

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS

MEETING OF THE  
FINANCE COMMITTEE

OPEN SESSION

Sunday, April 6, 2014

4:10 p.m.

Legal Services Corporation  
3333 K Street, N.W., 3rd Floor  
F. William McCalpin Conference Center  
Washington, D.C. 20007

COMMITTEE MEMBERS PRESENT:

Robert J. Grey Jr., Chairperson

Sharon L. Browne

Laurie Mikva

Martha L. Minow

Father Pius Pietrzyk, O.P.

Robert E. Henley Jr. (Non-Director member)

Allan J. Tanenbaum (Non-Director member)

John G. Levi, ex officio

OTHER BOARD MEMBERS PRESENT:

Charles N.W. Keckler

Victor B. Maddox

Julie A. Reiskin

Gloria Valencia-Weber

STAFF AND PUBLIC PRESENT:

James J. Sandman, President

Ronald Flagg, Vice President, Office of Legal Affairs

Atitaya Rok, Staff Attorney, Office of Legal Affairs

Katherine Ward, Executive Assistant, Office of Legal  
Affairs

David Richardson, Treasurer & Comptroller, Office of  
Financial & Administrative Services

Richard L. Sloane, Special Assistant to the President

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

Wendy Long, Office of Government Relations and Public  
Affairs

Eric Jones, Office of Information Technology

LaVon Smith, Office of Information Technology

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

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

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

Terry Brooks, American Bar Association Standing  
Committee on Legal Aid and Indigent Defendants  
(SCLAID)

Dominique Martin, Law99.com

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P R O C E E D I N G S

(4:20 p.m.)

CHAIRMAN GREY: This is the opportunity for us to have the Finance Committee meet. Mr. Chairman, if you are ready, I'm ready.

I'd like to ask if there is a motion to approve the agenda.

M O T I O N

DEAN MINOW: So moved.

MS. BROWNE: Second.

CHAIRMAN GREY: All in favor say aye.

(A chorus of ayes.)

CHAIRMAN GREY: I'd also ask for a motion to approve the minutes of the meeting of January 23rd.

M O T I O N

DEAN MINOW: So moved.

MS. BROWNE: Second.

CHAIRMAN GREY: All in favor say aye.

(A chorus of ayes.)

CHAIRMAN GREY: Item number 3 is a presentation of LSC's financial report for the first five months of FY '14. And I'd ask the Treasurer,

David Richardson, if he wouldn't mind sharing that with us. I'd also observe that Allan Tanenbaum, a member of the Committee, is also present. Thank you.

MR. RICHARDSON: Thank you, sir. For the record, I am David Richardson, the Treasurer/Comptroller of the Corporation. There's a written report in the Board book starting on page 50. It contains a memo regarding outlining the operations of the first five months.

We are under budget in our operations. There's a couple of areas that we are over that we're addressing in our next section, when we talk about the realignment of our expenses, and that was in temporary employee pay that's shown on page 52. And otherwise, that's the only real thing that stands out about the report.

We are, as I say, under-spending, and we're in good shape as far as finances. And I'd be glad to answer any questions that you may have about the report.

CHAIRMAN GREY: Any questions for Dave?

MR. TANENBAUM: David, the only question I

have -- is there anything that you see coming in the next quarter that will give you any concern about any challenges to the budget?

MR. RICHARDSON: I do not. We have projected our spending through the year that we'll talk about in the next section. One of the larger variances here, of course, is in personnel compensation and benefits, and the reason for that is we had delayed hires as we were working through the appropriation process.

The new hires were to begin April 1 or later, but because we do our budget on a linear basis, one-twelfth each month, that's the reason there is a larger amount of personnel compensation. We should start seeing that amount go down in the coming months.

But there's nothing that would hinder the operations at this point.

MR. TANENBAUM: Thank you.

CHAIRMAN GREY: Yes, Father?

FATHER PIUS: One thing I also notice is that the temporary employee pay numbers is unusually high, or at least uncharacteristically high. Is that going to cause a concern in the future, or is that something

that we should pay attention to?

