

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS

MEETING OF THE  
FINANCE COMMITTEE

OPEN SESSION

Thursday, July 16, 2015

4:45 p.m.

Radisson Blu Minneapolis Hotel  
35 South 7th Street  
Minneapolis, Minnesota 55402

COMMITTEE MEMBERS PRESENT:

Robert J. Grey Jr., Chairperson  
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

## STAFF AND PUBLIC PRESENT:

James J. Sandman, President

Lynn Jennings, Vice President for Grants Management

Rebecca Fertig Cohen, Special Assistant to the  
President

Wendy Rhein, Chief Development Officer

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

Stefanie Davis, Assistant General Counsel, Office  
of Legal Affairs

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

Jeffrey E. Schanz, Inspector General

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

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

Tom Hester, Associate Counsel, Office of the Inspector  
General

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

Janet LaBella, Director, Office of Program  
Performance

## STAFF AND PUBLIC PRESENT:

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

Carl Rauscher, Director of Media Relations, Office of  
Government Relations and Public Affairs

Marcos Navarro, Office of Government Relations and  
Public Affairs

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

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

Jean Lastine, Executive Director, Central Minnesota  
Legal Services

Anne Hoefgen, Executive Director, Legal Services of  
Northwest Minnesota

Jessie Nicholson, Executive Director, Southern  
Minnesota Regional Legal Services

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

Robin C. Murphy, National Legal Aid and Defender  
Association (NLADA)

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 (4:45 p.m.)

3 CHAIRMAN GREY: We'll call the meeting of the  
4 Finance Committee to order.

5 M O T I O N

6 DEAN MINOW: May I move to approve the agenda?

7 CHAIRMAN GREY: Absolutely. Is there a  
8 second?

9 FATHER PIUS: Second.

10 CHAIRMAN GREY: All in favor say aye.

11 (A chorus of ayes.)

12 CHAIRMAN GREY: All opposed, no.

13 (No response.)

14 M O T I O N

15 DEAN MINOW: May I move to approve the  
16 minutes.17 CHAIRMAN GREY: They've been moved properly.  
18 Second?

19 FATHER PIUS: Second.

20 CHAIRMAN GREY: All in favor say aye.

21 (A chorus of ayes.)

22 CHAIRMAN GREY: All opposed, no.

1 (No response.)

2 CHAIRMAN GREY: David Richardson, would you as  
3 the Treasurer give us your report on FY '15?

4 MR. RICHARDSON: Yes, sir. My report begins  
5 on page 149. You have the report through May, 67  
6 percent of the year. We are within budget in each of  
7 our budget categories. I've laid out the use of the  
8 funds in the budget and the memo that also relates to  
9 the chart that's on 153.

10 I think the memo itself is in sufficient  
11 detail to provide you the information that's needed.  
12 If you have any questions, I'd be glad to answer them  
13 for you.

14 CHAIRMAN GREY: Any questions of the  
15 Treasurer? Madam Vice Chair?

16 DEAN MINOW: Could you explain the timing of  
17 the loan repayment payout? Because there's a lot  
18 remaining. Is this all going to be used up or not?

19 MR. RICHARDSON: It will not be. What we do  
20 with the million dollars that we receive each year,  
21 basically one-third of that is given the first year,  
22 and we hold back two-thirds for the next two years. So

1 it's a staggering amount, and it continues at about  
2 this level each year. That way we can pay the  
3 remaining two years since we give them three-year  
4 loans, that we have the money set aside to do that in  
5 the future.

6 DEAN MINOW: Thank you.

7 CHAIRMAN GREY: Any other questions? The  
8 Director of Government Relations, Carol Bergman, is  
9 going to report on 2016 appropriations. Ms. Bergman?

10 MR. RICHARDSON: If you would, sir, let me  
11 refer to page 163. There's the internal budgetary  
12 adjustments. All of these were done within the purview  
13 of the President. We've just moved some money to  
14 basically match the spending that we have currently to  
15 the budget and what we expect to spend through the  
16 remainder of the year. So they're very small in  
17 nature.

18 CHAIRMAN GREY: Any questions?

19 (No response.)

20 CHAIRMAN GREY: Thank you. Ms. Bergman?

21 MS. BERGMAN: Thank you, Mr. Chairman. It's  
22 been an interesting process so far for FY '16. As you

1 know, in the House we have a new chairman of our  
2 appropriations subcommittee, Mr. Culberson from Texas.

3 We're also dealing for the first time in ten  
4 years with a House-Senate budget reconciliation. What  
5 that means is that the House and Senate are for the  
6 first time in many years operating with the same caps  
7 across the board, which also takes into account  
8 sequestration from the Budget Control Act.

