

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE FINANCE COMMITTEE
OPEN SESSION

Friday, January 28, 2011

1:53 p.m.

Legal Services Corporation
3333 K Street, N.W.
Washington, D.C.

COMMITTEE MEMBERS PRESENT:

Robert J. Grey, Jr., Chairperson
Sharon L. Browne
Robert E. Henley, Jr.
Martha L. Minow
Father Pius Pietrzyk, O.P.
John G. Levi, ex officio

OTHER BOARD MEMBERS PRESENT:

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

STAFF AND PUBLIC PRESENT AT THE CORPORATION'S OFFICES:

Katherine Ward, Executive Assistant, Office of Legal Affairs
Jeffrey E. Schanz, Inspector General
David Maddox, Assistant Inspector General for Management and Evaluation
Stephen Barr, Director, Media Relations
Lavon Smith, Network/Systems Engineer, OIT
Mattie Cohan, Senior Assistant General Counsel, Office of Legal Affairs
Patricia D. Batie, Corporate Secretary, Office of Legal Affairs (OLA)
Treefa Aziz, Government Affairs Representative, GRPA
Ronald "Dutch" Merryman, Assistant Inspector General for Audits
Laurie Tarantowicz, Assistant Inspector General and Legal Counsel
John Meyer, Director, Office of Information Management (OIM)
Chuck Greenfield, Program Counsel III, OPP
Cynthia Schneider, Deputy Director, OPP
Kathleen Connors, Acting Executive Assistant to the President/Executive Assistant for GRPA, EXEC
David L. Richardson, Treasurer and Comptroller
Linda Perle, Center for Law and Social Policy (CLASP)
Terry Brooks, American Bar Association Standing Committee on Legal Aid and Indigent Defendants

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

2 (1:53 p.m.)

3 CHAIRPERSON GREY: Ladies and gentlemen, I'm
4 going to call the Finance Committee to order. I note
5 for the record that Bob Henley, who is a member, a
6 non-voting member of the Board and member of the
7 Finance Committee is present, along with members of the
8 Board who are members of the Finance Committee.

9 There is an agenda before you in blue. I
10 would ask for a motion to approve the agenda.

11 M O T I O N

12 MS. BROWNE: So moved.

13 MS. MINOW: Second.

14 CHAIRPERSON GREY: Moved and seconded. All in
15 favor say aye.

16 (Chorus of ayes.)

17 CHAIRPERSON GREY: Opposed, no.

18 (No response.)

19 CHAIRPERSON GREY: There is also, previously
20 distributed, the October 19 minutes of the Finance
21 Committee meeting. If there are corrections or
22 additions, we would be happy to receive them. If there

1 are none, then I would ask a motion for their approval.

2 M O T I O N

3 MS. BROWNE: I'll move them.

4 CHAIRPERSON GREY: Second?

5 FATHER PIETRZYK: Second.

6 CHAIRPERSON GREY: Thank you. All in favor

7 say aye.

8 (Chorus of ayes.)

9 CHAIRPERSON GREY: Opposed, no.

10 (No response.)

11 CHAIRPERSON GREY: We are going to move to
12 item number three, which is consideration to act on a
13 revised temporary operating budget for fiscal year
14 2011. And I'm going to ask David Richardson, our
15 treasurer, to take the floor and give us an explanation
16 of our -- of this resolution.

17 MR. RICHARDSON: Okay. I will be referring to
18 the Board book on page 114. And summarized is the
19 information that you have before you. In October, we
20 passed a temporary operating budget of \$4,391,000. I'm
21 sorry, \$431,900 million. I'll talk in round numbers.
22 That budget was made up of 420 million, which was the

1 continued resolution money, money that we received in
2 2010 that we continued to receive, the U.S. Court of
3 Veterans Appeals funds of \$1.8 million, and then a
4 projection of carryover.

5 At the bottom of that page 114, you'll see
6 that we now have -- I have the original carryover and I
7 have the carryover as it now stands after the audit.
8 There was an increase in that of \$3,500,000. And it's
9 broken up with a decrease in the U.S. Court of Veterans
10 Appeals, a decrease in the grants from other funds, and
11 then we have an increase in the technology initiatives,
12 since the grants were not made.

13 And then we have an increase in management and
14 grants oversight, and the inspector general, due to
15 less spending at the end of the year than we
16 anticipated -- I just wanted to make sure that we had
17 enough money to fund expenses in the projection -- and
18 then carried the money forward into the next year.

19 The amendment that you've got --

20 CHAIRPERSON GREY: Hold on one second. Any
21 questions?

22 (No response.)

1 CHAIRPERSON GREY: Okay.

2 MR. RICHARDSON: Okay. So basically the
3 resolution that is before you is to increase the budget
4 from the 431,900,000, to 435,400,000. And it is solely
5 for the adjustment and the carryover.

6 CHAIRPERSON GREY: So it's the budget that was
7 previously approved by the Board with these adjustments
8 since that time; is that correct?

9 MR. RICHARDSON: That's correct.

10 CHAIRPERSON GREY: Any questions or comments?

11 FATHER PIETRZYK: So on your memo, the first
12 column is the fiscal 2010 numbers. In the second
13 column is the TOB that we just passed last time.

14 MR. RICHARDSON: That's correct.

15 FATHER PIETRZYK: And then the third column is
16 the adjustments to that middle column, which make the
17 first column.

18 MR. RICHARDSON: That's correct.

19 FATHER PIETRZYK: Oh. In comparison between.

20 MR. RICHARDSON: Right.

21 FATHER PIETRZYK: Okay.

22 MR. RICHARDSON: So this \$3,500,000, we now

1 need to add to the budget.