MR. RICHARDSON: It does not. We've addressed that in the next section where we do our budget projections and make our reallocations. So I think we're in good shape.

We've talked to all the directors, and they recognize that the first few months they were traveling more. With the open positions they had, they were using a few more temporary employees in doing those trips. So with the reallocations that we've done, we should be okay.

FATHER PIUS: And we expect that number to go down in the future?

MR. RICHARDSON: Yes. We've actually put a little more money in that particular line and area.

CHAIRMAN GREY: Any other questions?

FATHER PIUS: Actually just one more.

CHAIRMAN GREY: Yes?

FATHER PIUS: This is actually more for the Inspector Generals. I think it's the same one. Just the consulting, it seems to be a little bit higher than usual on the OIG budget. And I was just a little bit



curious if that was just because of the time of year or whether this was a marked increase going forward.

MR. DAVID MADDOX: For the record, my name is David Maddox. I'm the Assistant Inspector General for Management and Evaluation.

It's really a timing issue. We had a lot of projects that got completed in the first quarter of the year, and added expenses bulked. But we've done our annual planning, and in factoring it over twelve months, we don't expect a problem there.

CHAIRMAN GREY: Any other questions?

(No response.)

CHAIRMAN GREY: All right, Mr. Richardson. Revised Consolidated Operating Budget resolution?

MR. RICHARDSON: Yes. The last few weeks, we have been looking at -- actually, the last six weeks -- we've been looking at our budget and looking at ways that we can draw down our carryover, and do it in a responsible way that we can sustain the operations that we undertake this year and moving forward for 2015 and 2016.

The memo that you received on Thursday lays

out that plan. And it shows that this money, if we draw down this particular year, we would be drawing down approximately 1.6. I think it will actually be a little less than that as we try to hire people, as it gets delayed, as things delay. I think that will actually go down a little bit.

But then that will help us in 2015 and '16 to help fund us. We think we have a three-year budget here, in discussing how to spend the carryover and how to maintain a sustainable effort with our operations.

CHAIRMAN GREY: Questions?

FATHER PIUS: It's more really a comment than a question. As I'm sure you know, the issue of the carryover has always been something that I've been very concerned about.

And I think the attention to this has been very good and very helpful because I recognize it's something we have to be very cautious about because we can never rely too much on future funding.

And I think that Management has gone about this in an extraordinarily balanced way and very realistic way, recognizing the fact that we should be

spending the money for the purposes of helping the poor and the quality of our organization, but at the same time to do it in a responsible way.

I think this plan is a great beginning for that as we continue to think about it and revise it going forward. So I appreciate the efforts of Management to come forward with this and to address this and plan for this going forward. Thank you.

CHAIRMAN GREY: Thank you, Father.

Julie?

MS. REISKIN: Yes. I know that we have a lot more than this, but I was kind of surprised at the notion of having one month of reserve that was in the carryover memo because generally -- I know we have it right now, but generally, best practice, it used to be a year. Now I think it's six to nine months.

So I was just wondering. I figured I was missing something, but I wanted to know what I was missing.

MR. RICHARDSON: Well, certainly we get an annual appropriation, so our money is coming in. If we had a year's worth of carryover, it would be \$18

million. If we had half a year, it would be \$9 million.

So we're trying to be as responsible with the \$5 million we have, to be spending it in a responsible manner so that our operations can continue in the future with as much (sic) disruption as possible.

MS. REISKIN: I thought you were looking at if there was -- like if things closed, like if we were defunded, that you would need -- like if the worst happened and the whole program was defunded, that we would be able to wrap up in one month. That wasn't what you were saying.

MR. RICHARDSON: No. If anything like that would happen, I'm sure the Congress knows that we would not be able to operate only one month, so notifying you're going to close in 30 days.

MS. REISKIN: Right.

MR. RICHARDSON: Or even six months. They would provide closeout funding themselves, is the way that we've always talked about it. And we have talked about that on and off for years, especially in the late '90s.

