

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
FINANCE COMMITTEE

OPEN SESSION

Friday, July 27, 2012
10:40 a.m.

Sheraton Ann Arbor Hotel
3200 Boardwalk Street
Ann Arbor, Michigan 48108

COMMITTEE MEMBERS PRESENT:

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

OTHER BOARD MEMBERS PRESENT:

Victor B. Maddox
Laurie Mikva
Charles N.W. Keckler (by telephone)
Harry J.F. Korrell, III
Julie A. Reiskin
Gloria Valencia-Weber

STAFF AND PUBLIC PRESENT:

James J. Sandman, President
Richard L. Sloane, Special Assistant to the President
Rebecca Fertig, Special Assistant to the President
Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
David L. Richardson, Comptroller and Treasurer, Office
of Financial and Administrative Services
Jeffrey E. Schanz, Inspector General
Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, Office of the Inspector General
Matthew Glover, Associate Counsel, Office of the
Inspector General
Joel Gallay, Special Counsel to the Inspector General,
Office of the Inspector General
David Maddox, Assistant Inspector General for
Management and Evaluation, Office of the
Inspector General
Carol Bergman, Director, Office of Government Relations
and Public Affairs
Carl Rauscher, Director of Media Relations, Office of
Government Relations and Public Affairs
Janet LaBella, Director, Office of Program Performance
Glenn Rawdon, Program Counsel, Office of Program
Performance
Kenneth Penokie, Executive Director, Legal Services of
Northern Michigan
Len Sanchez, Executive Director, Neighborhood Legal
Services Michigan
Mary Kavanaugh-Gahn, Deputy Director, Legal Services of
Northern Michigan
Steve Gottlieb, Executive Director, Atlanta Legal Aid
Colleen Cotter, Executive Director, Cleveland Legal Aid

Don Saunders, National Legal Aid and Defenders
Association (NLADA)
Chuck Greenfield, National Legal Aid and Defender
Association (NLADA)
Meredith McBurney, American Bar Association (ABA)
Resource Center
Terry Brooks, American Bar Association Standing
Committee on Legal Aid and Indigent Defendants
(SCLAID)

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

2 (10:40 a.m.)

3 CHAIRMAN GREY: My name is Robert Grey, chair
4 of the Finance Committee. The meeting is called to
5 order.

6 I would ask for approval of the agenda.

7 M O T I O N

8 MS. BROWNE: I'll move to approve the agenda.

9 DEAN MINOW: Second.

10 CHAIRMAN GREY: It's been moved and seconded.
11 All in favor say aye.

12 (A chorus of ayes.)

13 CHAIRMAN GREY: It's been adopted.

14 We will move to the presentation of LSC's
15 financial reports for the first eight months of FY
16 2012. I'll call on the treasurer, David Richardson.17 MR. RICHARDSON: Thank you, sir. For the
18 record, I am David Richardson, treasurer of the
19 Corporation. What I will be referring to in the Board
20 book begins on page 61, and it is the financial report
21 through May.

22 We are eight months into the fiscal year. The

1 spending is well in hand; we're under budget in all the
2 areas. The four elements of the delivery of legal
3 assistance -- your basic field, the U.S. Court of
4 Veterans Appeals, the grants from other funds, and
5 technology -- are all under budget.

6 We still continue to have funds earmarked for
7 support of grants in Mississippi, Wyoming, and American
8 Samoa in the amount of \$853,000. That has not changed
9 for a number of months.

10 One element within the delivery of legal
11 assistance that has changed from the prior month is the
12 U.S. Court of Veterans Appeals. That's at the top of
13 page 62. The budget this year is \$2.7 million. We did
14 complete a grant in the month of May for \$2.7 million.

15 We have the new grant for the U.S. Court of
16 Veterans Appeals. The additional 30,000 will support
17 this year's administrative expenses. Those are
18 normally accumulated throughout the year, and only
19 recorded in September. So that's the reason there's no
20 additional administrative expenses shown there at this
21 point.

22 The grants from other funds were the two

1 emergency grants that were given. That has not changed
2 in a number of months. We do still have \$471,000 that
3 could be given for emergency or one-time grants.

4 And within the technology initiative, we heard
5 a report this morning, a briefing this morning, in
6 regards to the technology initiatives that are underway
7 and the summit. The budget this year looks a little
8 high, but as you'll recall, we had some year-end
9 issues, some reviews, additional reviews, that needed
10 to be undertaken before we could give the grants for
11 2011.

12 So the budget is basically double what it was
13 in prior years because of the carryover. \$7.2 million
14 is the annual budget. The \$3,550,000 in grants
15 represents the net of the grants that were given for
16 2011 and the recoveries that we have this year, which
17 we put back in the line so that when we give grants
18 this fall, we can include that money in the grants that
19 will be given.

20 The Herbert S. Garten Loan Repayment
21 Assistance Program: There's been no expenses this
22 year, so the full amount is available. We will analyze

1 those awards that were given in April and we will make
2 a determine as to establishing an allowance and
3 expensing a part of those at year-end so that our
4 financial statements will be more reflective of what
5 the actual receivable will be at that point.

6 CHAIRMAN GREY: David, let me ask you a
7 question. This is Robert Grey. On the technology
8 initiatives, is there an expectation based on grant
9 applications that we will give out that money this
10 year?

11 MR. RICHARDSON: Yes, sir. That competition
12 process is underway and we do expect to make those
13 awards in September.

14 CHAIRMAN GREY: The entire \$3 million, or --

15 MR. RICHARDSON: Yes, sir.

16 CHAIRMAN GREY: Thank you.

17 MS. BROWNE: Can I just ask a question, David,
18 on the same subject? You say there's been a
19 cancellation of four TIG grants. Was that at the
20 request of the grantee, or is that at the request of
21 LSC that those grants were canceled?

22 MR. RICHARDSON: It's actually a little bit of

1 both. We have some grantees that completed their
2 technology initiative under budget. That money was
3 returned by the grantee. We have others that started a
4 project, got into it, made a determination that they
5 couldn't fulfill the grant, so that money was returned
6 also. But that was done in connection with
7 conversations with our technology folk and the grantee,
8 and that money was returned also.

9 There is a few more, I understand, in the
10 wings that will be coming back that will increase this
11 a bit further. And we hope to get those in so that
12 that money will also be included when we give the 2012
13 grants.

14 MS. BROWNE: Thank you.

15 CHAIRMAN GREY: Thank you.

16 MS. REISKIN: May I have a follow-up?

17 CHAIRMAN GREY: Yes. Julie?

18 MS. REISKIN: Yes. When that happens, when a
19 grantee starts a TIG and they realize that for whatever
20 reason, they can't do it, but they've obviously done
21 some work or invested something, do they have to give
22 back everything or just what they haven't spent? Do

1 you know what I'm saying?

2 MR. RICHARDSON: I do. And what they have
3 done in the past is returned the money they have not
4 spent.

5 MS. REISKIN: So they're not punished for
6 trying something and giving it --

7 MR. RICHARDSON: They are not.

8 MS. REISKIN: Thanks.

9 MR. RICHARDSON: Continuing the report, in
10 looking at the second section that's on page 62,
11 management and grants oversight, we have our \$21
12 million budget. Eight months' allocation of that
13 budget is \$12,700,000. And we also have an
14 allocation -- I'm sorry. We have an allocation of the
15 contingency funds also.

16 But as we compare the expenditures in MGO,
17 you'll see that we have spent basically \$10,470,000 for
18 the eight-month period. So we're \$2.3 million under
19 budget. That is 18 percent under budget.

20 What I'd like to do is call your attention to
21 the parenthetical in that paragraph, the MGO's
22 carryover. The variance last time was 2.1 million.

1 However, it represented 18.98 percent under budget. So
2 we have increased our spending about 1 percent.

3 So hopefully we will continue to see that
4 trend in the future months also because of additional
5 travel, because of the Board meeting, and different
6 activities that just routinely take place during the
7 spring and summer that we can't do in the fall and
8 winter because of the different holidays, the cold
9 weather, and trying to plan around the different Equal
10 Justice Conference, ABA events, and so forth. So that
11 should continue to increase in spending for MGO.

12 The allocation for the contingency, the budget
13 for the contingency, is \$2.15 million. For the
14 eight-month period, that would give an allowance of
15 \$1.433 million. When you add the amount of money that
16 is under budget -- that is, the money that has not been
17 spent in MGO and the variance for contingency -- we're
18 27 percent under budget.

19 Within the OIG budget, their budget is \$6.4
20 million. Their operating budget is 5.3. They also
21 have a contingency fund of \$1.1 million. In comparing
22 the expenditures in the operating side for the

1 Inspector General, the allocated budget would be \$3.55
2 million. They have spent, for this eight-month period,
3 \$2.95 million. So they're approximately right at
4 \$600,000 under budget, or 16.87 percent under budget.