2 FATHER PIETRZYK: Right. Right.

3 MR. RICHARDSON: What I have done, since we
4 have a new president, is I've laid out the new
5 memorandum to lay out the key areas within the budget,
6 and then I have highlighted the changes that needed to
7 occur to raise the money, raise the budget up to the
8 MGO funds. I think they are fairly self-explanatory,
9 but I did want to point out a couple of major changes
10 here. One is \$70,000 additional money into the
11 technology line for additional equipment that was
12 needed there. Actually, it's an upgrade to the website
13 so that we have a better presence in the field.

14 CHAIRPERSON GREY: David, just so that
15 everybody -- I mean, just make sure everybody is on the
16 same page here. You're on page 116?

17 MR. RICHARDSON: 116.

18 CHAIRPERSON GREY: First, let's let everybody
19 get there first.

20 MR. RICHARDSON: Okay.

21 CHAIRPERSON GREY: And then you've got
22 bullets. And you've got to tell us which bullet you're

1 on.

2 MR. RICHARDSON: Okay. Next to the last
3 bullet on page 116 is the increase to the information
4 technology.

5 CHAIRPERSON GREY: All right. Go ahead and
6 explain that now.

7 MR. RICHARDSON: There was additional money
8 that was needed to revise our website to have a better
9 presence, present our information to the field and to
10 the users at large, present more vibrant information to
11 them basically. And it's updating not only our
12 website, but it's also updating the Larry the Lawyer
13 legal research website. And there is our RIN also that
14 our grantees use. And it's also looking at that. So
15 it's more than just one website that we're updating at
16 this point.

17 FATHER PIETRZYK: And that's, then, taken from
18 the carryover.

19 MR. RICHARDSON: That is taken from the
20 carryover, yes.

21 FATHER PIETRZYK: Okay.

22 MR. RICHARDSON: In addition to that, the

1 bottom of the page, you'll see that the Office of
2 Program Performance, there was \$200,000 in the
3 consulting line, and there is 286 in the travel. The
4 travel has not changed, but we've talked about a change
5 in the classification of consultants to be temporary
6 employees. We have used a little bit of the money, and
7 I wanted to make sure that we had enough money to cover
8 that in the budget. So we're actually moving a hundred
9 and ninety thousand of the consulting money and putting
10 it into a temporary operating budget.

11 At the top of the next page is the other
12 office that is affected with this change, and that is
13 the Office of Compliance and Enforcement. They had a
14 hundred and ninety-two budgeted for consulting. We've
15 moved a hundred and eighty-two thousand of that into
16 temporary employee pay for the change in the
17 classification.

18 CHAIRPERSON GREY: That's legal
19 classification. I mean, that's a -- the reason we're
20 doing it is because of a legal determination --

21 MR. RICHARDSON: That is correct.

22 CHAIRPERSON GREY: -- on classification.

1 MR. RICHARDSON: Yes.

2 MS. BROWNE: May I ask a question.

3 Going back to your -- the bullet on the bottom of page
4 116, you have a hundred and ninety thousand was moved
5 to the temporary employee pay item. Where do I find
6 that on your budgeted information? It's on 114, page
7 114.

8 MR. RICHARDSON: It's not new.

9 CHAIRPERSON GREY: Reclassification.

10 MS. BROWNE: Oh, it's just --

11 MR. RICHARDSON: It's not. It's just a
12 reclassification.

13 MS. BROWNE: -- okay, moving around. This is
14 moving around.

15 MR. RICHARDSON: My apologies. I was trying
16 to say that it was money that was already budgeted and
17 we're just moving to a --

18 MS. BROWNE: Okay. To another line.

19 MR. RICHARDSON: -- to correct the --

20 FATHER PIETRZYK: This would be on page 122.
21 Is that what those are on?

22 MR. RICHARDSON: Right. You'll see the change

1 on the 122. You'll see that the change did occur. And
2 you'll see that the hundred and eighty-two, in
3 compliance, is actually two thirty for the program
4 performance because there was already money in that
5 particular line.

6 Okay. The resolution that is before you on
7 page 120, or 119 and 120, it lays out the monies that
8 is -- that are currently available from the continuing
9 resolution, from the U.S. Court of Veterans Appeals,
10 the carryover. The total funds add up to, in the third
11 column where we talk, "Now therefore be it resolved,"
12 the \$435,400,000, and I've broken it out into the
13 delivery of legal assistance and the management and
14 grants oversight, the Herb Garten loan repayment
15 assistance program, and the Office of Inspector
16 General.

17 And that will match the information that is on
18 121. If you would like to look at the chart,
19 everything ties across at that particular page. And
20 then when you look at 122, you'll see that the
21 management and grants oversight, the 21,439 matches
22 there, and then the IG, the 6 million 351 will match

1 there. So everything is as -- as an auditor would say,
2 it's ticked and tied.

3 FATHER PIETRZYK: And the president of the
4 Corporation has reviewed this and he has -- I assume he
5 has seen this already or does this come to us first?

6 MR. RICHARDSON: Oh, no. It goes to the
7 president.

8 FATHER PIETRZYK: Okay.

9 MR. RICHARDSON: Everything goes to the
10 president before it comes into the Board book.

11 FATHER PIETRZYK: Okay.

12 MR. RICHARDSON: Yes?

13 MR. MADDOX: Can I ask a question. David, I,
14 looking on 117 under Key OIG Budgeted Operational
15 Areas, it says that we've set aside another \$360,000.
16 Is that new money that is being set aside to review
17 grantees' auditors?

18 MR. RICHARDSON: No, it is not. It would not
19 be enough money. And the money that was increased for
20 the inspector general was a hundred and fifty-one
21 thousand dollars. He has repeated, much like we have.
22 David just didn't bullet how he broke out the hundred

1 and fifty-one thousand dollars. It's just in total.

2 MR. DAVID MADDOX: Yeah. David Maddox, for
3 the record, from the IG's office. The additional
4 hundred and fifty-one thousand dollars moved into the
5 other operating income area for the IG's office. There
6 were no reallocations of IG money across the budget
7 lines at this time.