MS. REISKIN: We want to hope that doesn't happen, but --

MR. RICHARDSON: That is correct.

MS. REISKIN: And -- I just forgot. Oh, my other question is, can any of this be used for some of the really programmatic-related issues with the 40th, like bringing the directors? Is that something that's possible, or is that illegal or not appropriate?

MR. RICHARDSON: The goal has been to raise the money for that.

MR. LEVI: I think that we should raise the money for that. But a question -- well, other people had their hands up ahead of me.

MR. RICHARDSON: I'll just respond. At the 35th, we did have an annual meeting that cost about \$100,000 that the Corporation did pay for.

MR. LEVI: Well, we're trying to avoid that.

DEAN MINOW: That was a different time.

MR. LEVI: Yes.

MR. RICHARDSON: It was.

MR. LEVI: But I do have a different question, which is, I guess, of you and Jim. Was there a

. position or positions that you really wished you could  
. have put on the table but were reluctant to,  
. particularly in the area of site visit grantee  
. oversight?

. I just wonder, do we leave ourselves short  
. because you feel -- I'd like to hear a little bit about  
. if there were one more -- was there one position you  
. agonized over, or two, or something?

. MR. RICHARDSON: I don't believe so.  
. Certainly our original planning was to add more. But  
. certainly spending all the carryover down over the year  
. or next year would have left us vulnerable in fiscal  
. 2016. So that's the reason we backed away from that,  
. to come to a point where we can operate for a  
. three-year period here.

. We've laid out in our memo the positions that  
. we felt were the most important as to the ones we would  
. hire. There are certainly some key ones here. I  
. think, when you look at the Office of Compliance and  
. Enforcement, you'll see that there is a director there  
. for fiscal compliance oversight. We felt that was very  
. important.

We've also got a fiscal compliance specialist there to help continue those work efforts. And then when you look at the Office of Program Performance, we had a director who recently resigned to move back home, and we felt we needed to replace that position.

There's a second director in here. The office has 25 people in it. And to have a deputy director and a director overseeing 25, we felt that it would just be better to have different management there and break the staffing up a little bit so that they could have good, clear oversight.

The other key position that's here, I think, is probably the communications manager, and we're moving forward with hiring that position. But there is nothing that I could truly say that we're agonizing over that we don't have right now within this budget.

PRESIDENT SANDMAN: I agree with that. This was an exercise in trying to forecast out what we'd be able to afford longer-term. We didn't want to be in the position where we'd be hiring up this year only to have to lay people off the year after next. So this reflects our best judgment about the positions we

really need.

CHAIRMAN GREY: I think it's in keeping with Father Pius's comment, that while we have talked about this on several occasions, the opportunity now to actually make some headway in a financial planning sense and operational sense seems to us, or at least to me and I think the Committee, well thought out.

And so I want to commend you and the staff for giving us that and now providing this in the form of a plan going forward.

Other comments or thoughts? Sharon?

MS. BROWNE: Just for my own information, I notice that there's going to be an estimate of cost for the Pro Bono Innovation Fund programs and evaluation of the grants that are provided. Is there a reason why the Pro Bono Innovation Fund itself cannot be used for that oversight or for the evaluation purposes? Does it have to come out of another fund or line item?

MR. RICHARDSON: If I may answer that, the actual fund itself provides that we can use 5 percent of the money to support the program. That will give us a staff person there. We've set aside an additional



. \$75,000 to get the program up and running, to set some  
. goals, and get it set up properly where we can provide  
. some measurements and some oversight of that from the  
. outset as we give the awards.

. MS. BROWNE: So you needed the additional  
. funds?

. MR. RICHARDSON: Yes.

. MS. BROWNE: Thank you.

. CHAIRMAN GREY: All right. Does the Committee  
. want -- let me see. Where am I? I also want to  
. recognize Bob Henley as a non-Board member of the  
. Committee is also here.

