

LEGAL SERVICES CORPORATION

Board of Directors Meeting

July 16 -18, 2015

Location:

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



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Schedule

**LEGAL SERVICES CORPORATION BOARD OF DIRECTORS
MEETING SCHEDULE**

JULY 16 - 18

**Meeting Location:
The Radisson Blu Minneapolis
35 South Seventh Street
Minneapolis, Minnesota 55402
Tel: (612) 339-4900**

Thursday, July 16, 2015

Start	End	Meeting/Event	Location
12:45pm	3:15pm	Operations & Regulations Committee	Norway 1 & 2 Radisson Blu
3:15pm	4:15pm	Audit Committee	Norway 1 & 2 Radisson Blu
4:15pm	5:45pm	Finance Committee	Norway 1 & 2 Radisson Blu
5:45pm	6:30pm	Governance & Performance Committee	Norway 1 & 2 Radisson Blu

Friday, July 17, 2015

Start	End	Meeting/Event	Location
9:00am	12:00pm	<p style="text-align: center;">Welcoming Remarks <i>John G. Levi</i>, Board Chair, Legal Services Corporation <i>Dean Robert K. Vischer</i>, University of St. Thomas Law School <i>The Honorable Lori Swanson</i>, Minnesota Attorney General</p> <p style="text-align: center;">Panel: The Importance of Access to Justice to the Judiciary <i>Justice Shirley S. Abrahamson</i>, Wisconsin Supreme Court <i>Judge Michael J. Davis</i>, U.S. District Court, District of Minnesota <i>Chief Justice Lorie Skjerven Gildea</i>, Minnesota Supreme Court</p>	University of St Thomas Law School Frey Moot Courtroom 1101 Harmon Place

EMERGENCY CONTACTS:

In the case of an emergency, please contact Rebecca Fertig Cohen at (202) 577-6313 or cohenr@lsc.gov or Bernie Brady at (202) 295-1568 or bradyb@lsc.gov

**LEGAL SERVICES CORPORATION BOARD OF DIRECTORS
MEETING SCHEDULE**

JULY 16 - 18

Meeting Location:

The Radisson Blu Minneapolis

35 South Seventh Street

Minneapolis, Minnesota 55402

Tel: (612) 339-4900

		<p style="text-align: center;"><i>Justice Thomas L. Kilbride, Illinois Supreme Court</i> <i>Chief Justice Gerald W. Vandewalle, North Dakota Supreme Court</i> <i>Dean Martha Minow, Harvard Law School & LSC Board Vice Chair (Moderator)</i> Panel: The Role of LSC-Funded Legal Aid Programs in the Development of Indian Law <i>Christopher Allery, Co-Executive Director, Anishinabe Legal Services</i> <i>Rosalie Chavez, Manager, San Ana Office, The Native American Program, New Mexico Legal Aid</i> <i>Professor Richard B. Collins, University of Colorado Law School</i> <i>John Echobawk, Executive Director, Native American Rights Fund</i> <i>Judge Ron Whitener, Tulalip Tribal Court</i> <i>Professor Gloria Valencia Weber, University of New Mexico School of Law & LSC Board Member (Moderator)</i></p>	
3:00pm	4:15pm	<p>Delivery of Legal Services Committee <i>Christopher Allery, Co-Executive Director, Anishinabe Legal Services</i> <i>Dorothy Altber, Executive Director, California Indian Legal Services</i> <i>Ed Reinhardt, Senior Attorney, Legal Services of North Dakota</i> <i>Sylvia Struss, Administrative Director, DNA - People's Legal Services</i> <i>Colline Wabkinney-Keely, Executive Director, Oklahoma Indian Legal Services</i></p>	Norway 1 & 2 Radisson Blu
4:15pm	5:15pm	<p>Institutional Advancement Committee</p>	Norway 1 & 2 Radisson Blu

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**LEGAL SERVICES CORPORATION BOARD OF DIRECTORS
MEETING SCHEDULE**

JULY 16 - 18

**Meeting Location:
The Radisson Blu Minneapolis
35 South Seventh Street
Minneapolis, Minnesota 55402
Tel: (612) 339-4900**

Saturday, July 18, 2015			
Start	End	Meeting/Event	Location
8:30am	9:00am	Institutional Advancement Committee Communications Subcommittee	Norway 1 & 2 Radisson Blu
9:00am	11:00am	Open Board Meeting	Norway 1 & 2 Radisson Blu
11:00am	12:00pm	Closed Board Meeting	Norway 1 & 2 Radisson Blu

EMERGENCY CONTACTS:

In the case of an emergency, please contact Rebecca Fertig Cohen at (202) 577-6313 or cohenr@lsc.gov or Bernie Brady at (202) 295-1568 or bradyb@lsc.gov