5 Their expenditures are \$300,000 more in 2012
6 than they were in 2012 (sic). And I should back up.

7 In the MGO --

8 CHAIRMAN GREY: 2011.

9 MR. RICHARDSON: 2011. Correct. But when you
10 look at the expenditures in MGO for the same
11 comparison, the expenditures that we have are \$775,000
12 less when you compare 2012 to 2011. So we're actually
13 spending less money in total. And I'll get into that a
14 little bit later in this memo.

15 With the IG, when you look at their
16 contingency allowance for this month, it would be
17 \$733,000. When you add that to the variance of the
18 operating account, the IG is 31 percent under budget.

19 The next section that I'll look at is on page
20 63. And when we look at the comparative analysis
21 within the budget categories, we are under budget in
22 all the categories.

1 The largest variance is \$900,000, and that is
2 due a personnel compensation and benefits. I have
3 listed the positions that are open at this point. We
4 still have 11 open positions. And actually, in the
5 last couple of weeks, we've had two additional
6 vacancies that have arisen. So currently, we're
7 basically at 13 positions unfilled.

8 The second largest variance is the travel and
9 transportation. That's \$410,000. Some of the increase
10 in spending will be in this particular area because of,
11 for instance, the Board meeting; you travel once a
12 quarter. That, percentage-wise, will increase.

13 Additionally, we have Program Performance and
14 Compliance and Enforcement folks traveling. I think
15 there's a couple of capability assessments because of
16 the competition initiatives, so there'll be some travel
17 there involved also.

18 FATHER PIUS: David, normally we four meetings
19 supported. This year, because the next board meeting
20 is early, it'll actually be five in this fiscal year
21 because we'll be doing it before the beginning of the
22 next fiscal year. So is that all taken account of?

1 MR. RICHARDSON: Actually, because the meeting
2 is on the 30th and concludes on the 1st and 2nd of
3 October, it will go to next year.

4 FATHER PIUS: Thank you.

5 MR. RICHARDSON: The third largest variance
6 under budget is consulting. And I've laid out there
7 also the different, larger items that are
8 underway -- the strategic planning, for instance, in
9 the Board of Directors budget; we have a contract for
10 the Fiscal Oversight Task Force recommendations; and,
11 of course, the institutional development consultant.

12 We also have a union negotiations facilitator
13 that had been budgeted; however, that money is not
14 going to be spent at all. We have found someone who
15 will be doing that free of charge through an entity
16 that does it for unions within the D.C. area.

17 Legal Affairs: The outside counsel cost is
18 substantially less than it has been in the past. You
19 heard a report in the last Audit Committee meeting in
20 regards to the audit of the 403(b) plan. That is
21 underway now, so that has not yet been paid. That will
22 be paid in either August or September once that audit

1 is completed.

2 And then, of course, we have Program
3 Performance. There's a consulting firm to review the
4 internal controls of the grant competition process, and
5 this is being done per a Government Accountability
6 Office recommendation, GAO recommendation, that was
7 being implemented.

8 And then we recently hired a consultant to
9 develop a risk assessment program and an onsite fiscal
10 review program in the Compliance and Enforcement, and
11 there's a contract outstanding for that.

12 The IG does a similar review in their process.

13 And I usually work with them. I provide them the
14 information. They provide me a writing as to the
15 reason for their carryover, and they also give me a
16 reason for the largest areas that they're
17 under-spending.

18 Consulting is the largest of the areas. They
19 have a \$218,000 contract outstanding now for quality
20 control reviews, but their consulting variance is
21 \$218,000, so their contract, basically, would eat that
22 up if everything is done in this fiscal year.

1 And then compensation and benefits is the
2 second, and that's 123,000. That's because they have
3 two open positions, a program evaluation analyst and an
4 auditor.

5 There's one other report, item C, and that has
6 to do with the other operating expenses. When you add
7 the other operating expenses and the contingency, the
8 contingency is -- or the other operating expenses is
9 the second-largest area behind personnel compensation
10 and benefits.

11 So what I've done here is I've laid out by
12 office the equipment rental, the supplies, the
13 equipment, and the spending in each office. We do not
14 budget that way; I am looking at how we can revise our
15 budgeting to be able to provide a comparison in future
16 periods for this. Definitely next year we'll be able
17 to do this for you in hopefully any category, the way
18 that we're trying to modify what we're going to be
19 providing as far as information to our directors so
20 that we can provide more precise information to you.

21 FATHER PIUS: Is that attachment C?

22 MR. RICHARDSON: That is attachment C.

1 FATHER PIUS: Just one questions. It looks to
2 be, on the reprographics, a \$104,000 item, under
3 commercial insurance?

4 MR. RICHARDSON: Directors and officers
5 liability insurance.

6 FATHER PIUS: Oh, okay.

7 MR. RICHARDSON: Commercial general liability.
8 All of that is charged to the administrative budget.

9 FATHER PIUS: I just wasn't sure of the mail
10 and reprographics part of the --

11 MR. RICHARDSON: Oh, it's just administration.
12 It's the name that we have. Office of financial and
13 administrative services.

14 CHAIRMAN GREY: Julie?

15 MS. REISKIN: Will the new format be able to
16 deal with that other issue, all of the stuff that's in
17 the other that --

18 MR. RICHARDSON: Yes. That's what I'm working
19 toward.

20 That's my report, Mr. Chairman.

21 CHAIRMAN GREY: Mr. Treasurer, thank you.

22 Since you started your report, we've had a full

1 complement of the Board come in. Father Pius is a
2 member of the Committee, and Father, welcome.

3 FATHER PIUS: Thanks. Sorry about being late.

4 CHAIRMAN GREY: Madam Vice Chair?

5 DEAN MINOW: I have a question that I don't
6 think is for you. I'm not sure if it's for Jim or who.
7 But given that we are way under our budgeted expenses,
8 I have two questions.

9 One is, how is this affecting performance of
10 our actual operations? And the second is, how might
11 this affect our budget request?

12 PRESIDENT SANDMAN: I don't think it's
13 affecting our performance negatively. I think we could
14 do more with more money. I think if we had more
15 complete staffing, both in OPP and in OCE, we would be
16 better off. We're working on doing that.

17 But our budget request assumes full staffing
18 at the levels that Dave has described that we have
19 aimed for in the current budget and are moving toward
20 achieving.

21 DEAN MINOW: I guess my question is, if we are
22 doing fine without spending the full budget, won't this

1 come to the attention of somebody who looks at our
2 budget request?

3 PRESIDENT SANDMAN: Well, our budget has
4 included carryover from prior years. So --

5 DEAN MINOW: I understand that, and Dave was
6 very clear in explaining that. But not everyone is
7 going to get down deep into the details. They will
8 simply look at the numbers.

9 PRESIDENT SANDMAN: The answer is yes. It
10 could.

11 DEAN MINOW: So I would just like to raise
12 this because I think it could put us, long-term, in a
13 very bad position.

14 PRESIDENT SANDMAN: I understand.

15 CHAIRMAN GREY: While we are at this juncture,
16 I'd also like to welcome Allan Tanenbaum, who is a new
17 member of the Committee. Allan, your exact status will
18 be determined at the Board meeting. I thought we'd
19 taken care of it, but we've got to go back and reaffirm
20 our commitment to have you on the Committee, having the
21 Chairman appoint you to the Committee.

22 But we welcome you to the Committee, and the

1 work that you did on our finance and review task force,
2 and look forward to your participation, and appreciate
3 very much your taking the time to work with us at LSC,
4 and in particular, on the Finance Committee.

5 MR. TANENBAUM: Thank you.

6 CHAIRMAN GREY: Bob Henley, who has been with
7 us for some time now, is also present. And Bob
8 continues to provide sage advice to the Committee as we
9 meet from time to time throughout the year. And Bob,
10 thank you and welcome to you as well.

11 MR. HENLEY: Thank you.

12 CHAIRMAN GREY: There is a resolution on page
13 77 of your Board book that supports the report given by
14 the treasurer. And it would be a recommendation to the
15 Board in accordance with the report.

16 MR. RICHARDSON: Actually, there's one report
17 in between. That was the report on the eight-month
18 spending. We've also done projections --

19 CHAIRMAN GREY: Right.

20 MR. RICHARDSON: -- of spending for the next
21 four months, and that is what the resolution is about.

22 CHAIRMAN GREY: The resolution.

1 MR. RICHARDSON: The President has full
2 authority to make the adjustments that are included in
3 that -- that's detailed on page 75 and 76 of our
4 report.

