

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
FINANCE COMMITTEE

OPEN SESSION

Monday, April 13, 2015

9:07 a.m.

Legal Services Corporation
3333 K Street, N.W.
Third Floor
F. William McCalpin Conference Center
Washington, D.C. 20007

COMMITTEE MEMBERS PRESENT:

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

OTHER BOARD MEMBERS PRESENT:

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

STAFF AND PUBLIC PRESENT:

James J. Sandman, President

Rebecca Fertig Cohen, Special Assistant to the
President

Lynn Jennings, Vice President for Grants Management

Wendy Rhein, Chief Development Officer

Ronald S. Flagg, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary

Carol A. Bergman, Director, Office of Government
Relations and Public Affairs

Carl Rauscher, Office of Government Relations and
Public Affairs

Treefa Aziz, Government Affairs Representative,
Office of Government Relations and Public Affairs

David L. Richardson, Comptroller and Treasurer,
Office of Financial and Administrative Services

Martin Polacek, Accountant Manager, Office of
Financial and Administrative Services

Jeffrey E. Schanz, Inspector General

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

John Seeba, Assistant Inspector General for Audit,
Office of the Inspector General

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

Daniel O'Rourke, Assistant Inspector General for
Investigations, Office of the Inspector General

STAFF AND PUBLIC PRESENT (Cont'd):

Magali Khalkho, Director of Management Operations,
Office of the Inspector General

Roxanne Caruso, Office of the Inspector General

Lora M. Rath, Deputy Director, Office of Compliance
and Enforcement

Sheila Mashhadishafie, Program Counsel, Office of
Compliance and Enforcement

Shanda Gottlieb, Fiscal Compliance Specialist, Office
of Compliance and Enforcement

Janet LaBella, Director, Office of Program
Performance

Eric Jones, Network Engineer, Office of Information
Technology

Herbert S. Garten, Non-Director Member, Institutional
Advancement Committee

Thomas Smegal, Non-Director Member, Institutional
Advancement Committee

Frank B. Strickland, Non-Director Member,
Institutional Advancement Committee

Bijan Ameli, Intern, LSC

Don Saunders, National Legal Aid and Defenders
Association (NLADA)

Dominique Martin, Law99.com

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

2 (9:07 a.m.)

3 MR. LEVI: I'm sorry to do that to Mr. Grey,
4 but let's open the Finance Committee and have at least
5 an approval of the agenda.

6 M O T I O N

7 DEAN MINOW: So move.

8 MR. LEVI: Second?

9 FATHER PIUS: Second.

10 MR. LEVI: All in favor?

11 (A chorus of ayes.)

12 MR. LEVI: And an approval of the minutes?

13 M O T I O N

14 DEAN MINOW: So move.

15 FATHER PIUS: Seconded.

16 MR. LEVI: All in favor?

17 (A chorus of ayes.)

18 MR. LEVI: And we can hold for a second if we
19 want. But I think we should go ahead here --

20 DEAN MINOW: Go ahead.

21 MR. LEVI: -- on item 3 on the presentation of
22 the financial report for the first five months. I

1 assume Mr. Grey knows that; you had a Finance Committee
2 a few days ago.

3 MR. RICHARDSON: We had a briefing last
4 Friday, and the information is very similar in nature.

5 Let me go ahead and start my presentation. We'll
6 begin on page 116 with the memorandum regarding the
7 five-month period. Let me give you an update of the
8 hiring and just stand on the memo as the report itself.

9 In the memo on page 3, we talk about staffing.

10 And since that time, we've had a few additional
11 changes to our staffing. As of February 28th, we had
12 an opening in the Legal Affairs Office for a staff
13 attorney. Interviews have taken place and a
14 replacement has been selected that will begin in early
15 May.

16 In the Financial and Administrative Services,
17 we are looking for a general ledger accountant. We are
18 in the interview process, and we hope to have somebody
19 also in May to come into the office.

20 Program Performance, we have a new program
21 counsel that was hired and that began. We have another
22 one that -- I should say we have one that will begin on

1 May 26th. Of the open positions, we did have a counsel
2 at this time. We had another one who left the
3 Corporation, and that position is the one that is open.