8 MR. RICHARDSON: Actually, at the bottom of
9 page 117, in the last bullet, he states that it went
10 into the other income line. The other information,
11 it's presented a little bit differently from the way it
12 was in October, but it was the same information that
13 was in the October Board book.

14 MR. MADDOX: Okay. Well, I just wanted -- I
15 mean, I guess what I'm trying to understand is are we
16 anticipating the OIG spending more money and doing more
17 travel to go oversee the grantees' audits or not? I
18 just -- I couldn't tell from the numbers. And in light
19 of, you know, what has happened in Louisiana and
20 elsewhere, I wondered if we were planning to do this.

21 MR. SCHANZ: Well, this is the IG. That was
22 part of that funding. We're trying something novel,

1 and we're piloting it right now. We have proposals in
2 to get forensic auditors to go in and take a look at
3 the programs where we've had major frauds, which would
4 be Baton Rouge, the CALS program, LAB in Baltimore,
5 Legal Aid of Baltimore, and even some of the smaller
6 ones that we have had in Southwest Pennsylvania.

7 What we want to do is to be able to leverage
8 our resources using some carryover money to get
9 skilled, forensic auditors in there to find out what
10 the IPAs knew, what they should have done with it, and
11 when they knew it. Now that's an extension of a work
12 that we could do, but I don't have the resources to
13 keep going back as I want to push forward on some of
14 the other grantees that have surfaced on our risk
15 assessments.

16 So what we're doing is trying to get, and we
17 had -- David can talk to it. His office is actually
18 pursuing the contract. And we've had some quality
19 candidates to come in to do specifically this type of
20 work.

21 MR. DAVID MADDOX: Yeah, what Jeff is talking
22 about there, we've kind of got a prototype in place,

1 but we're looking at an expansion of what we call our
2 quality control review so the IPAs work. And we're
3 trying to get a much larger sample than we have in
4 recent years. That's \$360,000 that you saw in front of
5 you at the last board meeting as well. We're trying
6 this pilot. Then we're going to be adding onto that
7 pilot. We hope to complete somewhere around 20 to 25
8 in this annual year. And that would be in addition to
9 what OIG staff reviews have -- can do. So in total, we
10 expect 25 to 30 by the end of the year.

11 MS. MINOW: Mr. Chair, I just have a question,
12 or maybe it's a correction to the IG. I don't know if
13 there has been a charge of fraud to anyone or a
14 criminal finding of fraud. So if that's not been the
15 case, then I don't think that the public record should
16 say that there has been. Am I mistaken?

17 MR. SCHANZ: The programs I've talked about
18 are on our website and there have been convictions or
19 plea agreements on those.

20 MS. MINOW: So you're talking about the past.

21 MR. SCHANZ: Yes.

22 CHAIRPERSON GREY: Good point.

1 MS. REISKIN: Are you looking to hire these
2 forensic accountants like in those local communities so
3 that they wouldn't have the travel expenses, or are
4 they going to be -- is it going to be like one person
5 that works somewhere central and flies around or --

6 MR. DAVID MADDOX: For the larger program, the
7 details are still being worked out. For the two that
8 we have planned, these are actual local D.C. based
9 accountants, them doing the work.

10 MS. MINOW: And just a follow-up from Victor's
11 question. It wasn't entirely clear to me, on page 117,
12 what is a request for new funding, what is moving
13 around the carryover funding. If you could clarify
14 that, that would be helpful.

15 MR. DAVID MADDOX: The only additional monies
16 that we've talked about that are on that last bullet
17 point on 117, the additional hundred and fifty-one
18 thousand nine hundred and eleven in carryover, and that
19 was moved into the other operating income line into a
20 contingency fund.

21 MS. MINOW: Everything else was already --

22 MR. DAVID MADDOX: Correct.

1 MS. MINOW: Thank you.

2 CHAIRPERSON GREY: Questions? Comments?

3 (No response.)

4 MR. RICHARDSON: I ask that the Board --
5 Committee accept the resolution.

6 CHAIRPERSON GREY: You've heard from the
7 treasurer. The Committee's preference?

8 M O T I O N

9 MS. MINOW: I move that the Committee
10 recommend to the Board the adoption of this resolution.

11 CHAIRPERSON GREY: Is there a second?

12 FATHER PIETRZYK: Second.

13 CHAIRPERSON GREY: All in favor, say aye.

14 (Chorus of ayes.)

15 CHAIRPERSON GREY: Opposed, no.

16 (No response.)

17 CHAIRPERSON GREY: The resolution --
18 recommendation for the resolution is adopted.

19 MR. RICHARDSON: Thank you. That makes the
20 next agenda item much better to follow since I've
21 presented the budget to you based on the higher just
22 adopted budget. I do that because it just makes the

1 information more current, more readable to do.

2 I've laid the memo out just to explain --
3 again, I did this for the benefit of new members. I
4 mean, we've got a few that just started with us in
5 October, just so you get used to reading it. We have a
6 new president. I've laid it out so that he has an
7 opportunity to see how it's laid out also.

8 Unfortunately, on page -- let me go down to
9 the bottom of page 123. The report shows that there is
10 no basic field grants given in the first quarter.

11 MS. REISKIN: Where is 123?

12 MR. RICHARDSON: After the tab in the Board
13 book. This is the financial report, first three
14 months.

15 MS. REISKIN: It's okay. Go ahead.

16 MR. RICHARDSON: Okay.

17 MS. REISKIN: It's okay. Go ahead.

18 MR. RICHARDSON: Okay. At the bottom of page
19 123, we see that the basic field budget, I've laid out
20 what it is. There is no spending for the first three
21 quarters. We have -- I've reported that there is
22 \$3,392,000 in grants that have been awarded in January,

1 which show as expenses. I will stop there and state
2 that while we have a continuing resolution that only
3 funds us through March 3rd, we handle the grants in
4 this manner so that we don't have to do contracts every
5 few months when there is multiple CR's.