5 There is one item that does need Board
6 approval, and that is we have received an additional
7 grant from the Public Welfare Foundation in the amount
8 of \$276,000. And that amount needs to be included in
9 our budget.

10 So the recommendation of the resolution is to
11 include that Public Welfare Foundation money in the
12 budget, and therefore increasing it to the \$364,957,000
13 that the resolution calls for.

14 And what I have done is given you a
15 resolution, how it affects the budget, in Attachment A.

16 And I've given you a breakout as far as Attachment B
17 as to how the money will be broken out. Currently,
18 that money is housed in the Executive Office in the
19 consulting line.

20 And we will look at how that money will be
21 spent a bit further and have an additional report to
22 you in October. And of course, some of the money will

1 be spent this year, but this money will basically be
2 carried over until next year in the operating budget.

3 CHAIRMAN GREY: Madam Vice Chair?

4 DEAN MINOW: Well, this is just so terrific,
5 and it's due entirely to Jim Sandman's efforts. I'm
6 not sure it's rightly characterized, even temporarily,
7 as consulting, though. Is it possible to have a line
8 that's about research? Because it doesn't look
9 so -- that's not what it is; it's not consulting.

10 MR. RICHARDSON: Jim and I have not yet talked
11 about it. But because of the amount of money involved,
12 I'm going to suggest to him that we break it out into
13 an additional cost center. The research itself is
14 technically a consulting item.

15 But there may be some other costs that are
16 involved there, and there may be additional money that
17 will need to be put in this particular process to be
18 able to carry out the wishes of the Public Welfare
19 Foundation and the money that needs to complete the
20 project.

21 PRESIDENT SANDMAN: I agree with the point. I
22 think the reason Dave characterized it as he did is

1 because the principal use of the money that we received
2 from the Public Welfare Foundation will be for LSC to
3 retain consulting help.

4 DEAN MINOW: I just want to underscore: This
5 looks bad, and it's not accurate. That is, it's
6 proceeding from the vantage point of who's doing the
7 work as opposed to, operationally, what is the work?
8 And if we are making a commitment to do research, it
9 should be a separate item. And how we proceed to do
10 that research is a different question.

11 PRESIDENT SANDMAN: We will have a separate
12 item for it.

13 MR. RICHARDSON: Yes.

14 CHAIRMAN GREY: All right.

15 MR. LEVI: And then it will look good.

16 (Laughter.)

17 DEAN MINOW: Then it will look good.

18 CHAIRMAN GREY: Julie?

19 MS. REISKIN: I'm not sure if this is at the
20 right place. But in one of the reports, it said that
21 the President could move items up to \$75,000. And I
22 was wondering why that number. Is there like a reason

1 for that number rather than 50,000 or 100,000 or 5.

2 FATHER PIUS: I think that's the next item,
3 the guidelines. Are we going over that next, the
4 guidelines?

5 MR. RICHARDSON: Yes.

6 MS. REISKIN: Sorry.

7 MR. RICHARDSON: Just to let you know, that
8 amount was established by a prior board, and it has
9 continued.

10 DEAN MINOW: So we're on the guidelines?

11 FATHER PIUS: No. We're not yet on that.

12 MS. REISKIN: Sorry.

13 FATHER PIUS: Because we've got a resolution
14 to pass. Are we going to do the resolution?

15 CHAIRMAN GREY: Well --

16 MR. LEVI: Just want to keep this Committee on
17 its --

18 DEAN MINOW: It's page 77?

19 CHAIRMAN GREY: We'll get there.

20 Sharon?

21 MS. BROWNE: On the resolution itself, I've
22 got a question on No. 3. It says the Public Welfare

1 Foundation totaling \$293,000. Don't you mean a Public
2 Welfare Foundation and then add the word "grant" there?

3 MR. RICHARDSON: Yes.

4 FATHER PIUS: We're not taking the whole
5 foundation.

6 (Laughter.)

7 MS. BROWNE: And then it also is confusing
8 because you then have 17,000 in April and 276,000 in
9 July. But there's not a semicolon after the 293,000 so
10 that you see the 17,000 and the 276,000 are part of
11 that 293,000. So I would just make those suggestions
12 for an edit.

13 MR. RICHARDSON: Will do.

14 CHAIRMAN GREY: Father Pius, you made a
15 motion. Do you accept a friendly amendment?

16 FATHER PIUS: No. I didn't make the motion
17 yet. I wanted to point out the same typos.

18 CHAIRMAN GREY: Oh, okay.

19 FATHER PIUS: And I also wanted to point out
20 in 4A, just delete the word "carryover" because you're
21 repeating it from 4 above.

22 So with her changes and that change as well,

1 and you don't repeat "carryover" in anything else, so
2 just delete "carryover" from line A, add "grant," and
3 then turn that comma into a semicolon or add the words
4 "comprised of," I think we now make sense.

5 M O T I O N

6 FATHER PIUS: And with that, I would move to
7 approve the resolution.

8 MS. BROWNE: I'll second it.

9 CHAIRMAN GREY: All in favor say aye.

10 (A chorus of ayes.)

11 CHAIRMAN GREY: It's been approved.

12 Mr. Richardson?

13 MR. RICHARDSON: The next item is the
14 guidelines for adoption, review, and modification of
15 the consolidated operating budget.

16 The guidelines have been in place for a number
17 of years. They've been amended at different times
18 because of changing departments. Basically, the change
19 on the first page is to eliminate what we used to call
20 management and grants oversight; it used to have in
21 there -- I can't even remember now, it's been so long
22 since we did it. But it was management -- it was a

1 different term. My apologies.

2 (Laughter.)

3 MR. RICHARDSON: A brain freeze there. It'll
4 come to me.

5 But basically, what this does is conform it to
6 the way we're operating now, the committee
7 names -- management and administration. I knew it
8 would come to me. But everything has been changed to
9 comport to the Finance Committee, the President's
10 authority.

11 We've aligned our procedures to the way we
12 have operated in the past. When we now talk
13 about -- and I'll just quickly go down. Normally, at
14 this meeting we would do a resolution granting
15 temporary operating authority. Have an exception to it
16 already.

17 Since the meeting is so early in October,
18 September 30 and October, we didn't put it in there
19 because we can adopt a temporary operating budget on
20 October 1st. And this is very unusual because normally
21 the October meeting is late in the year -- or late in
22 the month.

1 We have laid out, in paragraph 2, the
2 Committee will receive information as to the funding
3 that's available. We will provide a temporary
4 operating budget. That we will review with the
5 Committee, and then ask the Committee to adopt it, and
6 then recommend it to the Board for adoption.

7 In January we have a Committee meeting.
8 Sometimes we have an appropriation at that time, so we
9 can pass a consolidated operating budget. And we
10 also -- because the audit being completed, we will have
11 good numbers with the carryover so we can do that.

12 This has been modified slightly just to say
13 that if an appropriation has not been approved, that we
14 will revise the temporary operating budget to account
15 for any changes in carryover or other funds that may
16 become available.

17 Paragraph 4 talks about the reviews that we
18 conduct internally. We normally do a review to be
19 ready for the April meeting and for this July meeting.

20 So we review the expenses, the commitments for future
21 expenses. We project the spending for the remainder of
22 the year. And then we modify our budget to match any

1 changing priorities that we may have.

2 The President have authority to make
3 adjustments under these guidelines up to \$75,000.
4 Anything over 75,000 has to come to the Committee and
5 the Board.

6 Changes in excess of -- originally we were
7 doing \$10,000; we reduced that to \$5,000, and then this
8 time we had adjustments -- we had one for 22,500 and
9 the other two were 37,000. One that was not noted as
10 far as the amount was 3,000 in HR. They're getting
11 smaller. I think our budgeting, hopefully, is
12 improving. We have done some training this year with
13 our budgets, and hopefully that will be reflective of
14 many changes and what we need to do in the future.

15 However, we do have changing priorities.
16 We're looking at a 2014 budget today, and that will be
17 the basis for our operating beginning then. Well, when
18 it comes January, February, March of 2014, the Board
19 may want something different. They may have a task or
20 a project that we undertake that we didn't contemplate
21 or we didn't think about when we were doing our budget.

22 By having this review in place, we create a

1 process of a rolling budget where we can address the
2 changing priorities and different things that come up
3 so that any money that is available can address those
4 needs. And I think in that point, it's good that we
5 operate in this particular light, to give us the
6 opportunity to do that.

7 What we term -- and we've talked about
8 developing a glossary, which I've been working on for
9 some time -- when we talk about an internal budgetary
10 adjustment, the President can make an internal
11 budgetary adjustment. We look at that as any
12 adjustment between the Board of Directors and any of
13 the items -- Executive Office, Legal Affairs. We can
14 make those adjustments without coming to you. If we
15 want to move \$10,000 from the Executive Office into
16 Human Resources, he has the authority to do that.