9 Within those parameters, in the House on June  
10 3rd, the appropriations bill passed on a party line  
11 vote. And the bill that was passed out of the  
12 Commerce, Justice, Science Subcommittee for LSC would  
13 only have \$300 million. That's a \$75 million cut from  
14 the current FY '15 enacted budget, and a 20 percent cut  
15 from basic field if we were to move forward with that  
16 kind of number.

17 There were three amendments offered on the  
18 House floor regarding LSC, two of which were pulled  
19 when a point of order was raised. Congressman  
20 Goodlatte had offered an amendment to cut LSC's funding  
21 by \$270 million, which would have left \$30 million to  
22 administer existing grants and promote pro bono. As I



1 said, that one was withdrawn. The other one that was  
2 withdrawn was an amendment by Congressman Cohen to  
3 restore \$10 million to LSC's funding.

4 The amendment that did go to the floor for a  
5 vote was from Congressman Pittenger from North  
6 Carolina, which would have cut LSC's funding by another  
7 \$25 million, so bringing it down to 275. The funding  
8 was an offset to increase the FBI's budget.

9 It was defeated on a vote of 263 to 163, with  
10 82 Republicans voting against the amendment. So there  
11 was a very strong showing on the House floor in support  
12 of LSC at the time. A number of members spoke on  
13 behalf of LSC.

14 In the Senate, things are a little bit  
15 different. Mr. Shelby is the chairman now of the  
16 subcommittee. Mr. Cochran is the chairman of the full  
17 Appropriations Committee. The CJS bill passed on June  
18 11th, and the bill was for \$385 million for LSC, which  
19 is a \$10 million increase over FY '15. We understand  
20 that Mr. Shelby was instrumental in ensuring that there  
21 was an increase for LSC.

22 Senator Mikulski offered an alternative bill

1 across the board for CJS funding that was really a  
2 protest bill against the bill that the Republicans were  
3 offering that adhered to the budget reconciliation.  
4 Within that alternative bill, the funding for LSC would  
5 have matched the President's ask of \$452 million. The  
6 alternative bill failed on a party line vote.

7           Mr. Culberson has provided a variety of  
8 explanations for the reduction at different times when  
9 he had been asked. He'd indicated that there were a  
10 lot of competing priorities. He's very interested in  
11 introducing a tax credit for pro bono efforts, and  
12 thought that that might be appropriate compensation.

13           At the same time, he's also indicated that if  
14 there is some kind of a budget deal and there is more  
15 money to be found, that he's certainly open to  
16 increasing funding for LSC. And I think it's important  
17 to note that at the appropriations subcommittee  
18 meeting, there was considerable commentary from members  
19 about the desire to increase funding for LSC.

20           I say that because moving forward, we're in a  
21 situation right now where, as I'm sure folks know, the  
22 White House has threatened to vet all appropriations

1 bills that adhere to the funding caps. Within that, as  
2 a result, in the Senate not a single appropriations  
3 bill has been moved to the Senate floor.

4           The Appropriations Committee has passed ten  
5 bills, but nothing has moved. The one bill that they  
6 tried to take to the floor for Defense, they filed a  
7 cloture vote and it requires 60 to be able to proceed.  
8       And that failed on a vote of 50 to 45.

9           So the Democrats in the Senate are unwilling  
10 to move forward on any appropriations bills that adhere  
11 to the budget caps. The White House has threatened to  
12 veto it. Meanwhile, the House has passed six  
13 appropriations bills, but all twelve appropriations  
14 bills have passed at the Appropriations Committee  
15 level.

16           Where that goes is basically there are three  
17 options. There can be a continuing resolution at the  
18 FY '15 spending level. There can be an omnibus  
19 appropriations bill with some kind of an agreement. Of  
20 course, there's always the possibility, the threat, of  
21 a government shutdown.

22           Many members have been talking about the

1 desire for a repeat of a Murray-Ryan agreement. This  
2 was two years ago between Patty Murray and Paul Ryan;  
3 they came up with an agreement to be able to come up  
4 with -- in lieu of sequestration, to increase the caps  
5 for discretionary funding in both domestic and defense  
6 spending.

7           Just this week, Congressman Rogers, Hal  
8 Rogers, who's the chairman of the House Appropriations  
9 Committee, has indicated that he thinks it's time for  
10 everybody to start talking and for there that be a  
11 budget agreement, and to come up with something that  
12 would move past the caps.

13           So we have reason to believe that those kinds  
14 of conversations are going on behind closed doors. We  
15 actually had an interesting experience this week where  
16 I brought all of the interns from LSC to the Hill for  
17 the day. We do this every year, and we have them meet  
18 with staff in appropriations in both the House and the  
19 Senate.

20           They certainly heard from both Republican and  
21 Democratic staff in the Senate that they fully expect  
22 there to be some kind of budget agreement. Obviously

1 completely unclear what that's going to look like and  
2 what that's going to mean.