6 We write the contracts in that if the funding
7 changes, that we have the authority, pursuant to the
8 contract, to be able to increase or decrease the
9 grants, as may be necessary. And I should have pointed
10 out in the resolution, that was a part of the
11 resolution that you just passed also gives the -- gives
12 us the authority to do that.

13 There is also no awards to the U.S. Court of
14 Veterans Appeals at this time. It is underway. This
15 should be done, if not done today, it will be done
16 early next week in awarding this particular money. And
17 there is no money from the grant's mother funds, but we
18 do have \$644,000 that is available to address emergency
19 situations that may occur. And certainly, we've been
20 talking about many of those in regards to the Gulf
21 area.

22 CHAIRPERSON GREY: When you go to the next

1 page, tell everybody you're going to the next page.

2 MR. RICHARDSON: I'm sorry.

3 CHAIRPERSON GREY: That's all right.

4 MR. RICHARDSON: 124. Yes.

5 Item 4 on page 124, there is an error that I
6 need you to correct. I was correcting something --

7 MS. MINOW: This is Arabic 4 not 014.

8 MR. RICHARDSON: This is number 4, not --

9 MS. MINOW: But you have two 4s on this page.

10 So it's the first --

11 MR. RICHARDSON: So number 4, for the
12 technology initiative, that reads 5,359,985. That is
13 actually the amount that should be in the MGO in roman
14 numeral II.

15 CHAIRPERSON GREY: It's a typographical error.

16 MR. RICHARDSON: It's a typo there. I caught
17 it, but I corrected it in the wrong area therefore
18 creating a second error.

19 CHAIRPERSON GREY: Okay.

20 MR. RICHARDSON: The amount should be
21 6,736,613. And then when you look at roman numeral II
22 on the second line, you'll see that the budget

1 allocation is 7 million 146 for MGO. That should be
2 5,359,985. All the other numbers do check out as far
3 as adding and subtracting the percentages and
4 everything.

5 MS. MINOW: You're just letting us know you're
6 human.

7 MR. RICHARDSON: I apologize. I'm -- yes, I'm
8 human. Thank you.

9 MGO has spent an amount that is 20 percent
10 under the budget. We do have contracts of
11 approximately a hundred and twenty-five thousand
12 dollars that we have entered into, most of them dealing
13 with the video conferencing equipment and the website
14 development. And the LRAP, we have not forgiven any
15 particular loans this year. And I imagine those will
16 start in February/March. We'll be going through that
17 process. So you'll see expenses coming into that
18 particular budget very shortly.

19 In the OIG, their budget and their spending is
20 actually 39 percent under budget at this point, and
21 they have a small amount of contracts in place, \$8,200
22 at this point.

1 When you look -- and I'll go to page 125 at
2 the top -- I would like to not only give you the
3 comparisons and the total of the -- each cost center,
4 but also any adjustments or highlight any overspending
5 in a particular area. We do have, in one particular
6 cost center, human resources. Actually two,
7 information technology we're over budget. That's
8 because of projects that they've undertaken in the
9 first quarter. And while we just divide our budget by
10 1/12th, it appears they're over budget, but yet when
11 you look at their annual spending, they're well within
12 the limits that they have available to them.

13 Same thing when you look at -- and I've laid
14 out, in the HR, it was the audit of the 403(b) plan.
15 It's the first time it's ever been done. It was
16 completed and we paid the bill in November. So that
17 money appears that it's overspent on the line, but it
18 is not. Additional, with the installing the video
19 conferencing equipment and updating some -- the
20 computer network, it's the same thing for OIT.

21 When you look at those two lines and then you
22 look at the other capital expenditures, my particular

1 budget, the Office of Financial Administrative
2 Services, adds to the amount of capital expenditures
3 that are over because we have just completed the
4 renovation of the first and second floor where we
5 removed some walls, did some carpeting, and updated to
6 make it more useable for us. But again, that's well
7 within the budget. And when you look at the annual
8 budget, there is not an issue there.

9 I hope you've had opportunity to look at that
10 prior to the meeting. I know you did not get the Board
11 books until I think it was Tuesday of this time. And I
12 apologize for Julie for yours not being in there, but
13 if you do have any particular questions, whether you
14 ask them now or if you would like to send me an e-mail
15 or call, I would be glad to answer any particular
16 questions you may have.

17 CHAIRPERSON GREY: Any questions?

18 MS. MINOW: Have you thought about using
19 footnotes to explain things like the lumpiness or not?
20 I mean, when we get the book in advance and we have a
21 question like that, some of that might be something you
22 could handle with a footnote.

1 MR. RICHARDSON: I try to lay it out like at
2 the top of page 125, the two paragraphs, I've laid that
3 out in there. Instead of footnoting, I mean, I could
4 do that, but I've just tried to explain it there. And
5 I can experiment with different things as we work to
6 make sure it's clear to you. I'm not opposed to that
7 at all.

8 CHAIRPERSON GREY: I think Father Pius made a
9 comment under his breath.

10 (Laughter.)

11 CHAIRPERSON GREY: As true as it is, lawyers
12 like footnotes. So to the extent that it is helpful, I
13 think the Board would appreciate explanations of things
14 that are not apparent from a visual examination of the
15 numbers you're presenting.

16 MR. RICHARDSON: Okay.

17 CHAIRPERSON GREY: Any other questions of
18 David?

19 (No response.)

20 CHAIRPERSON GREY: Let me -- while he's here,
21 the -- I want to advise the Board that the Finance
22 Committee wants to do an orientation to have an

1 examination with our technical board advisor, Bob
2 Henley, on how to read the financial statements and to
3 go over the placement of items to get a glossary on the
4 terminology with regard to some of the financial terms
5 that are used. Some are government specific, some are
6 accounting specific, but to give us a better handle on
7 seeing the narrative and being able to turn to a page
8 and look at something and say oh, I know what that is.
9 That's this. And maybe eliminate, Father and Dean, the
10 need for lots of footnotes. Maybe just a few.