. MR. HENLEY: I would have been here sooner  
. except for the traffic on 95.

. (Laughter.)

. CHAIRMAN GREY: Oh, my goodness. We could  
. have a whole meeting on that.

. MR. HENLEY: We could.

. CHAIRMAN GREY: Thank you for being here.

. All right. With that, is there a motion to  
. recommend this resolution to the Board by the  
. Committee?

M O T I O N

DEAN MINOW: So moved.

FATHER PIUS: Seconded.

CHAIRMAN GREY: All in favor say aye.

(A chorus of ayes.)

CHAIRMAN GREY: Any final thoughts, Mr. Richardson, on that end of things?

MR. RICHARDSON: No, sir.

CHAIRMAN GREY: All right. We are fortunate to have the Director of Government Relations and Public Affairs, Carol Bergman, to give us some insight on the 2015 appropriations process. Ms. Bergman?

MS. BERGMAN: Thank you, Mr. Chairman. Pull out my crystal ball.

(Laughter.)

CHAIRMAN GREY: It's worked well so far.

MS. BERGMAN: The White House submitted their budget request for 2015 to Congress on March 4th and 11th. I think this was the first time that I'm aware it was bifurcated, which did not go over very well on the Hill.

Their request for LSC was \$430 million, which

was the same as last year's request. That's \$65 million over the current funding. LSC's budget request, you'll recall, was for 486, which is the same as our request for FY '14.

So overall, the difference really comes down to primarily in basic field, where the LSC request requests an additional \$54 million, as does the White House, and in both the TIG and the Pro Bono Innovation Fund program, where LSC requested \$5 million for both and the White House requests a lesser amount, \$3.5 million for TIG and \$1.5 million for the Pro Bono Fund.

Since sending up the budget request, we have held more than 30 meetings with congressional staff. We start with the Subcommittee on Appropriations staff to the committee in both the House and the Senate, and then we go from there to meeting with as many of the staff of the individual members that sit on our Appropriations Subcommittee in both the House and the Senate.

In addition, we meet with almost everybody on our oversight subcommittees in both the House and the Senate. And there were a number of other members that

have been particularly interested in LSC over the years.

I would say overall, the tone of the meetings has been extremely positive. Primarily we have found that staff have been particularly interested in the increasing rise of the poverty population and what that really means.

Always interested in the impact of the census adjustment on their particular state, as you can imagine. Many are interested in an update on where things stand with GAO and what our intentions are in terms of closing those out.

We came in this year to the subcommittee staff in both the House and the Senate and suggested several ideas for briefings for senior staff and/or possibly members on the Hill. And they were very interested in our perhaps being able to bring some of the judges and justices that we have had the opportunity to hear at our various Board meetings over the last few years.

A lot of bipartisan interest, interest in both the House and the Senate, and we're in the process of trying to pull together those kind of briefings before,

ideally, things are marked up, and that we would do separate ones in both the House and the Senate but have them be bipartisan, and bringing folks in. That's what we are working on to do. We want to begin to do more of those kind of briefings and expand how people are thinking about a lot of you issues.

There are "Dear Colleagues" that have been circulating in both the House and the Senate on the budget. The one in the House was sponsored by Congressman Cohen. It closed with 104 signatures, all of whom were Democrats. In the Senate, the "Dear Colleague" is still circulating until this week; again, all Democrats. That's exactly what happened last year as well.

The good news, however, is that several Republicans, in particular in the Senate have indicated to us that they have included LSC in their own member letter to the subcommittee because each member makes recommendations to the chair of the Appropriations Committee regarding their personal priorities.

And a number of the folks on the Appropriations Committee never want to sign a "Dear

Colleague" and do not want to do something like that publicly, but we have been told that they are definitely being supportive. In particular, Senators Cochran, Blunt, and Graham have done that.

The timing is things are moving very quickly this year. The goal is that they're trying their best to get back to regular order. Their hearings across the board have been taking place in March and April. Yes?

DEAN MINOW: Can you say again what Cochran, Graham, and --

MR. LEVI: After Cochran, who did you say?