4 Currently, interviews are on the way and there's every
5 hope of being able to get a person into the Corporation
6 into that position --

7 CHAIRMAN GREY: This is Robert Grey.

8 MR. RICHARDSON: -- by June 1st.

9 In the compliance area, we have had the three
10 fiscal compliance analyst positions and a program
11 counsel. A fiscal compliance analyst and a program
12 counsel began work with us on April 1st. We have a
13 second fiscal compliance analyst who will begin the end
14 of April, and hope to have the others. There's
15 interviews going on now for the other fiscal analyst
16 position. Interviewing for the other position is
17 pending decisions of Management.

18 The report itself is fairly straightforward.
19 It does show that we're under budget in each of the
20 categories. And I'd be glad to answer any questions
21 that you may have in regards to the report.

22 MR. TANENBAUM: David, this is Allan. With

1 respect to open positions that you enumerated, can you
2 assure the Committee that the fact that they are not in
3 place does not affect the integrity of your financial
4 statements or your ability to provide information to
5 the Finance Committee that's complete?

6 MR. RICHARDSON: Yes, sir, I can. The
7 position is a new one for us to help us with future
8 endeavors, with future reporting that we have, and to
9 equalize the workload. It does not affect anything at
10 this point as far as the financial reporting and the
11 integrity of the reports.

12 MR. TANENBAUM: Thank you.

13 CHAIRMAN GREY: Any other questions?

14 DEAN MINOW: It's very clear. I'm just
15 wondering, when there are monies returned, for example,
16 under TIG or maybe under Hurricane Sandy, you say
17 they're put forward for what? They're redistributed,
18 or what happens?

19 MR. RICHARDSON: Yes. When we get funds
20 returned from the TIG grants -- as of this quarter we
21 do have \$22,000 in monies that had been returned -- we
22 use them for the next round of TIG awards. We add it

1 to the new appropriation and make that money available
2 for future awards.

3 Same thing with hurricane. Hurricane Sandy is
4 a little different. The money there was money that was
5 not requested for the Hurricane Sandy, and as we get
6 further into this and we see how the program is
7 operating and see which program may need money, that
8 money could go to one of the grantees of that area.

9 DEAN MINOW: Thank you.

10 CHAIRMAN GREY: Any other questions?

11 (No response.)

12 CHAIRMAN GREY: David?

13 MR. RICHARDSON: The next item is the Revised
14 Consolidated Operating Budget. We have a memo on page
15 130 that lays out the changes that we have in the
16 budget. The first few are changes that the President
17 can make.

18 What I will do is turn your attention to page
19 131. Included in the resolution is items above \$75,000
20 that the Committee needs to approve and then submit to
21 the Board. And those are laid out before you. Again,
22 I will answer any questions you may have about those

1 transfers.

2 CHAIRMAN GREY: Questions?

3 (No response.)

4 CHAIRMAN GREY: David?

5 MR. RICHARDSON: The resolution that we have
6 for you is found on page 134. And that's the
7 resolution that I ask that the Finance Committee
8 approve for presentation to the Board.

9 DEAN MINOW: So you'd like a motion?

10 CHAIRMAN GREY: Is there a motion for approval
11 of the resolution?

12 M O T I O N

13 DEAN MINOW: So moved.

14 CHAIRMAN GREY: Second?

15 FATHER PIUS: Second.

16 CHAIRMAN GREY: All in favor say aye.

17 (A chorus of ayes.)

18 CHAIRMAN GREY: Any other comments or things?
19 David?

20 MR. RICHARDSON: Item 6 on the agenda is a
21 report by our Director of Government Affairs.

22 CHAIRMAN GREY: Carol?

1 MS. BERGMAN: Good morning, Robert.

2 I'm going to start with, since we submitted
3 our congressional budget request to Congress in early
4 February, we have conducted more than 40 meetings with
5 congressional staff from the House and Senate and
6 oversight subcommittees. We've met with every single
7 member of the CJS subcommittee that has jurisdiction
8 over LSC, and the overall response has been very
9 positive. Staff have been very receptive.

