIRMAN LEVI: There's a pending resolution.

7 Can I make a slight change and move the "and" in the
8 second "whereas" to be after the first "whereas"?

9 DEAN MINOW: After the first "whereas." Yes.

10 CHAIRMAN LEVI: Well, there's an "and" after
11 the second "whereas" clause that needs to actually be
12 moved to -- it should be after the first "whereas"
13 clause.

14 MR. GREY: Oh, right.

15 CHAIRMAN LEVI: It's a major change.

16 (Laughter.)

17 MR. GREY: But proper.

18 DEAN MINOW: Would you like a vote on the
19 resolution?

20 MR. GREY: Well, no. There's one modification
21 I think we want to budget with regard to an
22 expenditure. And Mr. Chairman, I think you wanted to

1 have the development committee approve of a particular
2 item. We'd be happy to entertain that so that as the
3 budget is prepared, it contains that -- reflects that
4 new expenditure.

5 CHAIRMAN LEVI: Okay. The development
6 committee in a few minutes will be suggesting that we
7 retain a consultant for a six-month period to take a
8 look at how we can best put together a development
9 operation.

10 Now, it is possible that we can try to get
11 some private grant funding for that, and we will try.
12 But I think we should anticipate -- we don't have a
13 number. We haven't done an RFP. But we should
14 probably anticipate some reasonable number, in the
15 maybe \$100,000 range, in terms of budgeting. But we
16 don't have a precise number at this juncture.

17 How would you like to cover that, sir?

18 MR. RICHARDSON: Based on that number, we do
19 have the million-dollar contingency that we had set
20 aside for some work that we're doing on reclassifying
21 temporary employees and consultants. I don't think
22 it's going to cost that amount of money. We also had

1 \$100,000 included in that for a national conference.
2 And I don't think that is going to occur at this point.

3 So my recommendation would be to reduce your
4 contingency by \$100,000 and move it to the board's
5 budget to support this.

6 CHAIRMAN LEVI: That's fine. Can we make that
7 modification right now?

8 MR. GREY: You can.

9 M O T I O N

10 CHAIRMAN LEVI: Well, I would so move, then.

11 MR. GREY: Second.

12 All in favor of amending the budget, as
13 presented, to include within its four corners the
14 transfer of funds from the reserve to support the
15 hiring of a consultant for development committee, as a
16 motion properly succeeded before the board?

17 DEAN MINOW: So move.

18 MR. GREY: Discussion? Seconded. Discussion?

19 (No response.)

20 MR. GREY: All in favor say aye.

21 (A chorus of ayes.)

22 MR. GREY: The last item, Mr. Chairman, is the

1 process of setting up the stakeholder participation and
2 the finance committee's analysis for a recommendation
3 on the 2012 budget. I'd ask Mr. Constance to overview
4 that for us, knowing that on the back end we've got
5 this date that we're looking at and how we might
6 approach that.

7 MR. CONSTANCE: Thank you, Mr. Chairman. I
8 would say several things. We're certainly aware that
9 there are great advantages to us to get back into
10 regular order with the Office of Management and Budget,
11 at the same time maintaining our independence and
12 stressing our independence to come up with a different
13 number, if we all agree to disagree, anticipating that;
14 but at the same time, at least giving them the
15 advantage of our thinking for 2013 consistent with
16 their timeline. And their timeline is really having
17 these numbers in by Labor Day.

18 So I know that Chairman Levi has talked to
19 David and has some ideas about the process going
20 forward on that. I think we need to timeline that out.
21 We need to check in this committee, or your committee,
22 Chairman Grey and the entire board, as to expectations

1 of the kind of data that will support our request for
2 2013, and do what we can in order to meet the
3 expectations of the board in coming forward with that
4 data that will support whatever we request for 2013.

5 CHAIRMAN LEVI: I think there were two issues
6 that the board was concerned about. The first was that
7 the board did not want to be put in the position of
8 having the finance committee meet and turn it over ten
9 seconds later to the board. We wanted a month or so
10 between the two for proper consideration.

11 The second issue was that I think there was a
12 desire by the board, and I think it's a good practice
13 even though NLADA and others make good representations
14 on behalf of the field, to actually hear directly from
15 some of the grantees on some orderly schedule that
16 actually has the grantees knowing that if you take the
17 50 states on some rotational roll, they will have an
18 opportunity to directly be heard by the finance
19 committee, whether in subcommittee or some other form,
20 on a regular rolling basis.

21 This way, everybody feels they have an
22 opportunity from time to time to talk directly to the

1 board, not through someone else, and the board gets its
2 own direct snapshot, and it's an opportunity also to
3 meet them in the field.

4 So these are opportunities we should not let
5 go, and I want to set the different methodology. At
6 least, I think for other boards that I've been on, this
7 works well and I'd like to at least start with that.
8 So that's what I'm thinking.

9 MR. CONSTANCE: Mr. Chairman, the only thing I
10 would add is that certainly tracks with what we had
11 heard, and that we will, as Chairman Grey indicated,
12 work on a timeline for ensuring that that would be
13 possible.