Operations & Regulations Committee

Agenda

OPERATIONS & REGULATIONS COMMITTEE

July 16, 2015

Agenda

OPEN SESSION

1. Approval of agenda
2. Approval of minutes of the Committee's Open Session meeting on April 12, 2015
3. Update on Notice of Proposed Rulemaking for 45 CFR § 1610.7—Transfers of LSC Funds and 45 CFR Part 1627—Subgrants and Membership Fees or Dues
 - Ron Flagg, General Counsel
 - Stefanie Davis, Assistant General Counsel
 - Mark Freedman, Senior Assistant General Counsel
4. Consider and act on Final Rule for 45 CFR Part 1628—Recipient Fund Balances
 - Ron Flagg, General Counsel
 - Stefanie Davis, Assistant General Counsel
5. Consider and act on Proposed Rulemaking Agenda 2015–2016
 - Ron Flagg, General Counsel
 - Stefanie Davis, Assistant General Counsel
 - Mark Freedman, Senior Assistant General Counsel
 - Tom Hester, Associate Counsel to the Inspector General
6. Consider and act on updating the LSC Rulemaking Protocol
 - Ron Flagg, General Counsel
 - Stefanie Davis, Assistant General Counsel
 - Mark Freedman, Senior Assistant General Counsel

7. Consider and act on initiating rulemaking for 45 CFR Part 1630—Cost Standards and the Property Acquisition and Management Manual
 - Ron Flagg, General Counsel
 - Stefanie Davis, Assistant General Counsel
 - Mark Freedman, Senior Assistant General Counsel
8. Report on 2015 Grant Assurances
 - Jim Sandman, President
 - Public Comment
9. Consider and act on comments on population data for grants to serve agricultural and migrant farmworkers
 - Ron Flagg, General Counsel
 - Bristow Hardin, Program Analyst
 - Mark Freedman, Senior Assistant General Counsel
 - Public Comment
10. Other public comment
11. Consider and act on other business
12. Consider and act on adjournment of meeting

**Draft Minutes of the April 12, 2015
Open Session Meeting**

**Legal Services Corporation
Meeting of the Operations & Regulations Committee**

Open Session

Sunday, April 12, 2015

DRAFT

Committee Chairman Charles N.W. Keckler convened an open session meeting of the Legal Services Corporation's ("LSC") Operations and Regulations Committee ("the Committee") at 2:33 p.m. on Sunday, April 12, 2015. The meeting was held at the F. William McCalpin Conference Center, Legal Services Corporation Headquarters, 3333 K Street, NW, Washington, DC 20007.

The following Committee members were present:

Charles N.W. Keckler, Chairman
Harry J. F. Korrell, III
Laurie I. Mikva
John G. Levi, *ex officio*

Other Board members present:

Victor B. Maddox
Martha Minow
Father Pius Pietrzyk
Julie A. Reiskin
Gloria Valencia-Weber

Also attending were:

James J. Sandman	President
Rebecca Fertig Cohen	Special Assistant to the President
Lynn Jennings	Vice President for Grants Management
Patrick Mallory	Grants Management/ Legislative Fellow, Executive Office
Wendy Rhein	Chief Development Officer
Ronald S. Flagg	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
Mark Freedman	Senior Assistant General Counsel, Office of Legal Affairs (OLA)
Stefanie Davis	Assistant General Counsel, Office of Legal Affairs (OLA)
Sarah Anderson	Graduate Law Fellow, Office of Legal Affairs (OLA)
David L. Richardson	Comptroller and Treasurer
Carol Bergman	Director, Office of Government Relations and Public Affairs (GRPA)

Carl Rauscher	Director of Media Relations, Office of Government Relations and Public Affairs (GRPA)
Marcos Navarro	Design Director, Office of Government Relations and Public Affairs (GRPA)
Wendy Long	Executive Assistant, Office of Government Relations and Public Affairs (GRPA)
Jeffrey E. Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel, Office of the Inspector General
David Maddox	Assistant Inspector General for Management and Evaluation, Office of the Inspector General
David O'Rourke	Assistant Inspector General for Investigations (OIG)
John Seeba	Assistant Inspector General for Audit, Office of Inspector General
Lora M. Rath	Director, Office of Compliance and Enforcement (OCE)
Megan Lacchini	Deputy Director, Office of Compliance and Enforcement (OCE)
Janet LaBella	Director, Office of Program Performance (OPP)
Bristow Hardin	Office of Program Performance (OPP)
Frank Strickland	Non-Director Member, Institutional Advancement Committee
Herbert S. Garten	Non-Director Member, Institutional Advancement Committee
Eric Jones	Network Engineer, Office of Information Technology
Atein Riggins	Office of Information Technology
Robin C. Murphy	National Legal Aid and Defenders Association (NLADA)
Dominique Martin	Law99.com
John C. Meyer	Retired, LSC Employee

The following summarizes actions taken by, and presentations made to, the Committee:

Committee Chairman Keckler noted the presence of a quorum and called the meeting to order.