11 So we're going to work on that and we're going
12 to advise the Board of the time of that orientation so
13 that you may also weigh in and take advantage of it.
14 We will also have, Mr. Chairman, monthly meetings,
15 monthly conference calls, once David has produced the
16 monthly numbers, so that the Finance Committee can be
17 kept apprised, on an ongoing basis, and with Bob Henley
18 so that we can stay abreast of the current trend and
19 revenue and expense issues of the Corporation.

20 Is there anything else that --

21 MS. MINOW: Just thank you.

22 MR. MADDIX: I have one question, Mr.

1 Chairman.

2 David, looking at attachment B, page 1 of 3,
3 it shows the variances --

4 MR. RICHARDSON: 103?

5 MR. MADDOX: 1 of 3.

6 MR. RICHARDSON: Oh, it's 1 of 3. What's the
7 page at the bottom?

8 MR. MADDOX: It's page 127. I think we
9 touched on this at a prior meeting. The variances,
10 both in 2010, total year over year, I think, and then
11 in fiscal year 2011 for the existing quarter, they're
12 pretty dramatic in every category. I mean, is there --
13 is that the way your budget is routinely run or is
14 there something, you know, extraordinary that doesn't
15 happen all the time?

16 MR. RICHARDSON: It's the way that they
17 normally run. When I present the reports to you, we
18 basically take the budget that has been approved by the
19 Board and then divide it by 1/12th and then multiply it
20 by however many months we are into the year.

21 Some of the spending doesn't take place until
22 early spring/summer when the travel period opens up.

1 There is more travel, for instance, in January to
2 September than there is in October, November and
3 December because of the holidays. You can't get into a
4 program because of people being off, and so forth. You
5 have your ABA meetings, your NLADA meetings. Those
6 happened later in the year.

7 We did have a NLADA in November, but there is
8 three additional meetings that occur in the next nine
9 months that are budgeted that would be a part of these
10 numbers, which show the variance being larger.

11 Additionally, you've got --

12 MS. MINOW: Can I just interrupt. I think
13 there are two different questions here. One is a
14 variance month in the quarters. And the second is --

15 MR. MADDOX: Yeah, this is all for the one
16 month, the third month.

17 MS. MINOW: Right.

18 MR. MADDOX: Maybe to cut through it, is there
19 somewhere where we see for the total year over year
20 budget, 2009 and 2010, so we can see how well the
21 budget process worked?

22 MR. RICHARDSON: Well, that's the column nine.

1 You'll see that there is spending for 2010, and column
2 three is the spending for 2011. So the comparison is
3 there. So you'll see that we spent \$5.359 million.
4 Well, last year at this time we spent 5.125.

5 MR. MADDOX: I'm sorry. I'm not following.
6 What column now?

7 MR. RICHARDSON: Column three on page 127.

8 MR. MADDOX: Right.

9 MR. RICHARDSON: You'll see the total
10 management --

11 MR. MADDOX: 5.3, right.

12 MR. RICHARDSON: -- and grant oversight. That
13 column three total, the 5 million 359, this is spending
14 this year.

15 MR. MADDOX: Right.

16 MR. RICHARDSON: Column eight is the spending
17 last year.

18 MR. MADDOX: Okay.

19 MR. RICHARDSON: So we do have the comparisons
20 year to year there. Last year we had a carryover of
21 1.469 or a carryover of remaining funds. And this year
22 it's 1.087. So we try to show you the trends in

1 spending are pretty much the same. The reason we're
2 spending more is we have more employees at this point.
3 Last year, remember, we were hiring people into the
4 compliance area in legal affairs and program
5 performance. So there is more salaries being spent is
6 the main area that we're looking at as far as
7 comparisons.

8 MR. MADDOX: Thank you.

9 MR. RICHARDSON: I mean, if there is something
10 you would like to see, just let me know. Give me a
11 call and I can perhaps maybe give you last year's
12 spending.

13 CHAIRPERSON GREY: Well, you know, that's an
14 interesting point because one of the things we don't
15 show you is a prior year versus this year's spending.
16 We do an in-time analysis. And we talked about doing
17 that. So we're going to look at that and see if that
18 doesn't help us with better appreciated understanding
19 of what we're doing. Good catch.

20 Any other questions for David?

21 (No response.)

22 CHAIRPERSON GREY: Thank you, sir.

1 MR. RICHARDSON: Okay.

2 CHAIRPERSON GREY: John, you want to --

3 MR. CONSTANCE: Mr. Chairman, for the record,
4 I'm John Constance, director of government relations
5 and public affairs. As has been reported, we are
6 currently operating under a continuing resolution,
7 Public Law 11-322, which is funding us at 2010 levels.
8 That law expires. As Dave says, it runs through March
9 the 3rd; expires March 4th, and will need to be renewed
10 with either another short-term continuing resolution or
11 one that will carry us to the end of the fiscal year.

12 We spent two days on the Hill this week with
13 John, John Levy, and Jim Sandman. And I spent part of
14 the day yesterday and this morning on the phone with
15 obviously a lot of these things changing. It still
16 seems to be pick your rumor with a number of different
17 options available. And let me outline where those
18 options are between now and the end of the year.

19 Again, up until a couple of days ago, I think
20 there was an assumption that there would probably be
21 another short-term continuing resolution. Within the
22 last 48 or so hours, I think, you know, there is a lot

1 more discussion about trying to put together a, on the
2 House side, a year long CR that would represent cuts to
3 the 2008 level. That is the starting point, I think
4 right now, for the House leadership.