14 CHAIRMAN LEVI: Gloria, I think if you just
15 dialed in, you may have to mute your line because we're
16 hearing back talk from the airport.

17 PROFESSOR VALENCIA-WEBER: I muted my line.

18 MS. MIKVA: It didn't work.

19 CHAIRMAN LEVI: Now it's okay.

20 MR. GREY: So, Mr. Chairman, we are
21 considering how to do that as part of the process. We
22 heard that from you, and that is being factored into

1 this so that that time frame -- and I said 2012; it's
2 the 2013 budget -- does come off with a much different
3 set of inputs for the board to consider.

4 CHAIRMAN LEVI: Thank you very much.

5 MR. RICHARDSON: I think that's it.

6 MR. GREY: Well, I don't know if we voted on
7 the resolution. We voted on the amendment.

8 CHAIRMAN LEVI: OH, yes.

9 MR. GREY: So I'd like to hear a motion.

10 M O T I O N

11 DEAN MINOW: So moved.

12 MR. GREY: Second.

13 FATHER PIUS: Second.

14 MR. GREY: All in favor say aye.

15 (A chorus of ayes.)

16 MR. GREY: That's it, Mr. Chairman.

17 CHAIRMAN LEVI: That may not be the airport.

18 That sounds like children. If somebody has a phone
19 that is near small children, could they please mute the
20 line?

21 The audit committee. Mr. Korrell.

22 MR. KORRELL: Thank you, Mr. Chairman.

1 The audit committee met, did nothing requiring
2 board action. I'll give a quick summary of what we
3 covered.

4 We delayed review of the audit committee
5 charter. It was one of the items on the agenda. We
6 need more information both from the General Counsel's
7 office and from the Inspector General before we dig
8 into the meaty work of considering revisions to the
9 charter. So we delayed that until the next meeting.

10 We received a quarterly review of the 403(b)
11 thrift plan from Ms. Dickerson. She gave us a report;
12 it's at page 105 of the board book. The short version
13 is we will be entering a fiduciary relationship with
14 Mesirow and purchased a million-dollar fiduciary
15 insurance policy.

16 She is generally happy with the performance of
17 the investments, based on the quarterly report that she
18 just received. And we've been informed by the
19 administrator of the plan that there may be some
20 technical corrections that need to be made as a result
21 of the merger of LSC's non-ERISA plan with the 403(b)
22 thrift plan, and she'll get back to us at the July

1 meeting on that.

2 We received a report from Mr. Merryman at the
3 OIG's office regarding the audit. We will not be
4 exercising our option to renew the contract with the
5 IPA, and we'll put that contract out for bid.

6 We received a briefing from Jeff Morningstar
7 about common weaknesses in information technology
8 security. He explained what LSC is doing in that
9 regard, and expressed his confidence that LSC's
10 information technology security is robust and has no
11 concerns about potential weaknesses there.

12 As I said, we have no recommendations
13 requiring board action, and that's my report.

14 CHAIRMAN LEVI: Questions?

15 (No response.)

16 CHAIRMAN LEVI: Thank you, Harry.

17 Charles?

18 MR. KORRELL: I'm sorry. This is Harry one
19 more time. We did defer the Inspector General's report
20 to the full board, and I'm assuming that's the report
21 we already got. Is that correct, Jeff?

22 MR. SCHANZ: Yes, sir.

1 MR. KORRELL: Okay. Thank you.

2 PROFESSOR KECKLER: Thank you, Mr. Chairman.

3 The operations & regulations committee met
4 yesterday. We received a presentation and began our
5 public deliberations on the issue of the formula for
6 the allocation of funds and the need to replace the
7 element of the formula involving the decennial census.

8 There were no recommendations that arose
9 regarding that important issue. However, we were
10 informed that management has suggested a target date
11 for resolution around September 1st, as we just heard.

12 That is the time that the Office of Management and
13 Budget receives our budget, and that is also, we were
14 informed, the time at which legislative changes are
15 generally recommended of this type.

16 Whether that's achievable is something that
17 the board will have to discuss as it goes forward.
18 Board members expressed a desire to learn more
19 regarding the different options that are available to
20 us under the law and the consequences of those options.

21 So we expect to receive further information at or
22 before our July meeting regarding that point.

1 In addition, the operations & regulations
2 committee recommended the adoption of a draft final
3 rule that we've been considering on 45 CFR Part 1609
4 regarding a clarification on the application of our
5 regulations on fee-generating cases, in that the
6 clarification indicates that it's not applicable to
7 non-federal, non-private funds.

8 And this was brought up to the board before,
9 and most of you have seen it. The report was that
10 after putting this out for notice and comment, only
11 three positive comments, none recommending substantive
12 changes, were received.

13 After deliberating on this matter, the
14 operations & regulations committee recommends the
15 conversion of the draft final rule to a final rule as a
16 clarification of our regulations, involving no policy
17 change.

18 CHAIRMAN LEVI: So is that before us now?

19 M O T I O N

20 PROFESSOR KECKLER: That is now before you.

21 MR. GREY: Second.

22 PROFESSOR KECKLER: All in favor?

1 (A chorus of ayes.)