MOTION

Ms. Mikva moved to approve the agenda. Mr. Korrell seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Ms. Mikva moved to approve the minutes of the Committee meetings of January 22, 2015. Mr. Korrell seconded the motion.

VOTE

The motion passed by voice vote.

Ms. Davis, Mr. Flagg, and Mr. Freedman updated the Committee on the proposed rulemakings amending 45 CFR Part 1610.7, Transfers of LSC Funds, and 45 CFR Part 1627, Sub grants and Membership Fees and Dues. Ms. Davis, Mr. Flagg and Mr. Freedman answered Committee members' questions.

MOTION

Mr. Korrell moved to recommend the notice of proposed rulemaking to the board. Ms. Mikva seconded the motion.

VOTE

The motion passed by voice vote.

Ms. Davis, Mr. Flagg briefed the Committee on 45 CFR Part 1628, Recipient Fund Balances, notice of proposed rulemaking, and the rulemaking options paper. Ms. Davis and Mr. Flagg answered Committee members' questions.

MOTION

Ms. Mikva moved to recommend the notice of proposed rulemaking 45 CFR Part 1628 to the board. Mr. Korrell seconded the motion.

VOTE

The motion passed by voice vote.

Ms. Anderson and Mr. Flagg did a briefing on 45 CFR Part 1640, Application of Federal Law to LSC Recipients. Ms. Anderson and Mr. Flagg answered Committee members' questions.

Committee Chairman Keckler invited public comment regarding the proposed final rule for Part 1640. The Committee received public comments from Robin Murphy, National Legal Aid and Defenders Association (NLADA).

MOTION

Mr. Korrell moved to recommend the proposed final rule with the modification to Part 1640 requiring approval by the Corporation's Board of Directors at a public meeting. Mr. Levi seconded the motion.

VOTE

The motion passed by voice vote.

Mr. Flagg briefed the Committee on two Program Letters 15-1, Eligible Client Members for Recipients Governing Bodies and 15-2, Fiduciary Duties of Members of Recipient's Governing Body, under 45 CFR Part 1607. He answered Committee members' questions.

Mr. Freedman and President Sandman gave the annual report on the use of enforcement mechanisms noting no enforcement mechanisms were used last year. They answered Committee members' questions.

Mr. Flagg briefed the Committee on status of the proposed update of population data for grants to service migratory and other farmworkers. Mr. Flagg answered Committee members' questions.

Ms. Higgins reported on the progress of Performance and Human Capital Management to the Committee. Ms. Higgins answered Committee members' questions.

The Committee received public comments from John Meyer, former LSC Director of the Office of Information.

There was no new business to consider.

MOTION

Mr. Korrell moved to adjourn the meeting. Ms. Mikva seconded the motion.

VOTE

The motion passed by voice vote.

The Committee meeting adjourned at 4:39 p.m.

Final Rule
Code of Federal Regulations 45 Part 1628

LEGAL SERVICES CORPORATION

45 CFR Part 1628

Recipient Fund Balances

AGENCY: Legal Services Corporation.

ACTION: Final rule.

SUMMARY: This final rule revises the Legal Services Corporation (LSC or Corporation) regulation on recipient fund balances to give the Corporation more discretion to grant a recipient's request for a waiver to retain a fund balance in excess of 25% of its annual LSC support. This final rule also provides that recipients facing a fund balance in excess of 25% of their annual LSC support may submit a waiver request prior to submitting their annual audited financial statements.

DATE: This final rule is effective on [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: Stefanie K. Davis, Assistant General Counsel, Legal Services Corporation, 3333 K Street NW, Washington, DC 20007; (202) 295-1563 (phone), (202) 337-6519 (fax), or sdavis@lsc.gov.

SUPPLEMENTARY INFORMATION:

I. Regulatory Background

LSC issued its first instruction on recipient fund balances in 1983 to implement what is now the Corporation's longstanding objective of ensuring the timely expenditure of LSC funds for the effective and economical provision of high quality legal assistance to eligible clients. 48 FR 560, 561, Jan. 5, 1983. Later that year, LSC published a redrafted version titled Instruction 83-4, Recipient Fund Balances ("Instruction"). 48 FR

49710, 49711, Oct. 27, 1983. The Instruction limited recipients' ability to carry over LSC funds that remained unused at the end of the fiscal year. Id. Specifically, the Instruction provided that in the absence of a waiver granted by the Corporation, a recipient must repay to LSC any funds retained at the end of the fiscal year in excess of 10% of its total annual LSC support. Id. The Instruction also prohibited a recipient from ever retaining a fund balance in excess of 25% of its annual support, thereby limiting the Corporation's waiver granting authority to fund balance amounts of 25% or less of a recipient's annual LSC support. Id.