5 They have announced their goal of cutting
6 current spending by 55 to \$60 billion. To do so at the
7 midyear is very, very difficult, obviously, with the
8 impact that that would have on programs. And so for
9 that reason, there is clearly a lot of pushback,
10 obviously, in the House, and there will be, I think,
11 longer term from the Senate in that regard.

12 I would say, as an aside, there has been an
13 awful lot of publicity. There has been an awful lot of
14 news coverage of the more radical recommendation of a
15 cut of 100 billion in the current year that has been
16 proposed by the Republican Study Committee. That's the
17 one that specifically names Legal Services Corporation
18 for elimination, along with many other federal agencies
19 and entities.

20 I would say that our discussions this week
21 with both Republicans and Democratic members of the
22 Appropriations Committee, including Republicans that

1 are members of the Republican Study Committee, have
2 indicated that this proposal is probably in the very
3 unlikely category right now. But the cut to the 2008
4 levels is the starting point, I think for right now,
5 for the House leadership. That is where they're coming
6 from.

7 The counterproposals. Certainly I think the
8 Senate counterproposal going in will be a year long CR
9 at current levels. And I think the expectation is that
10 at the end of the day, right now I think most people
11 think that it will be a year long CR at some level of
12 cuts, but that really being unspecified at this point
13 in terms of what level that would be.

14 All I can promise is that we will try to
15 continue to keep everyone currently and fully informed
16 going forward. As to what that process is going to be,
17 I can tell you that just from the traffic we've gotten
18 in terms of e-mail and questions in the last 48 hours,
19 it's clear that there is an effort underway to try to
20 get 2011 done as quickly as they can and not go to
21 another short-term CR.

22 The President's budget will go up to the Hill

1 on February the 14th, and I think there is certainly a
2 sense, on the part of the Committee, that they really
3 don't need to be working with two fiscal years at the
4 same time. So I think there is a professional push to
5 get this done. And certainly everybody is very, very
6 interested in it. But when you go from the -- and I
7 hope this doesn't sound editorial.

8 I mean, I think it's factual that when you go
9 from the, you know, from the speeches to the practical
10 position that we're in of six months into the fiscal
11 year, while the goals are the goals, they're just very
12 -- going to be very, very difficult to implement and
13 not severely affect operations in the latter half of
14 this fiscal year.

15 So I think that's, you know, kind of what the
16 professional side are telling us, both the Republicans
17 and the Democrats are telling us, that they're
18 grappling with right now.

19 CHAIRPERSON GREY: Mr. Fortuno?

20 MR. FORTUNO: I was just going to say that the
21 -- my impression of those that we met with, even on the
22 Republican side, was that there is not even clarity as

1 to what it means to go back to 2008 as to whether it
2 will be -- if that's a global strategy, and that a
3 scalpel may be used as it relates to certain programs.
4 And so it isn't clear that we would be going back to
5 2008, although I suppose it could be worse than that
6 because, depending on how they allocate the numbers.
7 But there is no clarity on that.

8 I heard no -- I want to second what John said.
9 From the Republican leadership that we met with, I
10 heard no interest in anything that had to do with
11 elimination of LSC and the recognition rather clear of
12 LSC's importance.

13 MS. REISKIN: The time line sounds a little
14 strange. The President's budget gets delivered on the
15 14th and the continuing resolution runs out on March
16 4th? I mean --

17 MR. CONSTANCE: The President's budget is for
18 the next fiscal year, 2012.

19 MS. REISKIN: Okay. Okay. Nothing in
20 Washington happens in two weeks.

21 MR. CONSTANCE: No.

22 MS. REISKIN: Okay.

1 MR. CONSTANCE: It's the 2012 budget of the
2 President. That's the, you know --

3 FATHER PIETRZYK: He's going to submit his
4 budget for next year before they've ever voted on a
5 budget for this year.

6 MR. CONSTANCE: And this -- I would like to
7 tell you that that's the first time that this has
8 happened in the history of the Republic, but
9 unfortunately that would be a lie.

10 MS. REISKIN: Is it possible that there is
11 going to be something in the middle, that there will be
12 a resolution that is not for the whole rest of the
13 year, but like two months or, I mean --

14 MR. CONSTANCE: Yeah. That's what I mean by
15 another short-term, continuing resolution, which they
16 could, in fact, do. But as I say, there has been a lot
17 of activity the last couple of days that would indicate
18 they're trying to get to the negotiating table sooner
19 rather than later and avoid that.

20 FATHER PIETRZYK: Just a couple points. The
21 first is, obviously, the President is coming out with
22 his next fiscal year budget. Does it come down to as

1 low line items, and I assume that there are contexts
2 with the Office of -- the President's Office on Budget
3 to talk about our numbers.

4 And then I suppose I can -- correct me if I'm
5 wrong, but it seems to me the two most likely scenarios
6 for the rest of the current fiscal year is either we're
7 going to stay at the same level or we'll get reduced to
8 the 2008 level. As we currently look at the political
9 landscape, those -- this is obviously something that
10 could change, but those seem to be the two most likely
11 scenarios in terms of our budget for the rest of the
12 year.

13 MR. CONSTANCE: I wouldn't -- let me answer
14 the second question first, and I'll save the other one
15 on 2012 until I'm going to transition here to the 2012
16 report.

17 I would not agree, Father Pius, that those are
18 the two most likely. I mean, a continuing resolution,
19 a short-term is the most likely, given the fact that
20 they have a tendency to put their work off. The second
21 most likely --

22 FATHER PIETRZYK: But that would be at the --

1 still at the current level.

2 MR. CONSTANCE: At the current level. Second
3 most likely is a year long at some level of cuts, but I
4 think what they're staring eyeball to eyeball at right
5 now is if they were to try to do 2008 level at the
6 midyear, I mean, that -- Draconian is the first word
7 that comes to mind, even those on the Republican
8 Appropriations side that are, you know, the most
9 anxious to see, you know, the budget go toward that
10 level.