3 I also just want to mention that Congressman  
4 Culberson happened to join the conversation. The  
5 interns were there to meet with a staff person in his  
6 office, and Mr. Culberson came out and spent 15 minutes  
7 talking to all of the kids, and immediately, when he  
8 heard that they were from LSC, started trying to  
9 explain why the budget had been cut in the House, and  
10 said that he did hope that they would be able to find  
11 more money.

12 Two of our interns actually tried to engage  
13 him in specifics of conversation. It was very good.  
14 We've done this for four years now. It's the first  
15 time that any member of Congress has met with our  
16 interns. So we have certainly thanked him and told him  
17 that we look forward to finding other ways to work with  
18 him.

19 Happy to answer any questions.

20 CHAIRMAN GREY: Always informative. Thank  
21 you. Are there any questions of Ms. Bergman? Yes,  
22 Laurie?

1           MS. MIKVA: You can't tell us at all what  
2 happened with this agreement. But what happened last  
3 time?

4           (Laughter.)

5           MS. BERGMAN: Well, there is a huge  
6 discrepancy between the budget reconciliation numbers,  
7 obviously, and what the White House asked for across  
8 the board for all of the agencies. So the challenge  
9 is, when each appropriations subcommittee is given a  
10 set number, that's what they're working within, and any  
11 discussion about an amendment to increase here requires  
12 an offset against something else.

13           So if they actually come up with an agreement  
14 -- the Budget Control Act, the way it works, is  
15 sequestration only goes into effect unless Congress  
16 decides it's not going to. So they can put a different  
17 agreement into place, which is what they did last time,  
18 and what they did was to raise the number that then  
19 became available.

20           In other words, they decide to ignore the caps  
21 imposed by sequestration. So as a result, there's then  
22 more money. And then there becomes discussion about

1 what you do with more money.

2           The simplest solution is to split the  
3 difference across the board between the House and  
4 Senate numbers. Regardless of the fact that the Senate  
5 bills didn't go to the floor, they would take the  
6 numbers that passed the Appropriations Committee.

7           Obviously, our quest, as many others would be,  
8 would be to attempt instead to work with the Senate  
9 number rather than to split the difference between the  
10 House and the Senate number. And certainly that would  
11 be what we would want to put all of our efforts into.

12           The challenge is when it is not a public  
13 discussion, it's much more challenging to attempt to do  
14 that kind of lobbying behind closed doors because one  
15 has no idea what kind of numbers are being talked  
16 about. And any time you're talking about an increase  
17 for one thing, it of course is against increases for  
18 other things.

19           So the bottom line is I have no way to answer  
20 your question.

21           (Laughter.)

22           MS. MIKVA: The last time, they split the

1 difference?

2 MS. BERGMAN: Yes. But what I should say is  
3 last time the deal was put in place before the  
4 appropriations process started. So the timing was very  
5 different. But historically, that has generally been  
6 the MO, is to split the difference.

7 But it's not done across the board in every  
8 single agency, and much depends on the particulars in  
9 any given situation. So I think the fact that the  
10 Senate, under a Republican chair, increased the budget  
11 from the current year, I think we should take as a very  
12 good sign going into any kind of discussion. But  
13 obviously, it's not dispositive.

14 CHAIRMAN GREY: Any other questions?

15 (No response.)

16 CHAIRMAN GREY: Mr. Richardson?

17 MR. RICHARDSON: Since this is the last  
18 scheduled Finance Committee and series of Board  
19 meetings for this fiscal year, October 1 begins a new  
20 year. So what we have done here is to offer a  
21 resolution for you for temporary operating authority.

22 As Ms. Bergman just mentioned, we don't know



1 the appropriation, so we're basing this on continuing  
2 funding at this level. We will come back to you in  
3 October, hopefully, with better information, and again  
4 present to you a temporary operating budget. But this  
5 is for us to begin operations beginning October 1.

6 CHAIRMAN GREY: Any questions for Mr.  
7 Richardson?

8 DEAN MINOW: Do you need a motion?

9 CHAIRMAN GREY: We do.

10 M O T I O N

11 DEAN MINOW: I so move.

12 FATHER PIUS: Just one question. It's more  
13 probably a Jim question than anything else.

14 The contingency fund, which seems to be  
15 getting larger and larger and that's not getting spent  
16 and spent, is there some thought of lowering that  
17 contingency fund to put it into, for example, hiring  
18 more staff or doing more oversight work?

19 PRESIDENT SANDMAN: We do have a spend-down  
20 plan for the carryover, the contingency, that includes  
21 the purchase of a new grants management system; the  
22 rollout of our new data portal, which I'll be

1 explaining in my report; we have reserved an amount for  
2 expected compensation increases as the result of our  
3 hopeful meeting of a collective bargaining agreement  
4 with our union. So we do anticipate over time reducing  
5 that, and have specific plans in place to do it.