MS. BERGMAN: You mean who or what?

MR. LEVI: Who?

MS. BERGMAN: Blunt and Graham, okay, have all indicated that LSC is a priority and that they've made that very clear.

So timing. They're actually trying to mark up in May in both the House and the Senate. They still don't have 302(b)s; it's been very interesting since the House has actually marked up two subcommittees without having 302(b)s, which is the actual number that

the Appropriations Committee gives each subcommittee to work with.

In the Senate, they have actually scheduled floor time the second two weeks in June and the first two weeks in July to bring all this to the floor in the Senate. The House hasn't scheduled floor time, but they've made it very clear that the chairman, Mr. Rogers, expects to complete all markups by July 4th and intends to bring everything to the floor before the August recess. So we'll see.

I'm sure people are aware that Congressman Ryan has brought his budget resolution to markup this past week. It goes to the House floor this next week.

It's based in part using much of the language that was in the poverty report that was released in March.

This lays out an eleven-year plan, although it's talked about as being ten years, with the idea of eliminating the deficit within that period of time and moving significant amounts of money, \$50 billion, from domestic to defense spending on an annual basis.

It has no impact on the overarching budget for FY '15. It could, of course, have a great impact on FY

'16 moving forward. But it will impact the thinking, of course, of what the actual numbers are for the 302(b)s for each subcommittee.

This matters because when we look at our budget number for FY '14, the conference took the middle between the House number and the Senate number.

The Senate worked with the White House number. So if we assume the Senate were going to do that again and go with the 430, last year the House went with \$300 million, so they split the difference and came up with 365.

So in all of our work, of course, the goal is to try and raise the House number because that's what's going to impact what the final numbers are. But of course, the overarching numbers for the budget are very similar to what they were for FY '14. So if there's more money in one place, it means there's less money someplace else. There's no additional funds that are being put into this.

The other thing that is in process, folks know that Senator Harkin is retiring. There's a lot of interest in who might take up the mantle of support for



LSC going forward. The Senator has been a very strong supporter of LSC in the past.

And so we've had meetings with several senators on the HELP Committee, talking with them about the possibility of one of them taking up that mantle. That includes Senator Murray from Washington, Senator Warren from Massachusetts, Senator Hagan from North Carolina, and Senator Whitehouse from Rhode Island.

The expectation is that Patty Murray will be either the chair or the ranking of the committee moving forward in the next Congress. Obviously, it would be wonderful if she were in a position to take that on. But those conversations are ongoing.

I think that's about where things are.

CHAIRMAN GREY: We don't need one champion. We need like ten.

MS. BERGMAN: That's for the leg briefing of our morning.

(Laughter.)

MR. LEVI: Did you mention the other part of the -- whatever it's called, the initiative fund?

MS. BERGMAN: No, I did not. In the White

House budget that went up to Congress, there is additional money for an innovation fund in justice and a number of other areas. I didn't mention it because the best way to say the response on Capitol Hill is that it was dead on arrival.

The White House, it was in the White House budget that went up. LSC was a named recipient of that fund without a particular number attached to it. There is no clarity, shall we say, about where that money would come from other than from various kinds of tax savings. And there's no clarity over who would have jurisdiction over what that would look like.

As a result, there's no discussion about it. When we raised it in our meetings with the congressional committee staff in both the House and the Senate, they just sort of looked at us and rolled their eyes, like, "Uh-huh."

CHAIRMAN GREY: Questions?

(No response.)

CHAIRMAN GREY: Carol, that leads you into the next topic, I guess.

MS. BERGMAN: Yes.

CHAIRMAN GREY: To the extent there's additional information on FY '16, if you want to share with us, we'd be happy to receive it.

MS. BERGMAN: On page 65 of the Board book, there is a proposed schedule for the Board to consider the FY 2016 budget. The dates of what we're looking at are on the left; in parentheses are the dates from last year.