11 I think there is more likelihood that the 2008
12 -- and again, here we go. Let me back up. It is my
13 opinion that the more likelihood on the 2008 will be in
14 the 2012 budget debate and budget battle. There you've
15 got a full year that those kind of cuts could be
16 absorbed, or some level of cuts. But I think what will
17 happen -- I mean, the two lines right now are year long
18 CR current levels, year long CR 2008 levels. What is
19 the most likely scenario is, you know, year long CR at
20 some level of cut, but, you know, not at current levels
21 and not at 2008. I mean, I think that's the compromise
22 position.

1 MR. LEVI: And that position is the position
2 of the House.

3 FATHER PIETRZYK: Right. No, that's what I
4 mean.

5 MR. CONSTANCE: Right.

6 FATHER PIETRZYK: I'm just trying to see what
7 the things that we're floating about were.

8 MR. CONSTANCE: And what we're seeing from the
9 Senate is their -- you know, their opening position is
10 certainly, and that, I think, is what is being debated
11 right now within the -- on the Senate Appropriations
12 Committee. And that is either go in at full year or
13 current levels or go in already with a show of good
14 faith with full year at some level of cuts.

15 FATHER PIETRZYK: My question goes to the
16 point of do we have any firm basis on which we can make
17 financial plans for the rest of the fiscal year. It
18 sounds like we've got kind of two things. One that
19 seems kind of likely, one that seems unlikely,
20 something in the middle, and we have no idea what that
21 number would be.

22 MR. CONSTANCE: Yeah. I mean, I think we're

1 very similar to the American public sitting at the
2 kitchen table at this point, in that regard. And I'll
3 let Dave answer how he mysteriously comes up with us
4 when I bring him back such firm news, as I oft times
5 do.

6 MS. MINOW: But I take it that -- I very much
7 appreciate Father Pius gets the ban within which this
8 may happen. But I take it if the scalpel approach is
9 used, we don't even know the bans because we could be
10 taking a bigger hit if others are not taking any hit at
11 all.

12 MR. LEVI: Or we could take a lesser hit.

13 MS. MINOW: Or we could take a lesser hit. So
14 we really don't know.

15 MR. CONSTANCE: You know, the thing that, from
16 a practical standpoint in the length of time that they
17 have to do this, in the length of time that they really
18 have to do to examine a trillion dollar budget and to
19 make these kind of decisions, you know, it often is
20 percentage across the board here, percentage across the
21 board there.

22 So that's the -- you know, that is the way,

1 typically, they handle this after they have either made
2 cuts to specific programs, you know, basically said
3 that other programs are going to be held completely
4 harmless and off the table, which they have already
5 discussed, obviously, in terms of some national defense
6 and national security areas. And then the rest, the
7 only way that they can get to yes is by making across
8 the board cuts with the rest of the program.

9 So however, we are part of this week and part
10 of every moment from now until we hear what the
11 decision is made for us, is the education process that
12 we go through with these people every day and staying
13 in touch, on a proactive basis, to let them know, you
14 know, what we do and how important these numbers are to
15 us. They're not just numbers. They're people.

16 MS. BROWNE: So John, are you anticipating,
17 for the 2012 budget, that there will be a cut for LSC?

18 MR. CONSTANCE: Mr. Chairman, can you -- why
19 don't I just go ahead and transition to your next
20 agenda item, if that would be --

21 CHAIRPERSON GREY: That is the next agenda --
22 are you finished with 2011?

1 MR. CONSTANCE: I've told you everything I
2 don't know about 2011, yeah. Let me move on to 2012.

3 CHAIRPERSON GREY: We feel fully informed to
4 2011.

5 MR. CONSTANCE: Thank you, Mr. Chairman,
6 You've been way too kind.

7 MR. LEVI: I should say that his staff works
8 really hard and spent -- I've been out here for two
9 days longer than the rest of you being escorted around
10 by Mr. Constance and his staff. And it is -- if any of
11 you wish to join me in future such, you will be as
12 exhausted as I think any. It's not a -- it takes a
13 little time, but I think it's all well worth it.

14 MR. CONSTANCE: Thank you, Mr. Chairman.

15 For the 2012 budge, let me tell you where we
16 are right now. We're -- my staff: Steve Barr, Treefa
17 Aziz, Sean Driscoll, Marcus Navaro are hard at work
18 preparing the budget justification for our 2012 request
19 for funding. As you know, this board approved a
20 request for an increase in funding to reflect the unmet
21 need of both our eligible clients that are turned away
22 every day from our programs, and the increasing need

1 that still stands outside the door of our programs.

2 In recognition of the budget environment, this
3 board voted to submit the same request for 2012 that
4 the previous board had submitted for FY-2011 with no
5 increase in that request. Those numbers, just to
6 refresh everyone's memory, are as follows: 484.9
7 million for basic field; 6.8 million for technology
8 initiative grants; 1 million for loan repayment
9 assistance; 19.5 million for management and grants
10 oversight; and 4.35 million for the Office of the
11 Inspector General.

12 We have received -- again, just to refresh
13 everyone's memory in this, we are independent in this
14 regard as far as providing our request to the Hill.
15 What we do provide, our same justification that is
16 presented to this board, and the result of this Board's
17 action, we do present those to the Office of Management
18 and Budget. We have a budge examiner assigned to us
19 like any other federal entity. We have a chain of
20 command that we work in in the Office of Management and
21 Budget, and we work with them, along with Dave, to
22 provide that information to that chain of command.

1 So when the President does pick a number for
2 the President's budget, it is informed by what we have
3 provided up the chain to -- through OMB. We have
4 received the President's budget mark for LSC and while
5 the information is still embargoed, and I'm not in a
6 position to share in public session, I would just say
7 that there is an increase recommended for LSC by the
8 President's budget, an increase over the previous
9 year's request of \$435 million. And I do think that it
10 reflects the President's statement and the State of the
11 Union not to balance the budget on the backs of those
12 that can least afford it.