6 CHAIRMAN GREY: Other questions?

7 (No response.)

8 CHAIRMAN GREY: A motion has been made. Is  
9 there a second?

10 FATHER PIUS: Second.

11 CHAIRMAN GREY: All in favor, say aye.

12 (A chorus of ayes.)

13 CHAIRMAN GREY: All opposed, no.

14 (No response.)

15 CHAIRMAN GREY: Mr. Richardson, you are clear  
16 for your resolution on 2015.

17 We have an opportunity to now consider and act  
18 on the budget request for 2017. Mr. President, I will  
19 yield the floor to you.

20 PRESIDENT SANDMAN: Thank you, Robert. I  
21 presented on this matter at the Finance Committee's  
22 telephone meeting on July 9th, but there were several

1 Committee members who were not able to participate.

2           The memo that we've circulated and updated  
3 goes into significant detail explaining how we've come  
4 up with the budget recommendation that we're making.  
5 I'd like to supplement the written presentation with  
6 some comments now. I will repeat a good part of what I  
7 said at the prior meeting for the benefit of those who  
8 weren't able to attend.

9           I'd like to focus my remarks on the basic  
10 field line in our budget, and I do that for two  
11 reasons. Number one, it's 93 percent of the budget.  
12 It is the vast majority of the amount that we are  
13 recommending, and it is the only line that we're asking  
14 the Committee to increase over our request from last  
15 year.

16           I'd like to begin by explaining our approach  
17 to coming up with a basic field recommendation. We  
18 used the projected number of people financially  
19 eligible for service to frame our budget request.  
20 Using that metric conforms with the approach that  
21 Congress has mandated for how we distribute our basic  
22 field appropriation to our grantees.

1           As you know, each grantee receives a  
2 percentage of our total basic field appropriation equal  
3 to its share of the total U.S. poverty population. In  
4 other words, funding depends on the number of eligible  
5 people in the service area.

6           We think that that basic approach, looking at  
7 the number of eligible people, is an appropriate way to  
8 determine what the total ask should be for basic field  
9 funding.

10           We project that the eligible population, which  
11 increased dramatically during and in the years  
12 following the recession, will remain high in 2017. You  
13 can see our projection in appendix 4 and how it  
14 compares to numbers for the last few years.

15           The numbers in appendix 4, as large as they  
16 are, about 20 percent of the American population, are  
17 actually a very conservative estimate of need. They  
18 reflect the number of people eligible for service at an  
19 LSC-funded legal aid program for the entire year shown.

20           There are additional people who are  
21 financially eligible during a portion of the year but  
22 not for the whole year, and they're not reflected in

1 the bars on that graph. We estimate that the number of  
2 people who are eligible for at least two months during  
3 a year adds approximately 30 million people to the  
4 numbers you see in that graph. It increases it by  
5 about one-third.

6 Our approach to basic field funding has been  
7 consistent for the last three years. What we've  
8 recommended is to try to respond to the dramatic  
9 increase in the size of the eligible population since  
10 2007 by restoring funding per eligible person to the  
11 2007 level in inflation-adjusted dollars.

12 We first took that approach in our  
13 recommendation for fiscal '14. For fiscal '15 and '16,  
14 we started with that basic formula, but for each of  
15 those years, we decided, because of pressures on the  
16 federal budget, to hold our request flat at the fiscal  
17 '14 level even though the formula would have produced a  
18 higher number. So our basic field request for fiscal  
19 '14, '15, and '16 was identical, \$451,300,000.

20 We recommend that this year the Committee and  
21 the Board request the full amount that our formula  
22 yields. That is the amount necessary to restore

1 per-person funding to the 2007 level, adjusted for  
2 inflation. We recommend going to that full amount and  
3 not continuing to hold our request flat for several  
4 reasons.

5           First, the 2007 target that we've set for  
6 ourselves is actually extremely modest and not nearly  
7 enough to meet actual need. It's not as if 2007 was  
8 utopia. In both 2005 and 2009, LSC's justice gap  
9 studies found that LSC grantees were able to serve only  
10 half the people who contacted them for help.

11           Second, it is consistent with the first two  
12 goals of LSC's strategic plan to ask for a larger  
13 number than we have for the last three years. We think  
14 it's important to stress the magnitude of the increase  
15 in the need since the recession and to try to address  
16 that increase.

17           Remember that the first two goals of our  
18 strategic plan are, one, to maximize the availability,  
19 quality, and effectiveness of the civil legal services  
20 our grantees provide; and second, to become a leading  
21 voice for legal services for poor Americans. We think  
22 it would send the wrong message to submit a basic field

1 request that is flat for the fourth year in a row when  
2 we believe that number to be wholly inadequate.