10 Some of the highlights: We have several new
11 members in both the House and Senate appropriations
12 subcommittee, including several members who have been
13 very, very supportive -- Congressman Jolly, Republican
14 from Florida; Congressman Jenkins, Republican from West
15 Virginia; Congresswoman Roby, Republican from Alabama;
16 and Senator Capito, who had been in the House from West
17 Virginia and is now in the Senate.

18 So it's been very nice to welcome these new
19 members on the appropriations subcommittee and get such
20 an incredibly positive response.

21 Senator Chris Murphy has taken on the role of
22 leadership of the "Dear Colleague" letters that Senator

1 Harkin had played since Senator Harkin retired.
2 Senator Murphy is from Connecticut, and his wife worked
3 for legal services for many years, so he said he can't
4 continue to live in his home unless he takes on this
5 role. So he has advocated very strongly to be in that
6 role.

7 We have moved forward and set up two briefings
8 this year in both the House and the Senate. You may
9 remember last summer we did a briefing in the House
10 with four state supreme court chief justices that was
11 very well received on the impact of pro se litigants in
12 state courts.

13 We're doing that again in the Senate at the
14 request of Senate staff. Senator Lamar Alexander,
15 Republican from Tennessee, is hosting the briefing this
16 Wednesday at noon, and four of the state supreme court
17 chief justices who are going to be at the White House
18 forum are going to be at our briefing, the chief
19 justices from Texas, Florida, Kentucky, and Tennessee.
20 So we're really looking forward to that.

21 And on the House side, what we'd really like
22 to do is a briefing for the 60-plus new members and

1 just say it's an introduction to civil legal aid. But
2 we know if we do that, nobody will come.

3 So we're doing instead a briefing on veterans
4 issues because there's no question, after a lot of our
5 meetings with Hill staff, this is really an issue of
6 huge concern right now and how civil legal aid can
7 increasingly meet needs of the veterans.

8 So we are focused on that and putting together
9 a panel right now on the House side. And that briefing
10 will be in May. And as any of you who have been around
11 to the Hill understand, we're doing both these
12 briefings at noon and serving lunch as an added
13 incentive to get as many folks as possible.

14 Where we are in the budget process: There has
15 not been a budget reconciliation from the House and
16 Senate in ten years. This is really because it's very
17 tough to do when the House and Senate are controlled by
18 different political parties. So the hope this time is
19 that they will be able to create a reconciled budget.

20 The goal generally is to have it done by April
21 15. This does not have the force of law. It is a
22 resolution, and the idea is to create overarching

1 budgeting parameters that in turn provide the numbers
2 for the appropriations committee to then in turn give
3 to their subcommittees. So both the House and the
4 Senate have passed their budget resolutions towards the
5 end of March, both on a party line vote.

6 Some of you may know that the report language
7 that accompanied the resolution in the House included
8 language to eliminate funding for LSC completely. This
9 had been sponsored by Congressman Mooney from West
10 Virginia and seemed to be based on some very, very old
11 information going back 20, 25 years on very old
12 accusations about political concerns and lack of
13 accountability.

14 So needless to say, we worked pretty hard to
15 ensure that this language would not stay in the final
16 report. And I think having such support right now in
17 the House and Senate, especially among Republicans, was
18 really helpful.

19 We reached out to 14 different members, eight
20 in the House, and asked them to weigh in with the
21 chairman of the budget committee, and six in the Senate
22 asking them to ensure that this would not be in the

1 final report. And we have now received verbal
2 confirmation that this language will not be carried
3 forward.

4 And I think the really good news coming out of
5 it is I think, A, it became very clear that none of the
6 members even knew this language was in there. Clearly,
7 this was some kind of a deal that was cut, and I think
8 what became very clear to everybody is it's no longer a
9 freebie to do something at the expense of LSC. And so
10 that is, I think, the very positive outcome in that
11 process.

12 Now, the budgets from both the House and the
13 Senate include essentially the same funding levels for
14 fiscal year '16 as FY '15. They follow the spending
15 caps that were in the 2011 Budget Control Act, and
16 that's before sequestration.