The major change that we are suggesting is that we separate out the date of the Finance Committee's consideration of Management's recommendation for the FY '16 budget from the discussion that is had by the full Board, which would take place in July.

This past year you may recall that all those conversations took place at the Board meeting without a lot of conversation for debate and thought. Given the discussion at the last Board meeting, there was interest in doing it differently.

So Jim and I developed this as something that we would suggest as a way for the Finance Committee to have a separate meeting apart from the Board meeting.

I don't know, Jim, if you want to address that further.

PRESIDENT SANDMAN: That captures it.

CHAIRMAN GREY: And it's interesting because I think each time we do this we learn something about the process that allows us to make sure that we've got ample time for consideration of views and the evaluation of suggestions.

And sometimes we're doing it -- not on the run, but we're trying to consolidate meetings and opportunities for reflection at the same time. And that sometimes is difficult.

John?

MR. LEVI: But separating the Finance Committee deliberation from the Board's was certainly a governance matter for us that we tried to accomplish. And if we got away from it last year, which I'm not completely sure we did, I don't know what motivated it. Certainly that wasn't the case the year before.

So I don't know what happened last year, but it might have been the delay in the budgeting process.

I'm not sure what happened. It may have been that that caused --

DEAN MINOW: This is a return to what we had done.

MR. LEVI: This is, I think, a return to what we did the year prior.

MS. BERGMAN: Yes. That is correct.

MR. LEVI: And I think in the shutdown -- we were in shutdown mode or whatever. But somehow we got away from it and I don't remember why.

CHAIRMAN GREY: But we didn't adjust to it, is what I'm saying. That was the concern.

MR. LEVI: Okay. Anyway, we're making the adjustment now, so that's good.

CHAIRMAN GREY: Right. Father?

FATHER PIUS: I think one of the things for me is, in the past, that the final approval by the Board was done by a telephonic conference. And I do think that it's important that it's at the actual meeting. And I'm glad that we're back on that track, even if it means a few more phone conversations beforehand.

MR. LEVI: Well, that is part of it.

FATHER PIUS: But not too late, though.

MR. LEVI: Yes. That is part of the issue

because in the prior era, the July meeting was regarded as early for us as a Board to act. But if you're ready, we'll be ready.

MS. BERGMAN: Yes. No, that's exactly right.

Two years ago, at the Board meeting in July, the Finance Committee discuss it and then there was subsequent telephonic meetings. And the challenge, of course, is so many people are not around in August, and then needing to do it in advance of when the budget needs to be submitted to OMB right around Labor Day.

CHAIRMAN GREY: It's in lieu of our meeting in Rome.

MR. LEVI: When is that meeting?

(Laughter.)

CHAIRMAN GREY: It hasn't been scheduled yet.

Ms. Bergman, any other thoughts or comments?

(No response.)

CHAIRMAN GREY: Any comments from the Committee or the Board?

(No response.)

CHAIRMAN GREY: Mr. Chairman, I'd like to open it for public comment, if it's appropriate at this

time.

(No response.)

CHAIRMAN GREY: Is there any other business that the Committee needs to consider?

(No response.)

MR. LEVI: It's just amazing. When we give the committees extra time -- then when we don't -- anyway, it's traffic.

CHAIRMAN GREY: Now that you know the recipe, John.

(Laughter.)

MR. LEVI: It's great.

FATHER PIUS: Well, this is about the most clarity we've ever had about the budget going forward.

MR. LEVI: Yes. That's true.

FATHER PIUS: So it's not any of our doing.

MR. LEVI: Yes. Wonderful.

CHAIRMAN GREY: Yes. It has sort of evolved over time with some tweaking as we've gone along.

Is there a motion to adjourn?

M O T I O N

FATHER PIUS: So moved.

DEAN MINOW: Second.

CHAIRMAN GREY: All in favor say aye.

(A chorus of ayes.)

CHAIRMAN GREY: The motion is carried. The meeting is adjourned.

(Whereupon, at 4:40 p.m., the Committee was adjourned.)

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