3           You may have noticed in the materials that we  
4 circulated, if you look at appendix 7, that last year  
5 funding from non-LSC sources went up for the first time  
6 in some years, and is actually up \$20 million over  
7 where it was in 2013, or two years before. I'm sorry.

8       But I want to caution several things about that  
9 number, the increase in non-LSC funding.

10           First, the increase was hardly uniform across  
11 the country. In 23 states, funding from other sources  
12 actually went down. Only ten states account for nearly  
13 all of the increase that you're seeing in that chart.

14           In addition, it's important to bear in mind  
15 that non-LSC funding is often not fungible with LSC  
16 funding. It is often for specific purposes. I can  
17 give a couple of examples.

18           Funding from other federal sources is almost  
19 always for a limited purpose. It may be for under  
20 VAWA, the Violence Against Women Act, and it can be  
21 used only for domestic violence cases. It may be  
22 funding under the Aging Americans Act. It can only be

1 used for older people. It may be funding for housing  
2 purposes. But it is not usable across the full range  
3 of legal needs that low-income people have.

4 Another example is private foundation funding,  
5 which is very often for a specific purpose. We know  
6 from our own experience in applying for grants that  
7 each funder has its own areas of interest, and they  
8 want your grant request to conform with what their  
9 identified priorities are. And it's actually pretty  
10 rare to get open funding that can be used for all  
11 purposes.

12 Finally, funding from other sources,  
13 particularly private sources, often has strict limits  
14 on the amount that can be applied to management and  
15 administration -- those numbers are typically around 15  
16 to 20 percent, maybe, if you're lucky; whereas our  
17 approach to funding is that we want to encourage strong  
18 management and oversight by our grantees and not be  
19 cheap about how much they can spend on administer the  
20 money that we give to them.

21 I want to comment briefly on the other lines  
22 in our budget, particularly on the line for management



1 and grants oversight, which is the second biggest  
2 category of expense. The budget that we've proposed  
3 for management and grants oversight is consistent with  
4 what we've recommended for the please three years. It  
5 amounts to 4.1 percent of the total budget, not  
6 including the Office of Inspector General.

7 We look against other comparable agencies to  
8 see how the amount that we devote to management and  
9 grants oversight compares to market, how we're doing  
10 compared to others. That 4.1 percent of the budget  
11 that we recommend is actually lower than what we see at  
12 the seven other agencies that we look to.

13 The National Science Foundation devotes 4.25  
14 percent of its budget to management and grants  
15 oversight. At the Corporation for Public Broadcasting,  
16 it's 5 percent. At the Smithsonian, it's 5.3 percent.

17 At the Office of Justice Programs of the Department of  
18 Justice, it's 7.6 percent.

19 The Corporation for National and Community  
20 Service devotes 8 percent of its budget to management  
21 and grants oversight. The Millennium Challenge  
22 Corporation number is 12 percent. And the State

1 Justice Institute is 23 percent. So we are actually  
2 very conservative in the total amount that we devote to  
3 management and grants oversight.

4 I'd be happy to answer any questions.

5 MR. MADDOX: Martha, go ahead. Oh, you're --  
6 Jim, I just had a question about the chart on page 192,  
7 or 23 in your memo. I don't understand exactly how the  
8 FY 2016 125 percent estimate works. We've got the  
9 poverty population for '12 through '17, and then we've  
10 got the FY 2016 125 percent estimate. Can you explain  
11 what that is?

12 MR. LEVI: They got to the 62.2? Carol?

13 MR. MADDOX: Yes. The two numbers are the  
14 same for FY 2012, but then in the 2016 column the  
15 numbers increase. And I don't understand what's going  
16 on there. I'm looking at that.

17 PRESIDENT SANDMAN: Yes. Okay. Just give me  
18 a minute. It took me a moment to find it.

19 MR. MADDOX: It's on page 23.

20 MS. BERGMAN: It's appendix 1, the first page.

21 MR. MADDOX: Yes. Thank you, Carol. It's  
22 appendix 1. So I'm looking at the column two columns

1 from the right, Jim, FY 2016, 125 percent estimate.

2 DEAN MINOW: Or is it page 25?

3 MR. MADDOX: It's appendix 1, Martha. It's on  
4 page 192 in the Board book.

5 DEAN MINOW: Thank you.

6 MR. MADDOX: Yes. I'm sure there's an  
7 explanation for it, and maybe it's not immediately  
8 obvious right now.

9 PRESIDENT SANDMAN: I believe those are the  
10 numbers that we estimated last year. What we're trying  
11 to do is we're trying to be transparent about the  
12 challenges of predicting.