17 What we don't have authority to do is to move
18 money between appropriation lines, or like we had a
19 circumstance here where we get additional money. Those
20 are what we call reallocations. Even if it's new
21 money, we call that a consolidated operating budget
22 reallocation.

1 And that's what we're speaking to in line 5.
2 If something did come up -- and we've actually had this
3 in the past, where there was a need arose and we had to
4 do something over \$75,000 -- the President has the
5 authority to issue a memorandum detailing what that
6 adjustment is and why it is needed and give it to the
7 Board.

8 Any Board member can call into question that
9 particular reallocation, and it will be stopped until
10 there is agreement or until in a meeting where we can
11 discuss it and have a vote on it. So we're trying to
12 give flexibility in going through this process.

13 Reprogramming: We have a reprogramming issue,
14 just like every other quasi-government and government
15 agency. Vic actually wrote this particular paragraph.

16 It is a little bit of a change from last year because
17 what we did was when this was done -- I think it was in
18 2008 -- we actually put the language of the
19 reprogramming statute in our guidelines.

20 Well, that changes from year to year. So this
21 is a condensed version of that, but recognizing that
22 whatever the reprogramming language that is attached to

1 the appropriation, that we will follow in presenting
2 information to you. And if we ever have that, that
3 will be detailed to you as a transfer if it is needed.

4 Adjustments: We talked about, in paragraph 8,
5 as far as the President's approval. We give a full
6 report as to what those are. While we internally do
7 our projections, we review those with the President and
8 then a report is provided, then, to the Committee based
9 on what he has approved as far as the internal
10 budgetary adjustments.

11 Item 9 is a new item. Prior boards have not
12 received a year-end review of all the expenditures. In
13 October, when we come together, we normally give a
14 picture of what the spending is through August because
15 we need to get the Board together and the Board book
16 ready. So when it comes time to do the January
17 meeting, we have simply presented the audit.

18 So what this does is like we did last year.
19 In January, I reviewed the annual spending to the
20 annual budget. There was a few adjustments that were
21 needed to align some spending that was authorized to
22 the budget. This gives the President the authority to

1 make those adjustments. And then we will report them
2 and give you a full report of the annual budget and
3 spending for the year.

4 And then item 10 is an item that was written
5 by the Inspector General, where they will give
6 information to me that will be included in the
7 submission in reporting to the Board. And I think the
8 Inspector General has a comment that he would like to
9 make about section 10.

10 MR. SCHANZ: Thank you, David. The
11 ever-efficient LSC staff, based on one of my
12 discussions, has provided you with page 85A for your
13 Board book as an addendum or as a continuation of the
14 guidelines. And I just want to note for the record
15 that based on further consideration, I have withdrawn
16 my recommended changes to paragraph 10.

17 CHAIRMAN GREY: Thank you.

18 Yes?

19 DEAN MINOW: I think it's terrific to move to
20 this kind of regular schedule. I just had a question
21 about the degree to which this is simply an effort to
22 have more regular checking in as opposed to

1 anticipating Congress's delays and its decisions.

2 And if it is at all to do with the latter,
3 it's opaque. And it seems to me it would be better to
4 say quite expressly that when and if Congress enacts
5 new budgets that affect us, we will promptly do a
6 reconciliation or transitional budget.

7 CHAIRMAN GREY: Madam Vice Chair, I wonder if
8 that really furthers our interest. It seems to me that
9 it is just as important, whether it's Congress or
10 whether it's us, that actually need the space and time
11 to do whatever adjustments need to be done. It gives
12 us, I think, the transparency of our ability,
13 recognizing the climate that we're in is sufficient.

14 I would hate to have to point a finger at an
15 agency of the government to say, this is the reason
16 we're doing this, but rather say, rather understanding
17 that that is potentially maybe a recurring issue. It
18 is also one that gives us the flexibility to do things
19 that we would like to do as well.

20 DEAN MINOW: Well, as always, you are
21 attentive to the best ways to be gracious. I guess
22 I'm trying to be candid here in our discussion and try

1 to understand what it is that we are trying to
2 accomplish here.

3 Absolutely we want to have more regular
4 reconciliations and adjustments. But to the degree
5 that this was an effort to anticipate what is becoming
6 a familiar --

7 CHAIRMAN GREY: Theme?

8 DEAN MINOW: -- theme, I wondered if we could
9 talk about that. And if so, is this the right time
10 frame? Is this a time frame that is specific to our
11 particular climate? Is this a time frame that we will
12 imagine will continue, say, two years from now, three
13 years from now? And therefore, are these guidelines
14 for evermore or are they just for this time? That's
15 what I couldn't tell.

16 CHAIRMAN GREY: That's a good question.

17 FATHER PIUS: Just following up very quickly
18 on that, it also depends on the nature of this
19 document. Is this a Board-approved document, or is
20 this simply an internal document for your department to
21 follow based on previously approved Board documents?
22 Which I'm not entirely clear on.

1 MR. RICHARDSON: This has been, in the past, a
2 Finance Committee-approved document for operations. It
3 has not been voted on by the Board.

4 CHAIRMAN GREY: I gotcha.

5 MR. RICHARDSON: If I could add, when there
6 has been circumstances where an appropriation has been
7 passed between meetings, we call a telephonic meeting
8 and make the adjustments that are needed.

9 Certainly we have enough intelligence
10 sometimes along to be able to anticipate these types of
11 actions. We're always preparing, and Carol and her
12 group provide us information weekly at our directors
13 meeting. And when information comes up, it's passed
14 along.

15 So if we have in January -- we don't have an
16 appropriation so we're basing our funding on the prior
17 year's appropriation, and then February 10th we get an
18 appropriation, we're going to call a meeting and
19 discuss and approve what needs to be approved to match
20 the appropriation at that point.

21 CHAIRMAN GREY: Thank you. That's a good
22 point.

1 FATHER PIUS: I'd like to make one comment on
2 the memo, David. I know you mentioned glossary, but I
3 think, so that this thing is clear, I think it might be
4 in paragraph 5 if you just add parenthetically that for
5 purposes of this document, that a reallocation involves
6 an adjustment that affects different appropriation
7 categories.

8 Just so it's clear once we move on that
9 that's -- otherwise, when I first read that, I was
10 trying to understand what the difference between one
11 allocation and -- one adjustment and another was.

12 MR. RICHARDSON: Okay. Just to try to
13 conclude here, I did not attach another consolidated
14 operating budget as an attachment. What I had planned
15 to do, when we get ready to post this to the intranet,
16 is I will back up. And what you just passed as an
17 operating budget for 2014, Attachment A and B, will be
18 an attachment to this document.

19 The calendar I have laid out in the calendar,
20 and I hope you've looked at that. This shows you that
21 at any time during the fiscal year, we're working on
22 three, four different budgets.

1 I have laid out here sort of the time frames
2 that the Committee needs to act, that the Board needs
3 to act. When we internally start working on something
4 to prepare, we're not waiting until these meetings. We
5 start early to get this information ready and get it
6 prepared and get it to you.

7 So I hope you take an opportunity to look at
8 that, and I hope it helps to show a little bit about
9 what we do internally to get ready for these meetings.

10 CHAIRMAN GREY: Thank you. Any other
11 questions?

12 FATHER PIUS: Not a question. Just a comment,
13 and if I'm being overly nitpicky on stuff like this,
14 I'm sure you will tell me.

15 But when I see language like, "The Committee
16 will approve what was presented," it just makes me
17 cringe a little bit. The Committee certainly has the
18 opportunity to vote on things, but guidelines that tell
19 us what we do and don't do, it just strikes me as a
20 little too strong.

21 So I would pull back and make sure it's very
22 clear that the Committee has a choice, and that it's

1 voting on whether to approve; not that it does approve,
2 but votes on whether to approve.

3 CHAIRMAN GREY: That's a good point.

4 FATHER PIUS: Specifically in paragraphs 1, 2,
5 and 3.

6 MR. RICHARDSON: Okay.

7 CHAIRMAN GREY: That's good. That's not
8 nitpicky.

9 PRESIDENT SANDMAN: Could I raise a procedural
10 point? It has to do with the status of this document,
11 the question that came up earlier. Is this something
12 that is a Board action? Is it something that is a
13 Committee action? To the extent that it grants to the
14 President the authority to make adjustments in an
15 amount not to exceed \$75,000, somebody needs to approve
16 that.