2 PROFESSOR KECKLER: That concludes the report
3 of the operations & regulations committee.

4 CHAIRMAN LEVI: And I just want to say that
5 Charles was pressed into service just about ten days
6 ago to interview strategic planning consultants. He
7 spent the entire day at LSC with Jim, and we've all
8 seen the value of his work and we're very grateful for
9 it.

10 Robert Grey came up and did the same thing a
11 few weeks before that with Vic Maddox on the phone,
12 interviewing folks for the fiscal oversight task force.

13 And this just shows you the remarkable willingness of
14 our board to step up when they need to and help out.
15 So we really appreciate it.

16 Okay. The governance & performance review?

17 DEAN MINOW: Thank you, Mr. Chair.

18 The governance & performance review committee
19 met earlier today and received a report on
20 implementation of GAO recommendations regarding the GAO
21 report of 2010. There are three outstanding activities
22 that, though, have very clear plans for their

1 completion, and we will continue to apprise the board
2 about the fulfillment of those steps.

3 And we also noted that at least with regard to
4 one and maybe all three of those remaining steps, there
5 may be some important connections with the fiscal
6 oversight task force and the strategic planning
7 committee.

8 We also considered and acted on the IG
9 evaluation for 2010. I think it was a very pleasant
10 and effective conversation. And it is the first time
11 that this board has engaged in an evaluation of an
12 inspector general, and I think it establishes a very
13 good process and one that can be used also in the
14 evaluation of the president and other high officers
15 where appropriate.

16 And we finally discussed briefly the research
17 agenda next steps. And that completes my report.

18 CHAIRMAN LEVI: Questions?

19 (No response.)

20 CHAIRMAN LEVI: Thank you.

21 The development committee met, and we've
22 already acted on its report. So I think unless there's

1 other questions, we are very interested in doing what
2 we can to elevate the role of LSC in a particular kind
3 of raising of funds and raising of awareness.

4 And we had discussion as to whether to begin
5 by hiring someone or by actually bringing in someone
6 expert in the development consulting arena, of which
7 there are many terrific people, to come and take a look
8 at our circumstance and help us get properly organized.

9 And the committee adopted the second as its
10 recommendation, and that is the reason that we asked
11 for the allocation in the finance thing.

12 But we've acted on that. Any other questions?

13 (No response.)

14 CHAIRMAN LEVI: Mr. Grey on the oversight. Do
15 you have a report of any kind, a brief one?

16 MR. GREY: Yes. Mr. Chairman, the fiscal
17 oversight -- when did we meet? Wednesday -- met on
18 Wednesday at the LSC offices. We had our consultant
19 with us as well. It was the first opportunity that the
20 task force had had the opportunity for a face-to-face
21 meeting.

22 And I think, from all indications, we are off

1 to a very positive start, having had the opportunity to
2 hear from both OPP, OCE, and the Inspector General.
3 Each indicated their interest in not only cooperating
4 but actually, it, drilling down pretty deep into the
5 organization's history, and each coming to the table
6 with a mindset of offering solutions to some of the
7 challenges that we have.

8 I would like to tell you that your appointment
9 of the various members of the task force is -- maybe I
10 just ought to use the word, it's pretty awesome. The
11 group is not only well-informed, but they are a quick
12 study. And it is going to be, I think, a real pleasure
13 to work with them and our consultants.

14 And I believe we would be -- I think we are
15 prepared not only to meet more often in person, but to
16 meet the timeline of trying to have a report to the
17 board in July.

18 CHAIRMAN LEVI: Questions for Mr. Grey?

19 (No response.)

20 CHAIRMAN LEVI: Thank you very much.

21 Public comment?

22 (No response.)

1 CHAIRMAN LEVI: Other business?

2 DEAN MINOW: Yes. I would like to have the
3 board recognize the amazing work of the chair of the
4 board.

5 (Applause)

6 CHAIRMAN LEVI: Well, the feeling is mutual.

7 DEAN MINOW: And thank the law firm of Sidley
8 Austin for allowing you to do this.

9 CHAIRMAN LEVI: For each of your organizations
10 for allowing you to do this. This is an active,
11 engaged board. But as I've been saying, I don't think
12 we have much choice.

13 And at this point in time, when you take on
14 one of these roles, you either take it on seriously and
15 mean to do the job or probably you shouldn't have
16 accepted the apartment. And that's basically the way I
17 look at it. And we'll try to help Jim as much as we
18 can and not get too much in his way. Just a little
19 bit.

20 (Laughter.)

21 CHAIRMAN LEVI: All right. So that brings us
22 to any other business?

1 (No response.)

2 CHAIRMAN LEVI: And can we move to go to
3 closed session?

4 M O T I O N

5 DEAN MINOW: So moved.

6 PROFESSOR KECKLER: Second.

7 CHAIRMAN LEVI: All in favor?

8 (A chorus of ayes.)

9 CHAIRMAN LEVI: Thank you.

10 (Whereupon, at 11:44 a.m., the open session of
11 the board was adjourned to executive session.)

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