13 So what that column shows you, the  
14 second-to-last column, it shows you last year what were  
15 we telling you about what those numbers are, and what's  
16 happened since we've gotten more information since,  
17 more current information, to tell us how we're doing at  
18 projecting.

19 We do the best we can with the numbers we have  
20 available. But every October, new numbers come out  
21 from the Census Bureau that affect our projections for  
22 the future. So these numbers are giving you a little

1 report card on how accurate we ended up being in  
2 retrospect last year with the numbers we were offering  
3 you.

4 MR. LEVI: Well, I think the explanation is  
5 contained in that poverty population. The projections  
6 in the budget are almost 8 percent. The primary  
7 reasons for the change are the actual eligible  
8 population from 2012 to '13. I think that's where --

9 PRESIDENT SANDMAN: Yes. The census numbers  
10 always lag.

11 MR. MADDOX: Yes. So that's very helpful. In  
12 connection with your rationale for the number you've  
13 recommended, in 2016 the population decline from what  
14 you had projected when you made the 2016 request --

15 PRESIDENT SANDMAN: That's correct.

16 MR. MADDOX: -- by almost 8 percent, how did  
17 that factor in, if at all, to the decision to increase  
18 the request for 2017?

19 PRESIDENT SANDMAN: It didn't, really, because  
20 we're still using the number that we project for 2017  
21 and trying to figure out how much per eligible person  
22 in inflation-adjusted dollars it would take to serve

1 those people at the 2007 level. It's still a big  
2 number. It's --

3 MR. LEVI: But using the adjusted number.

4 PRESIDENT SANDMAN: Yes. It's still a big  
5 increase over -- it's a 22 percent increase since 2007.

6 DEAN MINOW: Well, at the risk of saying  
7 something controversial, I wonder if we ever engage in  
8 the effort of looking, as you suggest, Jim, at our  
9 peers to see the percentage that goes to the OIG and  
10 how that has changed over time.

11 PRESIDENT SANDMAN: We do, actually. And the  
12 presentation, I believe, by the Office of Inspector  
13 General has attempted to address that this year. That  
14 came up last year, and I think the portion of the memo  
15 devoted to their budget this year addresses that. But  
16 they do that independently. I don't do that.

17 DEAN MINOW: The controversial part is to  
18 connect it to the grants oversight -- in other words,  
19 to compare it to the basic field grant percentage the  
20 way that you did with the comparable organizations.

21 PRESIDENT SANDMAN: Sure. Yes. Compare how  
22 much you're spending on overseeing --

1 DEAN MINOW: Correct.

2 PRESIDENT SANDMAN: -- to the amount you have  
3 to oversee.

4 DEAN MINOW: That was my point.

5 PRESIDENT SANDMAN: Right.

6 MR. TANENBAUM: The other question that goes  
7 along with that, I understand that you're using a set  
8 of peer groups for your oversight piece. Is the Office  
9 of Inspector General using that same peer group,  
10 Smithsonian, Science Foundation, et cetera, et cetera?

11 PRESIDENT SANDMAN: They'd have to answer that  
12 question. The Inspector General does not report to  
13 Management, and we do not participate in the  
14 formulation of their request, which is made directly to  
15 the Committee and the Board.

16 CHAIRMAN GREY: Jeff?

17 MR. D. MADDOX: Yes. My name is Dave Maddox.

18 I'm the Assistant Inspector General for Management and  
19 Evaluation. We provided our input to the Finance  
20 Committee, just as Management did, last Thursday.

21 To specifically address your questions, our  
22 budget request is approximately 1 percent of the LSC

1 total request. In terms of an oversight entity, we  
2 have oversight of the Corporation as well as the  
3 grantees.

4 In terms of the peer group, I have a rough  
5 list here, and I can dig in my information here. But  
6 the 1 percent is comparable as an oversight entity to  
7 other OIGs such as National Archives, Peace Corps,  
8 Federal Communications Commission.

9 We actually did a review of ten OIGs of  
10 grantmakers where the agencies' budgets were between  
11 \$250 million and \$600 million, and we were a little  
12 below the average at roughly 1.12 percent of the  
13 agency's budget in terms of the appropriation request.

14 Keep in mind that doesn't include carryover,  
15 which the OIG carryover, we have been enacting a  
16 spend-down plan for a number of years at this point,  
17 and the OIG carryover is being reduced at 31 percent  
18 this year.

19 That is a concern where we're spending at a  
20 rate of roughly \$4.6 million, \$200,000 less than the  
21 prior year, but we're still spending down carryover of  
22 roughly \$250,000 this year.

1                   CHAIRMAN GREY: Madam Vice Chair?

2                   DEAN MINOW: Thank you. That's very helpful.

3                   And I do understand that the carryover complicates the  
4 analysis. I guess I want to follow up on Allan's  
5 question about, have you thought about using as a peer  
6 group the same peer group that Management uses? That's  
7 one question.