17 So there's actually more money in both the
18 defense and the domestic discretionary spending in the
19 budget resolutions in the House and the Senate than we
20 saw last year, but it's before sequestration would kick
21 in. So, for example, there's \$2 billion more on the
22 defense side, and there's about \$1 billion more in the

1 domestic side.

2 However, folks remember that sequestration has
3 the force of law unless Congress decides to do
4 something differently. Right now it looks like there's
5 some momentum in the Senate to come up with an
6 alternative to sequestration. It is not clear what's
7 going to happen in the House. Meanwhile, the White
8 House has threatened to veto any appropriations bills
9 that include sequestration. So it's very unclear how
10 all this is going to end up playing out right now.

11 Both the House and the Senate have submitted
12 funding letters that seek LSC's request of \$486.9
13 million rather than the White House request. This is
14 the first time in several years that the "Dear
15 Colleague" letters mirror LSC's request.

16 Both stakeholders, the American Bar
17 Association and the NLADA, put a lot of effort into
18 getting that. The letter this year in the House
19 includes 122 signers. Traditionally this has been a
20 Democratic letter, but this year one Republican did
21 sign on.

22 And this is more; last year there were only

1 104. In the Senate, as I said, the letter was led by
2 Senator Murphy, and includes 34 signers, all Ds,
3 primarily because they waited really until the last
4 minute, hoping to make this a bipartisan letter, and
5 unfortunately, were not able to do so.

6 The good news, however, is that many
7 members -- keep in mind that in particular, members of
8 the appropriations committees never feel that it's
9 appropriate for them to sign onto a "Dear Colleague"
10 going to themselves. So each member is invited to
11 write a letter identifying their top priorities and
12 send it to the chair of the appropriations committee.

13 And we were certainly assured privately that
14 many members identified LSC as one of their top ten
15 priorities in such a letter going forward. And what
16 was often said to us is, actually, you do better having
17 us put that in a private letter. If we sign onto the
18 "Dear Colleague," for many members then they feel like,
19 okay, we can check that box and then we can put ten
20 other things on our private letter.

21 So it's not necessarily an indicator, and
22 obviously, in this political climate, very, very tough

1 for Republicans to sign onto that kind of a "Dear
2 Colleague." But that's why I think there were fewer
3 signers in many ways on the Senate side than there were
4 last year.

5 The timeline: Right now, hearings have been
6 completed in both the House and the Senate. We're
7 expecting what are called the 302(b) allocations for
8 each appropriations subcommittee at the end of April or
9 the beginning of May. Markup may actually happen
10 towards the end of May. And there's a possibility of
11 some appropriations bills getting to the House floor in
12 June.

13 But given, as I said, the lack of clarity
14 about how this is going to play out right now with
15 regard to the budget, not clear that things are going
16 to move any further than they have in the past two
17 years, and that there really will be finalized
18 appropriations bills despite the fact that we have same
19 party control of both the House and the Senate. It has
20 much more to do with the divisiveness with regard to
21 the overarching numbers and how to handle defense
22 spending right now.

1 I'll be happy to answer any questions.

2 CHAIRMAN GREY: Questions for Carol?

3 (No response.)

4 CHAIRMAN GREY: Carol, anything for us to pay
5 attention to or to be aware of, like ABA Day coming up?

6 MS. BERGMAN: Oh, thanks. No, I can just
7 mention, ABA Day is scheduled for Wednesday. I know
8 many members of the Board are planning to participate
9 in their state delegations meeting with members of
10 Congress. And Jim is speaking at the breakfast on
11 Wednesday morning.

12 And because of, as I said, the timing of
13 having these folks at our White House event, we're
14 ending up planning -- our briefing is on the same day.

15 But Congress is just coming back from a two-week
16 recess, so it's going to be a very busy time on the
17 Hill on Wednesday.