17 And it seems to me that that would be an
18 executive function not to be made by an advisory
19 committee of the Board, but should be made by the Board
20 itself. And I'd like to ask our general counsel for
21 his view on that question. Is that correct, that if
22 that authority is to be delegated to the President, it

1 should be made by the Board?

2 DEAN MINOW: But I thought it already was
3 delegated. This is not a new thing. You are already
4 authorized to do this, unless I am missing something.

5 FATHER PIUS: That was my understanding.

6 PRESIDENT SANDMAN: The question is, then,
7 where?

8 MR. FORTUNO: I think that the -- well, first
9 of all, I think what was said was that this document
10 was adopted by the Committee for its internal
11 operations, not by the Board. So I think that's the
12 first point to keep in mind.

13 And the second point is that because we don't
14 have executive committees authorized to act on behalf
15 of the Board -- they're advisory committees; they can
16 simply make recommendations to the Board -- so I'm not
17 sure this is a function that can be delegated to a
18 non-executive committee.

19 I think it would be best to, if anything, one,
20 have the Board act on the document; and two, have the
21 document provide that the Committee will recommend to
22 the Board for adoption. It is, I think, the safest

1 route. But is there another document in which we've
2 already given the President the authority to make
3 reallocations for \$75,000 or less without Board
4 approval? I thought there was.

5 MR. FORTUNO: There are existing guidelines.

6 FATHER PIUS: Approved by the Board?

7 MR. FORTUNO: That's right. That is, the
8 document that this is modifying provides that. But was
9 it adopted by the Board or by the Committee?

10 MR. RICHARDSON: I think Committee.

11 MR. FORTUNO: If it was adopted by the
12 Committee, I think this needs to be adopted by the
13 Board.

14 MR. LEVI: Well, we'll fix this. It was
15 probably adopted by a prior board. Is that --

16 MR. RICHARDSON: Committee.

17 MR. LEVI: A committee, a committee of the
18 prior board, maybe.

19 MR. RICHARDSON: Yes. That is correct.

20 MR. LEVI: So now we'll fix this and we'll
21 adopt it at the Board level --

22 DEAN MINOW: No, no, no, no, no.

1 MR. LEVI: -- on the recommendation -- no?

2 DEAN MINOW: I don't believe that we should
3 adopt this as a Board activity. I think that the
4 authorization question is a separate question, and we
5 should have a particular separate, distinct paragraph
6 about that authorization. And this document should
7 remain an internal activity of the Committee.

8 MR. LEVI: I think that's right.

9 CHAIRMAN GREY: Is that, Mr. General Counsel,
10 sufficient?

11 MR. FORTUNO: I think that keeping it as a
12 separate item, that is, some separate authorization by
13 the Board for the President to move funds up to
14 whatever the threshold amount is, is absolutely
15 appropriate. That can be done.

16 I don't think that you would want for the
17 Committee to provide that authorization. I think that
18 the authorization for the President to go ahead and
19 move that money should be made by the Board. But that
20 can be done separately, yes.

21 CHAIRMAN GREY: Separately.

22 FATHER PIUS: This should remain a flexible

1 document that doesn't need to come to the Board, that
2 simply aggregates existing policy already approved by
3 the Board into one comprehensive document. And that's
4 all it should be.

5 CHAIRMAN GREY: Mr. Treasurer, did you
6 understand the request of the Committee?

7 MR. RICHARDSON: I did, and I will work with
8 the General Counsel and the President to prepare an
9 appropriate resolution.

10 CHAIRMAN GREY: That would be terrific. You
11 may continue.

12 MR. RICHARDSON: That concludes my report,
13 sir.

14 CHAIRMAN GREY: That's a good thing.

15 (Laughter.)

16 CHAIRMAN GREY: There's an old saying that you
17 quit while you're ahead, and I can see you adhere to
18 that.

19 Carol?

20 MS. BERGMAN: For the record, Carol Bergman,
21 director of Government Relations and Public Affairs.

22 Now that we've started talking about FY '13, I

1 think I'll start with my conclusion, which is that I
2 don't think we're going to expect to see an FY '13
3 budget in the near future. In fact, there have been
4 conversations that started this week between the
5 Republican and Democratic leadership looking at
6 creating a six-month continuing resolution for FY '13,
7 starting October 1st.

8 So to back up for a little bit, what we have
9 is that the House of Representatives passed the CJS,
10 the Commerce, Justice, Science and Related Agencies, FY
11 '13 appropriations bill on May 10th, allocating \$328
12 million for Legal Services. The Senate Appropriations
13 Committee passed the subcommittee FY '13 appropriations
14 bill in April, allocating \$402 million. This is
15 consistent with the White House request for FY '13.

16 The full Senate has not brought any of the
17 twelve FY '13 appropriations bills to the Senate floor
18 for a vote, and they're not expected to do so before
19 the end of the fiscal year.

20 Essentially, the situation is that both
21 political parties -- or neither one feels like it's
22 really in their interest to attempt to conference any

1 appropriations bills at this point. Both are hopeful
2 that the November election is going to give greater
3 power to their side, and therefore everybody wants to
4 hold off and attempt to do this in some kind of a lame
5 duck session at the earliest.

6 Also, knowing that sequestration is looming
7 overhead -- this is supposed to go into effect January
8 2nd -- this is \$1.2 trillion in cuts over the next
9 decade. So nobody wants to have the fear of a
10 government shutdown looming over the November
11 elections.

12 So as a result, there's really very little
13 likelihood that anything is going to move in terms of
14 any of the appropriations bills. You may also recall
15 that the White House has threatened to veto a House/
16 Senate conference bills on appropriations based on the
17 House numbers.

18 This is because the House and Senate are
19 working off of very different ceilings of discretionary
20 spending. The Senate is working off of the Budget
21 Control Act that passed last August and was enacted
22 into law; the House is working off of the budget

1 resolution that passed last spring. So there's a
2 difference of \$900 billion in discretionary funding
3 between the House and the Senate numbers.

4 So moving into this week, that's why we're now
5 seeing conversations -- what was initially a
6 conversation -- about a continuing resolution that
7 would at least take us into the lame duck. They're now
8 looking at something that is at least three months, and
9 in all likelihood now six months.

10 This would be based on the FY '12 budget. And
11 basically what we're hearing is the Republican
12 leadership in the House is indicating that they would
13 rather continue at the FY '12 spending levels rather
14 than get into any conversation about cuts across the
15 board, obviously hopeful that they will be able to
16 enact greater spending cuts after the election. And
17 similarly for the same but different set of reasons,
18 the Senate leadership feels very similarly.

19 So I think we're at a complete impasse. And
20 the likelihood that there is going to be a CR is very
21 great. And in terms of this, obviously, every agency
22 in the federal government is then operating with

1 creating FY '14 proposals without any FY '13
2 appropriations bill.

3 The other thing that I would just point out is
4 there's actually conversation now where some of the
5 conservatives in the House are indicating that they'd
6 actually like to consider a bill to fund the entirety
7 of 2013 and move that during the lame duck session.

8 So if that were to happen, the biggest
9 challenge is that it's very unlikely that other things
10 would be able to be attached to it. You recall there's
11 a whole conversation about census data and how we deal
12 with this.

13 Certainly on the initial CR there's going to
14 be very little opportunity, if any, to add anything
15 because the leadership is going to be very fearful
16 about opening the conversation. So therefore, in all
17 likelihood, it's just going to go as is without any
18 conversation.

19 Those are the kinds of things that will be in
20 play if they actually consider doing something for
21 twelve months rather than six months.

22 CHAIRMAN GREY: Madam Vice Chair?

1 DEAN MINOW: So since you have your crystal
2 ball out --

3 MS. BERGMAN: Oh, yes.

4 (Laughter.)

5 DEAN MINOW: What do you think are the risks
6 that there will be no approval of a CR?

7 MS. BERGMAN: Oh, no. I think there is going
8 to be. The fact that both the Senate and House
9 leadership are talking about it, I'm very confident
10 there's going to be a CR. The only issue right now is
11 whether or not it's three months or six months.

12 DEAN MINOW: How long.

13 MS. BERGMAN: But they really just want to
14 move this, and move it out completely.

15 CHAIRMAN GREY: Comments or questions?

16 (No response.)

17 CHAIRMAN GREY: Okay. Thank you.

18 MS. BERGMAN: You're welcome.

19 CHAIRMAN GREY: Mr. Richardson?

20 MR. RICHARDSON: Actually, the next item is
21 the 2014 appropriation request. And I think Jim is
22 going to take the lead on this. It's listed on the

1 agenda that Carol and I were, but I guess preference is
2 that he's going to take the lead on this.