8                   Another is having a longitudinal study of the  
9 percentage that we have asked for that we have gotten  
10 for the OIG compared to our base of operations because  
11 as the appropriation is going down, I just wonder, how  
12 does that relate to the request for the OIG?

13                   MR. D. MADDOX: To answer the second part of  
14 that question, no, we have not done that analysis of  
15 the longitudinal growth.

16                   As to the first part, if Management would  
17 share, there was no coordination ahead of time, so peer  
18 review of exactly what the peer group is. I did find  
19 the details of our analysis, which we compared  
20 ourselves against the Corporation for Public  
21 Broadcasting, the Library of Congress, Equal Employment  
22 Opportunity Commission, Architect of the Capitol,



1 United States Capitol Police, the National Archives,  
2 Peace Corps, Federal Communications Communication, the  
3 Federal Reserve Board OIG.

4 And I misspoke earlier. Our average was 1.2  
5 percent. The average of that group was actually 1.4  
6 percent. So we're a little bit below our proportion of  
7 the overall agency request.

8 DEAN MINOW: I don't know what the right  
9 parameters are for the comparison, but it might be  
10 interesting to have a two-way sharing of the  
11 comparison. There's some overlap, but there clearly  
12 are some different entities for the peers.

13 FATHER PIUS: That would depend if they all  
14 had IGs. I'm not sure they all have IGs.

15 MR. D. MADDOX: We can certainly do that.

16 MR. LEVI: I'm just watching the time here.  
17 Are you, other than what you've just done, making an  
18 independent presentation, or no?

19 MR. D. MADDOX: We could primarily give the  
20 same presentation we gave Thursday if you'd like it.

21 MR. LEVI: On the phone? No. You don't have  
22 to. I just want to thank Jim, David, the OIG, and the

1 Committee for the thoroughness of what they -- we have  
2 really, in my view, advanced this process tremendously  
3 through this Committee and through their work.

4           Although my number is quite a bit higher, as I  
5 like to say, because I believe the need is so  
6 appallingly great and because I keep saying -- and you  
7 hear me say it, and you'll hear me say it again here --  
8 we're a rounding error. But the value we're charged  
9 with upholding is hardly that.

10           The country, in a way, looks to us. We're the  
11 voice of the legal community in many respects. And if  
12 we don't speak up loudly, why should they? What should  
13 they know? We know more than they do. And we know  
14 what's out there is appalling.

15           We also know it's not a sustainable model for  
16 the country, and so we're doing everything we can,  
17 everything we can, to call attention to this within our  
18 little -- to try to raise funds in other ways, to do  
19 our part, but understanding with circumstances that  
20 confront the country and its own financial issues.

21           I want to just say I think this is a very  
22 prudent place to land, and I want to congratulate that

1 Committee and thank the President and the Treasurer and  
2 the OIG. Thank you.

3 CHAIRMAN GREY: Madam Vice Chair?

4 DEAN MINOW: I second that, and I also thank  
5 the OIG for the careful thought that went into your  
6 budget request and analysis.

7 I do have a question for Jim. We talked about  
8 this on the phone previously. Since the return on  
9 investment is part of the case -- I think it's a very  
10 powerful part of the case -- but the variation among  
11 the states in their methodology, as you explained it,  
12 was included and makes it very confusing, I wondered,  
13 looking forward, what we might do to either better  
14 disclose what the variations are in the methodologies  
15 or to try to get some consensus about how to do that  
16 research.

17 PRESIDENT SANDMAN: We added a footnote to our  
18 memo to try to address the disparity that you noted  
19 previously. These studies have many sponsors, and  
20 there are a lot of different players.

21 I do participate in the biannual meetings of  
22 the IOLTA funders group. That name is something of a

1 misnomer. In many states, the IOLTA authority actually  
2 distributes all forms of state-level funding. And  
3 that's a great entree to a large group of people, many  
4 of whom are grappling with this issue.

5 I will be meeting with them in Chicago the  
6 week after next, and I'd like to raise the issue with  
7 that group to see how we might go about coordinating  
8 instead of having each one do its own thing.

9 MS. BERGMAN: Mr. Chairman, just to clarify,  
10 the new memo is on page 10. It's footnote number 17,  
11 where we did our best to try and address the concerns  
12 that you'd raised, Martha.

13 DEAN MINOW: Thank you.

14 CHAIRMAN GREY: Gloria?

15 PROFESSOR VALENCIA-WEBER: On the same topic,  
16 I thought I remembered, Jim, from a prior meeting that  
17 you said something about the Public Welfare Foundation  
18 thinking about or doing some work to try to generate  
19 some more uniform national guides or formulas for how  
20 to calculate economic return.