18 MR. LEVI: Wednesday or Thursday?

19 MS. BERGMAN: No. Wednesday is the ABA Day.

20 CHAIRMAN GREY: Yes.

21 MR. LEVI: They're also meeting -- they are
22 doing --

1 MS. BERGMAN: Oh, many of the breakfast --

2 MR. LEVI: They're doing Hill visits on
3 Thursday as well. I think our delegation certainly is.

4 MS. BERGMAN: Oh, are they this year? Great.

5 I know many of the state delegation breakfasts are on
6 Thursday morning.

7 CHAIRMAN GREY: Yes, they are.

8 DEAN MINOW: May I ask a question?

9 CHAIRMAN GREY: Okay.

10 DEAN MINOW: Thank you.

11 Carol, I know that when this new Congress was
12 elected, there were many people who had no clue what is
13 civil legal services. Has that changed?

14 MS. BERGMAN: I don't think I could begin to
15 speculate on the answer to that. It's why, as I said,
16 Martha, if I had my d'ruthers, I'd create a briefing
17 that was an introduction to civil legal aid. No. I
18 think the challenge is that we have a smaller
19 percentage of people with a legal background are being
20 elected to Congress, and so that's a tougher starting
21 point. There's no question.

22 We do very different kinds of briefings for

1 staff based on their own individual background. For
2 the staff who are not lawyers, we start out talking
3 about the difference between criminal and civil law,
4 and we talk about the fact that what you know is
5 probably based on watching television and your
6 understanding of Miranda rights, and now let's talk
7 about what happens in civil cases.

8 So the challenge is always to frame this in a
9 way, a non-patronizing way, to engage people and
10 helping them to understand what we're talking about.
11 And that's really why our hope is by doing a briefing
12 focused on an issue like veterans that's of huge
13 interest is a way to make this more accessible, is
14 really what we're trying to do more than anything.

15 But that's an ongoing challenge. No, you have
16 a lot of folks who have no idea what we're talking
17 about.

18 CHAIRMAN GREY: Any other comments?
19 Questions?

20 (No response.)

21 MS. BERGMAN: Shall I move on to -- the next
22 agenda item, Robert, is about FY '17 and the timetable.

1 CHAIRMAN GREY: Yes, please.

2 MS. BERGMAN: If you look on page 137 in your
3 Board book, there is a sample schedule of a timeline
4 for dealing with FY '17. So these are not actual dates
5 for anybody to put into their calendar. This is to
6 give you an idea of how we would schedule the timeline
7 the way we have the last couple years that seems to
8 have worked fairly well.

9 The idea is to have three telephonic meetings
10 of the Finance Committee in advance of the July Board
11 meeting. And this would give an opportunity for the
12 Committee to have sufficient time to consider the
13 external testimony from stakeholders, to consider
14 Management's recommendation and request additional
15 information, and to vote on the FY '17 budget.

16 For the last two years, the Committee has made
17 the decision to vote telephonically and then brought
18 that recommendation to the July Board meeting. We can
19 always adjust that schedule, in particular if the
20 Finance Committee wants to have that discussion and
21 decision-making at the July Board meeting.

22 The only challenge to keep in mind is that

1 then we end up scheduling a telephonic Board meeting in
2 August, which is a difficult time for everybody in
3 terms of scheduling with vacations. We are required to
4 submit our budget request to OMB the week of Labor Day.

5 So that's the end game we're working towards.

6 So this is a proposed schedule to make sure
7 that everybody's comfortable with continuing to work
8 that way. The dates in parentheses reflect the actual
9 dates of each parallel Committee meeting last year so
10 you have an idea of what we're talking about. And
11 obviously, we'd work with everybody to schedule things
12 at a good time.

13 But I wanted to make sure to give people an
14 opportunity to say, this has been working. It hasn't
15 been working. We want to do this differently, before
16 we just assume that this is the way to go.

17 CHAIRMAN GREY: Questions for Carol?

18 (No response.)

19 CHAIRMAN GREY: Public comment?

20 (No response.)

21 CHAIRMAN GREY: Any other business?

22 (No response.)

1 CHAIRMAN GREY: Is there a motion to adjourn?

2 M O T I O N

3 FATHER PIUS: So moved.

4 DEAN MINOW: Second.

5 CHAIRMAN GREY: All in favor say aye.

6 (A chorus of ayes.)

7 CHAIRMAN GREY: That concludes the business of
8 the Finance Committee, Mr. Chair.

9 (Whereupon, at 9:30 a.m., the Committee was
10 adjourned.)

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