3 CHAIRMAN GREY: Mr. President?

4 PRESIDENT SANDMAN: Thank you. In response to
5 the Committee's questions at the telephonic meeting
6 held last week, we provided responses by memorandum
7 dated July 24th and the supplemental materials that
8 were circulated a couple of days ago. I'd be happy to
9 answer further questions about those or provide any
10 additional information the Committee might like.

11 MS. BROWNE: Can I ask a question, Jim? And I
12 thought the supplemental information you provided was
13 terrific.

14 I just have a question on the number of cases
15 closed. When we were listening to the presentations
16 yesterday, the issues that come in to a grantee -- say,
17 for example, on domestic violence -- also includes many
18 other issues.

19 Is that one case encompassing many issues that
20 could be unrelated -- for example, housing or
21 employment or education or foreclosures -- or is that
22 just one case? Or is it multiple cases?

1 PRESIDENT SANDMAN: It depends. Typically,
2 though, when a client -- I'd invite grantees here to
3 talk about their particular circumstances if they think
4 it would be helpful. But typically, when a client
5 comes in, the case is going to be categorized at intake
6 in one particular manner and handled as one case.

7 But as it unfolds, there may be a real estate
8 component, a family law component, that really are
9 separate matters and that could be broken out. So it
10 depends on the extent to which they're related to each
11 other and how possible it is to break them up.

12 MS. BROWNE: So we could have one client come
13 in and it could result in three potential cases,
14 depending upon whether or not the issues are related?

15 PRESIDENT SANDMAN: Janet LaBella is going to
16 provide some more detail on this.

17 MS. LABELLA: For the record, Janet LaBella,
18 director of Office of Program Performance.

19 Yes, that's correct. We have problem codes
20 that distinguish between different case types. And if
21 a client comes in -- let's say a client comes in on a
22 domestic violence family matter. And you want to

1 provide a holistic approach, and you realize that she's
2 also faced with eviction because the abuser spouse has
3 now been removed from the home. And so you want to try
4 to preserve her housing. That's a separate case.

5 Likewise, if you needed to do something to
6 preserve or provide her with income and there was a
7 separate case for that, that would be another case.

8 MS. BROWNE: Coming from the private sector,
9 you would have one client and it could be many
10 different components. But it would still be considered
11 one case. So this is -- using the term "cases closed,"
12 I assume that that's one client who's been holistically
13 served. But that's not accurate, then?

14 MS. LABELLA: That's correct. There could be
15 multiple cases for one client.

16 MS. BROWNE: Do we have a credibility issue,
17 then, as far as using the term "cases closed"? Does
18 Congress understand, when we put out the data on number
19 of cases closed, that it could be one client with
20 numerous cases?

21 PRESIDENT SANDMAN: We have an extensive
22 manual on this that prescribes the rules for how you

1 count cases. That's a public document that is
2 available on our website, and there's no secret about
3 it.

4 My own experience in private practice is a
5 little bit different, that it's common in a law firm to
6 have a number for a particular client and have multiple
7 cases under it. So to me, what LSC does in this way,
8 what the grantees do, is consistent in many ways with
9 in private practice, where a firm has a relationship
10 with a client that has multiple components to it, each
11 of which is billed separately.

12 CHAIRMAN GREY: Julie?

13 MS. REISKIN: Yes. In other areas of human
14 services, what I see a lot is number of cases or
15 services and then number of duplicated or unduplicated
16 clients, so that you see both. You see how many
17 individuals you're serving versus how many things
18 you're doing for them.

19 And I don't know if it would be possible to
20 report that way because I think it would give some of
21 our funders -- I mean, the public or Congress -- the
22 understanding of the reality that some of our clients

1 have many problems in many areas. And then you could
2 do some narrative to explain. And others don't, and
3 others might -- it might be just an eviction, or it
4 might be an eviction and domestic violence and food
5 stamps and Medicaid.

6 I don't know if that's possible, but that's
7 how it's reported elsewhere in the human services
8 world.

9 PRESIDENT SANDMAN: I do think that the method
10 of counting that Janet has described is appropriate
11 because in the situation with the domestic violence
12 victim that she posits, you could have multiple
13 proceedings in different fora and they might involve
14 different lawyers within the program with different
15 substantive expertise.

16 So I think it would understate the extent of
17 effort and commitment required on the part of the
18 grantee to treat each client as having only one case.

19 MS. BROWNE: Good. Thank you.

20 CHAIRMAN GREY: Thank you. That's a good
21 clarification.

22 Any other questions? Julie?

1 MS. REISKIN: Yes. There are some charts
2 about 2010 and 2011, and the second page, where it
3 says, "Basic Field: Number of cases closed." And it
4 looked like it went way up in '10 and way down in '11,
5 to a greater proportion than the money. And I was just
6 wondering if I'm misreading that or --

7 PRESIDENT SANDMAN: You're not misreading
8 that. There is not any clear direct correlation
9 between the basic field funding and cases closed for a
10 lot of reasons. One reason is that cases closed looks
11 backwards at activity completed on a case, whereas --

12 MS. REISKIN: It could have been going on for
13 a couple years.

14 PRESIDENT SANDMAN: Yes. And when funding
15 goes up, typically, if the funding increase is
16 significant, a program is likely to use the additional
17 money to hire additional lawyers. But for those
18 additional lawyers' work to be reflected in cases
19 closed isn't --

20 MS. REISKIN: It would be out a few years?

21 PRESIDENT SANDMAN: -- it's going to be out
22 some time, yes.

1 MS. REISKIN: My only other question is on the
2 non-LSC sources, is cy-pres -- do we not get that?
3 I've heard panelists talk about the cy-pres awards. Is
4 that not significant enough to count, or am I
5 misunderstanding what they're talking about?

6 PRESIDENT SANDMAN: That would currently be in
7 the Other category. It's not something that we break
8 out separately in the reports that we get from our
9 grantees.

10 CHAIRMAN GREY: Any other questions or
11 comments?

12 (No response.)

13 CHAIRMAN GREY: Mr. President, the Committee
14 would like to revisit the recommendation that staff had
15 put together with regard to FY '14, with just a comment
16 about it and then maybe some discussion. If you would
17 present that again.

18 PRESIDENT SANDMAN: Yes. Our recommendation
19 previously was that the Committee consider a funding
20 request for fiscal year '14 of between \$470 million and
21 \$490 million. We pointed out that if the Committee
22 were to consider, relative to the request that we made

1 for fiscal '13, which was \$470 million, what we project
2 to be an increase in the size of the eligible poverty
3 population between now and 2014, that would yield a
4 number of about \$481 million.

5 CHAIRMAN GREY: Thank you.

6 Committee discussion? Madam Chair -- Vice
7 Chair? I'm elevating you.

8 DEAN MINOW: Thank you, but no thanks.
9 Looking at some of the comments that came in on the
10 strategic plan, it was interesting to me to see how
11 many people look to us to take a public position
12 committed to closing the gap, the justice gap.

13 There's always a question when we're engaged
14 in this kind of request whether or not we should
15 anticipate the shortfall from our request in the
16 request that we make. But I was very struck by how
17 many people are looking to us to be very clear in our
18 public statements that we know what the gap is.

19 And so I would like some advice about how to
20 deal with, really, what would be two kinds of
21 approaches to this question: How much should we be
22 attentive to this justice gap, in which case the 481 is

1 the right figure? And how much instead should we be
2 internalizing our predictions of what will actually be
3 the budget numbers?

4 PRESIDENT SANDMAN: Somewhere in between.

5 MR. LEVI: Well, 481 wouldn't close the
6 justice gap.

7 PRESIDENT SANDMAN: Yes. I want to be clear
8 on that, and I think we should make clear in the
9 request, if it were to come in at that number, that we
10 don't believe that that's an adequate number to close
11 the justice gap.

12 My understanding is that the Board had
13 previously attempted to estimate what it would cost
14 to close the justice gap, looking at figures that
15 relate to the number of lawyers per person in poverty
16 relative to the number of lawyers for the rest of the
17 population, and had tried to compute what it would cost
18 to close that gap over time, and had decided on a
19 multi-year plan to get there.

20 And that produced a number that I think many
21 people regarded as just unrealistically high and as
22 potentially impairing the credibility of the

1 Corporation in presenting numbers both to the Office of
2 Management and Budget and to the Congress. Those were
3 numbers north of \$500 million.

4 And I think it is important for the
5 Corporation to have some credibility, when we go into
6 discussions with OMB and with our appropriators on
7 Capitol Hill, to reflect our sensitivity to the current
8 budget environment. And if they look at us as if we're
9 on another planet, I don't think that's helpful and
10 impedes our effectiveness in discussions about what the
11 number is actually going to be.