21 PRESIDENT SANDMAN: As I recall, they funded a  
22 project to do a meta-study, a synthesis, of all of the

1 different return on investment studies that had been  
2 done. And they did that, but it just showed what  
3 Martha is talking about, that everybody's done it in  
4 different ways. It didn't really produce any national  
5 numbers where you could compare apples to apples. And  
6 I'm not aware that they're funding anything that is  
7 precisely what you're describing.

8 CHAIRMAN GREY: Any other questions? Comments  
9 from the Committee? Father Pius?

10 FATHER PIUS: It's probably more rambling than  
11 anything else. But I always find this the most  
12 difficult one of the decisions that we have to make,  
13 not just because of the answer, but just getting to the  
14 result.

15 It feels to me sometimes as if we're throwing  
16 Jello against the wall. Because the need is so great,  
17 it's so very hard to define in such tangible terms. We  
18 all know the need is there. We all know it's a great  
19 need. We all know that what we're asking is nowhere  
20 near what is necessary to alleviate the need.

21 Yet to come up with a precise answer that we  
22 know doesn't actually fit the need that we're dealing

1 with, it always seems to me a little disjointed and a  
2 little different, which always suggests that I'm -- I  
3 think that we've come a long way in the way, at least,  
4 we think about this and putting the number out, and the  
5 detail and level of description.

6           So I just want to commend Jim for putting that  
7 together and for being so responsive to the Board on  
8 putting that together. It's clear, I think, that the  
9 need has increased. I'm certainly inclined to favor  
10 the Management's view on this to the recommendation if  
11 for no other reason than it puts out an increase  
12 precisely at a time when we're expecting, I think, a  
13 change in Congress.

14           I'm cognizant of the fact that is for a budget  
15 request for a new Congress, and that is after the  
16 election of a new President as well. And I think  
17 telegraphing an increase over our previous request is  
18 probably a good thing for that.

19           So that's my thought on the matter, as  
20 disjointed as it may be. So I'm certainly ready to  
21 move forward to approve Management's request.

22           CHAIRMAN GREY: I would never characterize

1 your thoughts as rambling, Father Pius.

2 (Laughter.)

3 CHAIRMAN GREY: Pretty targeted, I would  
4 think. Anyway, any other questions or thoughts?

5 MR. RICHARDSON: Can I say one thing, Mr.  
6 Chairman? I appreciate the credit that you've given me  
7 for doing this work. This is Carol Bergman, Treefa  
8 Aziz, Patrick Malloy, and their staff gathering this  
9 stuff and putting the analysis together. So they  
10 should be the ones receiving your thanks there.

11 PRESIDENT SANDMAN: I should have been the one  
12 to say that. Thank you, Carol and team.

13 MR. LEVI: Well, we'll increase the umbrella,  
14 yes. And all are to be thanked. And really, we know  
15 you had to continually update and answer our questions  
16 and add information. Thank you.

17 Need a motion?

18 CHAIRMAN GREY: I do.

19 M O T I O N

20 DEAN MINOW: So moved.

21 FATHER PIUS: Seconded.

22 CHAIRMAN GREY: All in favor say aye.

1 (A chorus of ayes.)

2 CHAIRMAN GREY: Opposed, no.

3 (No response.)

4 CHAIRMAN GREY: The motion passes. There's a  
5 resolution in the book at the last page, I believe,  
6 that supports the recommendation.

7 Before I go to public comment, I want to note  
8 for the record the continuing advice, albeit wise, from  
9 Allan Tanenbaum and Bob Henley, who give freely of  
10 their time and participate at a very high level in the  
11 work of the Finance Committee.

12 I think it's always important to note that we  
13 are fortunate to have the volunteers that we have, both  
14 on Audit and Finance. And the fact that they are both  
15 here is a testament to their concern and their  
16 commitment to the mission and the work of this  
17 organization.

18 MR. LEVI: And Institutional Advancement. I  
19 want to add to that, too, and say, if you might, we're  
20 very fortunate to have all of them. I agree with you  
21 completely.

22 CHAIRMAN GREY: Thank you, Mr. Chairman.



1 Public comment?

2 (No response.)

3 CHAIRMAN GREY: Other business?

4 (No response.)

5 CHAIRMAN GREY: I'm getting to be like Vic.

6 Is there a motion to adjourn?

7 M O T I O N

8 DEAN MINOW: There is.

9 FATHER PIUS: Second.

10 CHAIRMAN GREY: All in favor say aye.

11 (A chorus of ayes.)

12 CHAIRMAN GREY: Opposed, no.

13 (No response.)

14 (Whereupon, at 5:30 p.m., the Finance  
15 Committee was adjourned.)

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