13 And I would say this of what we have been
14 told -- we haven't seen any of the rest of the
15 President's budget, obviously, but we have been told by
16 our chain of command in the Office of Management and
17 Budget that we will see a definite contrast between the
18 number that has been presented for LSC in the
19 President's budget and many other programs that, by
20 virtue of the budget environment and the budget
21 situation, have been cut or held at current levels. So
22 I think we will stand out in that regard.

1 We'll be taking our proposal, on behalf of
2 this Board, to the Hill the week of February the 7th.
3 We always try to get up there at least a week before
4 the President's budget. We find it a little bit more
5 quiet. We can spend a little bit more time with the
6 staff at that point before the thundering heard arrive.

7 I would also add that this year, Chairman
8 Frank Wolf, of our Appropriations, our House
9 Appropriations Committee, did reach out to us. And we
10 were told that we were the only program in the entire
11 CJS bill, of all of his other programs, that we were
12 the only one that he did, in fact, reach out to. And
13 that outreach was to offer his assistance in somewhat
14 of a clarion call for more pro bono in the field to
15 augment the services of LSC's funded programs.

16 He has sent a letter, as yet not received, by
17 the American Bar Association. When that letter is
18 received by them, if they wish to release it, they
19 will. We'll talk about that in terms of -- and I
20 believe we are going to be copied on that letter. And
21 essentially, it is offering Chairman Wolf's
22 encouragement to the American Bar Association to

1 continue their long and hard work that they have done
2 over the years on pro bono and encouraging more of that
3 in light of the budget situation that we have facing us
4 right now.

5 So that's what I have at this point. And if
6 that answered the questions that came up earlier, fine.
7 If not, I would be more than happy to answer.

8 CHAIRPERSON GREY: Mr. Chairman, I think it's
9 -- I think the conversation in the Committee was such
10 that we encouraged you and the president and the rest
11 of the staff to be very vigilant about this and to be
12 prepared, as they say, as these matters come to
13 fruition.

14 MR. LEVI: And I want to say when Mr.
15 Constance refers to the call with Chairman Wolf, I
16 spoke with him. I was on that call and so was Jim
17 Sandman. And we introduced ourselves and had a very
18 productive and good call. And I look forward to
19 continuing that.

20 CHAIRPERSON GREY: I think I speak for the
21 Committee when I say we are heartened by the fact that
22 the chairman of the Appropriations Subcommittee would

1 have us in mind as we are looking at these -- as we're
2 looking at -- staring at the barrel of what is bound to
3 be a very difficult discussion, the budget.

4 And we will follow your advice as we meet more
5 on a monthly basis and would ask you to guide us in our
6 discussions. We are going to have a call meeting, Mr.
7 Chairman, at the end of the current resolution, the
8 current continuing resolution, so that we're prepared
9 to address, John, anything that you want us to address
10 as a board, and we can make a recommendation in a
11 timely manner.

12 So we look forward to working with you.

13 MR. CONSTANCE: Thank you.

14 CHAIRPERSON GREY: Are there any other
15 questions?

16 MR. CONSTANCE: If I could add -- Mr.
17 Chairman, if I could just add one more thing. I will
18 tell you the advice that we gathered as we were doing
19 our rounds on the Hill this week. There was one theme
20 that came through, again, both sides of the isle, and
21 that was with 83 new members of the Congress. One of
22 the challenges that was presented to us was certainly

1 the education effort that is going to be necessary with
2 83 new members as to just who we are.

3 Hopefully we're not going to have to rely on
4 calls for our elimination to have that opportunity.

5 But in all seriousness, many, many folks, both
6 Republicans and Democrats, said to us, "Get out. Get
7 on the street. Talk to these folks."

8 And I would thank the members of this Board
9 who have already reached out to me to offer their
10 assistance in doing that. And I can assure you that
11 when you divide 83 by 1, as opposed to dividing 83 by a
12 pick a number, anything would be appreciated. And your
13 professional contacts and the people that you know from
14 your communities and your backgrounds at your
15 distinguished, professional careers are going to be
16 most helpful to us going forward in this.

17 So I thank you, thank you in advance.

18 CHAIRPERSON GREY: We accept the opportunity
19 to work and share the load with you.

20 MR. CONSTANCE: Thank you.

21 MR. LEVI: Anything else?

22 MS. MINOW: I think we need to finish because

1 we have another committee meeting and then we have a
2 panel.

3 CHAIRPERSON GREY: Okay. Public comments?

4 (No response.)

5 CHAIRPERSON GREY: Any other business?

6 (No response.)

7 CHAIRPERSON GREY: Motion on the resolution?

8 I'm sorry.

9 MR. RICHARDSON: I could, during the audit
10 committee this morning and some of you were not here.
11 We handed out the first seven pages, or six pages, of
12 the Form 990. They're here available for you if you
13 would like to look at those and have it for your
14 records. It is a draft and once it is final, I'll
15 provide it to everyone.

16 FATHER PIETRZYK: And for those of us who
17 don't remember government number codes, Form 990 is?

18 MR. RICHARDSON: Is the tax return for a not
19 for profit.

20 CHAIRPERSON GREY: Any other questions or
21 comments?

22 (No response.)

1 CHAIRPERSON GREY: Move to adjourn?

2 M O T I O N

3 MS. BROWNE: So moved.

4 MS. MINOW: Second.

5 CHAIRPERSON GREY: All in favor say aye.

6 (Chorus of ayes.)

7 CHAIRPERSON GREY: Opposed, no.

8 (No response.)

9 CHAIRPERSON GREY: We're adjourned.

10 (Whereupon, at 2:25 p.m, the Finance Committee
11 was adjourned.)

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