12 So the number that we're recommending is a
13 pragmatic number. It would be a very substantial
14 increase over where we are currently at \$348 million.
15 It takes into account, though, the fact that Congress
16 did pass the Budget Control Act last year, which
17 requires significant reductions in discretionary
18 spending and is something of a compromise, to generate
19 significant additional funding, particularly in the
20 basic field line; but at the same time, to ensure that
21 we have a meaningful seat at the table when it comes to
22 discussing what the final outcome should be.

1 CHAIRMAN GREY: There was -- I'm sorry.

2 Laurie? Charles?

3 PROFESSOR KECKLER: Well, not to extend
4 comments on this that I've made at prior Board
5 meetings, I have a question that relates directly to
6 what you asked, Martha, which is: What other
7 organizations do this?

8 Because I've tried to go review other
9 government organizations and private organizations and
10 quasi-governmental organizations. And by and large,
11 they really all use actuals from prior years, and then
12 they either -- theoretically, they ask for a decrease,
13 but they generally ask for flat funding or an increase
14 based on prior year actuals.

15 And some of these organizations have
16 open-ended goals. The Smithsonian's goal is unlocking
17 the mysteries of the universe, you know?

18 (Laughter.)

19 PROFESSOR KECKLER: But they have a budget,
20 and they have an actual budget. And the FBI's budget,
21 to get a little bit more -- is to eliminate areas of
22 crime that aren't going to get completely eliminated,

1 but nevertheless they allocate such-and-such million
2 dollars each year to do it.

3 So I just wonder, from a benchmarking
4 standpoint, what other organizations base their current
5 budget requests on prior year budget requests rather
6 than on actuals. Because I'm having a hard time
7 finding them.

8 MR. LEVI: Well, we're hoping, in response to
9 that, that last year was something of an aberration.
10 But it may not be. But I think that certainly -- and I
11 think we're doing a better job, that is, as an
12 organization, of explaining what we're about.

13 And I think that while I appreciate where
14 you're coming from, and there are times when we do want
15 to look to those other, like organizations, I still
16 want to say that I believe that the service and the
17 value that we support here through our funding request
18 and what we ultimately distribute is one of the most
19 basic rights of being an American citizen, and that if
20 you ask what should be our real budget request number,
21 maybe it would be to close that gap entirely. Then
22 we'd be talking about another billion dollars,

1 something like that.

2 But obviously, we're trying to be responsible
3 to the circumstance and to the time that we find
4 ourselves in office, while at the same time I don't
5 want the country to feel -- and I mean that, the
6 country to feel and the rest of the -- and lawyers
7 themselves -- that we aren't taking seriously what
8 we're hearing and what we've been seeing for the last
9 two years.

10 For me, it's been shockingly eye-opening. And
11 the underfunding of this combined with the underfunding
12 of courts, what I said yesterday: I'm mystified that
13 our fellow citizens want to continue much further down
14 this road because I don't see a happy ending.

15 And at that point, the mysteries of the
16 universe will not be funded, either.

17 CHAIRMAN GREY: Mr. President?

18 PRESIDENT SANDMAN: The number that we're
19 recommending does take account of two very recent real
20 numbers. The first is our actual funding in fiscal
21 year 2010, which was \$420 million, substantially above
22 where we are today. The second is what the President

1 asked for for fiscal 2012, the year we're currently in.

2 That was \$450 million.

3 So I think it would be a mistake for us to
4 start our thinking and our proposal for 2014 based on
5 where we are for the current fiscal year, \$348 million.

6 I'd prefer to think of the current number as
7 aberrational.

8 FATHER PIUS: Part of the question is where
9 does Congress consider baseline? Because certainly if
10 Congress is looking at the current appropriation
11 figure, it's going to look at -- in our scale, it would
12 be an increase of 35 to 40 percent over the current
13 number.

14 I mean, I'm not arguing against it. I'm just
15 saying, that's one perspective to have to look at. And
16 that's the one we're giving to Congress. So from their
17 point of view, I think, they're looking at we're
18 requesting a 35- to 40 percent increase.

19 I think we can make a case for it, sure. But
20 that's stark.

21 PRESIDENT SANDMAN: And I'm also thinking
22 about two other more recent data points. The first is

1 that the Senate Appropriations Committee has voted to
2 fund LSC for fiscal '13 at \$402 million, \$4 million
3 above what the very same committee voted to recommend
4 for us last year. The House of Representatives voted
5 to fund us at \$28 million above what the very same body
6 voted to fund us for for the current fiscal year.

7 I think that's very unusual, in the current
8 budget climate, for both houses of Congress to be
9 recommending funding for the Legal Services Corporation
10 at a higher level in 2013 than they voted for us in
11 2012. I'd like to look at that as a signal that they
12 see, as John said, that we are different, and that the
13 cause of access to justice in our country is on a
14 higher level than other competing values when it comes
15 to allocating the Federal budget.

16 I recognize nevertheless that the number that
17 we're proposing is significantly above both of the
18 numbers that I just cited. But I'd like to be an
19 optimist.

20 CHAIRMAN GREY: Madam Vice Chair?

21 DEAN MINOW: Well, I think this is a very
22 constructive conversation. And I think what Charles

1 has introduced is a really important consideration,
2 which is, no agency that receives public dollars can
3 achieve all of the goals that it says. That's just not
4 going to happen.

5 But I would distinguish that realistic
6 recognition from a second adjustment from our real
7 goals, which is the political calculation. And I just
8 think it's incredibly important to be clear about when
9 we're doing what.

10 I think that to be able to articulate based on
11 the fact that we are now at the highest level of
12 poverty in the history of the United States, that's a
13 starting point. We're at the highest number of
14 eligible people for our services in the history of the
15 United States.

16 I would start with that number, and then I
17 would try to extrapolate to provide the same level of
18 services that we've had. Maybe you take a rolling
19 average of five years, the same level that we've done
20 in the past given the eligible population. That's a
21 hard number, it seems to me.

22 Then we can have a separate conversation about

1 how much should we adjust for the political
2 calculation. But we should acknowledge that the level
3 that we've had in the past was already taking into
4 account the shortfall that applies to the Smithsonian
5 or applies to the FBI. That we've already had. We've
6 never been anywhere close to closing the justice gap.

7 So I guess that's the method I would suggest
8 proceeding with. And I do think it would be seen in
9 all communities as a strange departure for us to
10 request less than the President is going to request, or
11 us to request less than the relevant committees
12 indicate that they think we should be requesting.

13 CHAIRMAN GREY: Julie?

14 MS. REISKIN: In addition to being the highest
15 number -- the highest poverty we've ever seen, we're
16 also in the most complex legal environment we've ever
17 seen, particularly for middle and lower income folks,
18 with foreclosures, with internet scams, with all the
19 consumer kinds of stuff, there's never been -- like we
20 heard yesterday, there's never been such complex legal
21 issues for which people need help.

22 I mean, even 20 years ago it was a lot easier.

1 So that should be -- I know you can't quantify that
2 the way you can quantify numbers. But when we do
3 narratives and explain it, I think that should go in
4 there also.

5 CHAIRMAN GREY: Gloria, then Charles. Thank
6 you.

7 PROFESSOR VALENCIA-WEBER: I appreciate the
8 conversation we're having because it really has to tie
9 us to real numbers, as everybody has mentioned here.
10 But I'd like to get back to where Martha started this
11 discussion -- that is, the kind of reactions we're
12 getting to our strategic plan, and that we have that
13 other audience, that is, the stakeholders including our
14 grantees.

15 And if you look at the comments in there, a
16 number of them are picking some date at a past actual
17 appropriation and saying that taking into account
18 inflation and other factors, that we should be getting
19 some X number at this point in order to further
20 diminish the justice gap.

21 But that begins to be a very unrealistic set
22 of numbers. And I don't know if for that part of the

1 audience we have to communicate to whether we formalize
2 it as a footnote somewhere, saying, we've had the
3 reality discussion, and what we have to operate in in
4 Congress and the real budget allocations we've had, and
5 whatever that big number that some of the responders
6 would like to reach for.

7 It's not a practical discussion for us right
8 now. And I don't know how we communicate that, in a
9 formal way, a footnote, or informal conversations. But
10 that expectation is not realistic with where we are.

11 CHAIRMAN GREY: Charles?

12 PROFESSOR KECKLER: Thank you. Well, I
13 understand that the issue about coming in under the
14 President's budget and the Senate budget, I think it is
15 an important and positive signal that there's stronger
16 support within the Congress.

17 It's hard to ask for less than Congress does.

18 And if you think it's an aberration, the current
19 appropriation, then maybe you go back to 404 and you
20 use that as your baseline. Or you go back to 420 and
21 use that as your baseline, and just talk about the
22 changes in the poverty population off of the 420 or off

1 of 404.

2 I mean, I think that it's fine to talk
3 about -- and I do agree with a lot of things that John
4 said about LSC's role and its uniqueness. I just think
5 that it's very hard for an entity to be unique in this
6 way, if that is in fact the case. That was the essence
7 of my question.

8 Are we unique in our budgeting process?
9 Because I think we can be unique and we can make our
10 argument and talk about our mission and use all of our
11 institution facilities to talk about the mission and
12 support the mission without necessarily trying to be
13 out there making a different kind of budget request
14 based on different principles. I don't think we need
15 to be unique in that way to fulfill a unique role.

16 So I just wondered -- my question was, are we
17 unique? Which I don't know if that is or not. I don't
18 think we need to be.

19 CHAIRMAN GREY: Madam Vice Chair?

20 DEAN MINOW: Well, I have a small thought on
21 that, which is, I don't -- you know, everyone thinks
22 they're unique. One of my favorite cartoons is from

1 the Far Side, which is a picture filled with penguins
2 who all look identical, and one in the bag is singing,
3 "I Gotta Be Me."

4 (Laughter.)

5 DEAN MINOW: So I think we all think we're
6 unique. But I guess what I would think is a better
7 analogy for us is health care. You know, what does it
8 cost to actually, if someone shows up in an emergency
9 situation, meet their health care needs? You don't
10 say, well, we're never going to achieve health care.
11 We actually have a guarantee that people get served.

12 Now, we're not exactly health care. But I put
13 us closer to health care than resolving the mysteries
14 of the universe. So this is a hard question, but it
15 does seem to me that connecting to the actual increase
16 in the poverty figures and the eligible population is a
17 very sensible benchmark, not about our uniqueness, but
18 about our mission.

19 Our mission: We are authorized, we are
20 charged, with serving those people. It's a larger
21 pool. What does it take to serve them at the same
22 level that we have been serving them? And I would

1 welcome clarification from the Chair and the President
2 about what these numbers represent in relationship to
3 that idea.

4 FATHER PIUS: And I would add to that, too, a
5 realization that we have a fairly stable set of
6 grantees, fairly stable. And we are one of many people
7 who provide -- we do not directly provide legal
8 services. We provide funds to other people who provide
9 legal services, who get resources from other people
10 that in just about every category is diminishing, and
11 much moreso this year than we've in past years.

12 Just to give an example, I was just down with
13 Ohio Legal Services in Ohio. And their drops from
14 outside services has been fairly low until this year,
15 which has now dropped in half. In half. So their
16 outside funding has dropped in half, and their funding
17 from the federal government has dropped by 20 percent.

18 So, I mean, I think you need to take into
19 account two things, the increase in poverty population,
20 and the recognition that our grantees are not funded
21 simply by us, but their ability to help people is made
22 up from other people; and to the extent that other

1 people are not funding as much, whether we should
2 reflect that in our request to Congress.

3 MR. LEVI: There is also the relationship of
4 that to the census adjustments that are going to come.

5 FATHER PIUS: Right.

6 MR. LEVI: And are going to hit a number of
7 states very hard.

8 DEAN MINOW: And the IOLTA funding drop.

9 FATHER PIUS: Well, that's --

10 DEAN MINOW: That's part of it.

11 CHAIRMAN GREY: Sharon?

12 MS. BROWNE: I appreciate the conversation
13 we're having, and I'd like to mention that not only has
14 the poverty population increased, but if we're going to
15 recommend a certain budget amount for 2014, it's what
16 we can do with any increase. It's from 348 million in
17 2012. We don't know what it's going to be in 2013, but
18 we're assuming it will be an increase.

19 But if we're going to go to 2014, I think it
20 has to be, well, we can restore X number of attorneys
21 that have been lost because of the budget cuts; that we
22 can increase the number people served -- much like

1 what's in -- the cases, much like what we have in the
2 memo. And I think that would be an important addition
3 to help justify any budget request that we make.

4 DEAN MINOW: That's good.

5 PRESIDENT SANDMAN: I would point out that our
6 initial memo on this led with the poverty numbers
7 because we do think that that's a very important driver
8 of what it is that we should be asking for.

9 I just did some quick math. If you start with
10 the actual appropriation we had two years ago, \$420
11 million, and you look at the increase in the poverty
12 population that we project between 2010 and 2014, that
13 number is 10.8 percent.

14 I didn't do the math precisely, but it comes
15 out -- if you were to increase the \$420 million 2010
16 appropriation by 10.8 percent, you're in the range of
17 \$466 million, pretty close to the bottom end of the
18 range that we're recommending to the Board. So there
19 is a correlation there.

20 FATHER PIUS: Do we want to take action today,
21 or are we still just thinking about it?

22 CHAIRMAN GREY: Well, I think it's the

1 pleasure of the Committee at this point. We've had a
2 discussion about it on the phone, and then we said, you
3 know, it would be nice to have some additional
4 information that might inform us about an approach and
5 at least having -- because this conversation continues
6 at the Board level. This is -- Mr. Chairman, I'm aware
7 of my time.

8 MR. LEVI: Well, what I'm going to say is, it
9 might have been nice to have action of the Committee
10 today. But in view of the fact that our lunch begins
11 in two minutes, I think that's an unrealistic goal.

12 And I want to just at the same time remind
13 everybody of the calendar. The Board needs to have a
14 recommendation that it acts on by around Labor Day to
15 submit. Is that correct? So you have some time
16 between now and then.

17 But I would suggest that you and your
18 Committee figure out that we are going to have such a
19 call for the purpose of coming to a number so that then
20 it can be recommended to the Board so we can then pass
21 it along. But it will have to be done now
22 telephonically.

1 But this discussion was a very important one
2 to have, and I think has certainly informed that
3 deliberation. And I think that this Board had wanted
4 to have the ability to have these kinds of discussions
5 and not feel like it was being rushed into numbers.

6 And I think this is a part of that process.
7 So one more call is all to the good. And hopefully,
8 based on the conversation that's happened today,
9 Management and others here can think about how to best
10 frame it for that next call.

11 CHAIRMAN GREY: That's well said. And we will
12 take that advice and put it to good use.

13 Mr. President, I think that it might be
14 helpful in the next conversation that we have, inasmuch
15 as you have done and the staff has done a pretty
16 tremendous job in responding to each request by the
17 Committee, that one of the ways that might facilitate
18 the conversation at the next meeting would be a
19 representation of how we would frame the discussion to
20 meet the -- at least as a starting point, the beginning
21 number that you recommended.

22 If we are with a discussion about how would

1 articulate our support or the Board's based on all the
2 discussion, we've said it would be important for us to
3 say, what would the money be used for. And if you
4 could help us with that discussion by framing the
5 request of a number around: we would expect to restore
6 20 percent of the lawyers; we would expect to address
7 15 percent of the shortfall in other funds because it
8 won't come any other place unless we are able to
9 provide it. It helps us to present a compelling case
10 for why we would ask for something above that which we
11 have been appropriated in 2012.

12 So if you could lead us in that direction, I
13 think that would help facilitate the discussion when we
14 have the call.

15 Are there any other questions or comments?

16 (No response.)

17 M O T I O N

18 CHAIRMAN GREY: I'd move for adjournment.

19 MR. LEVI: You forgot your public comment.

20 CHAIRMAN GREY: Oh, one other -- yes, I'm
21 sorry. But one other action item. We talked about the
22 adoption of the guidelines. We as a Committee should

1 adopt the guidelines. We didn't do that. We talked
2 about the separation of the \$75,000 and --

3 M O T I O N

4 DEAN MINOW: So move.

5 CHAIRMAN GREY: Second?

6 MS. BROWNE: Can we have -- I know Father Pius
7 mentioned some language changes in the guidelines so
8 that it wasn't, "The Committee will adopt" --

9 CHAIRMAN GREY: we did that.

10 MS. BROWNE: So that will be --

11 CHAIRMAN GREY: Yes. That's adopted.

12 DEAN MINOW: Included. You're absolutely
13 right. I move that, subject to the amendments that we
14 discussed, that we adopt the guidelines.

15 FATHER PIUS: Seconded.

16 CHAIRMAN GREY: All in favor say aye.

17 (A chorus of ayes.)

18 CHAIRMAN GREY: Public comment?

19 (No response.)

20 CHAIRMAN GREY: Hearing none, there's a motion
21 to adjourn on the floor. Is there a second?

22 FATHER PIUS: Second.

1 CHAIRMAN GREY: All in favor say aye.

2 (A chorus of ayes.)

3 CHAIRMAN GREY: The meeting is adjourned.

4 Thank you very much.

5 (Whereupon, at 12:14 p.m., the Finance

6 Committee was adjourned.)

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