In 1984, LSC substantially adopted the Instruction in a regulation published at 45 CFR part 1628. 49 FR 21331, May 21, 1984. Part 1628 remained unchanged until 2000, when LSC promulgated revisions in response to public comments and staff advice that the rule was "more strict" than the fund balance requirements of most federal agencies. 65 FR 66637, 66638, Nov. 7, 2000. The revised rule provided the Corporation with more discretion to grant a recipient's request for a waiver to retain a fund balance of up to 25% of its annual LSC support. Id. at 66637. In addition, for the first time, the rule authorized the Corporation to exercise its discretion to grant a recipient's request for a waiver to retain a fund balance in excess of 25% of its annual LSC support. Id. The Corporation reasoned that, by allowing for waivers to retain that amount, "[t]he recipient can better plan and find the best use for the funds, rather than being forced into a hasty expenditure simply to avoid the limitation on the carryover of fund balances." Id. at 66640. The rule, however, limited the situations justifying a recipient's request to retain more than 25% of its annual support to "three specific circumstances when extraordinary and compelling reasons exist for such a waiver," listed in § 1628.3(c). Id. at 66638. These extraordinary

and compelling circumstances were restricted to the following situations when a recipient received income derived from its use of LSC funds: “(1) An insurance reimbursement; (2) the sale of real property; and (3) the receipt of monies from a lawsuit in which the recipient was a party.” Id. at 66639. Although the Operations and Regulations Committee (Committee) “considered using a standard of ‘extraordinary and compelling’ for these waivers with the three specific circumstances discussed as examples,” it ultimately decided “that more guidance was required to avoid erosion of the standard,” and the three circumstances became exclusive limitations, not mere examples. Id. at 66640. The LSC Board of Directors (Board) adopted the revisions to part 1628 on November 20, 1999, and the revised rule has been in effect since December 7, 2000. Id. at 66637-38.

During the nearly 15-year period since part 1628 was last revised, LSC grantees have experienced various unexpected occurrences outside of those listed in § 1628.3(c) that caused them to accrue fund balances in excess of 25% of their annual support. These occurrences have included an end-of-year transfer of assets from a former grantee to a current grantee, a natural disaster that resulted in a significant infusion of use-or-lose disaster relief funds from non-LSC sources, and receipt of a large attorneys’ fees award in an LSC-funded case near the end of the fiscal year. In each of these situations, LSC determined that part 1628 prevented recipients with legitimate reasons for having fund balances exceeding 25% of their annual LSC support from seeking and obtaining needed waivers.

On January 22, 2015, LSC staff presented the Committee with a proposal to consider revising part 1628 to address the difficulties faced by recipients that encounter these types of occurrences, yet are unable to justify a waiver request to retain a balance in excess of 25% of

their annual support under part 1628's standards. The Committee authorized LSC management to add the matter to the Committee's rulemaking agenda.

As required by the LSC Rulemaking Protocol, LSC staff prepared an explanatory rulemaking options paper, accompanied by a proposed rule amending part 1628. On April 12, 2015, the Committee voted to recommend that the Board publish the notice of proposed rulemaking (NPRM) in the Federal Register for notice and comment. On April 14, 2015, the Board accepted the Committee's recommendation and voted to approve publication of the NPRM in the Federal Register. 80 FR 21700, Apr. 20, 2015. The comment period remained open for thirty days and closed on May 20, 2015.

On [July XX, 2015], the Committee considered the draft final rule for publication and voted to recommend its publication to the Board. On [July XX, 2015], the Board approved the final rule for publication.

Material regarding this rulemaking is available in the open rulemaking section of LSC's Web site at <http://www.lsc.gov/about/regulations-rules/open-rulemaking>. After the effective date of this rule, those materials will appear in the closed rulemaking section of LSC's Web site at <http://www.lsc.gov/about/regulations-rules/closed-rulemaking>.

II. Section-by-Section Discussion of Comments and Regulatory Provisions

LSC received two comments during the public comment period. One comment was submitted by an LSC recipient, the Northwest Justice Project (NJP). The other comment was submitted by the non-LSC-funded nonprofit National Legal Aid and Defender Association (NLADA) on behalf of its Civil Policy Group and Regulations and Policy Committee. Both commenters were generally supportive of LSC's proposed changes to part 1628.

§ 1628.3 Policy

LSC proposed to revise § 1628.3(c) to eliminate the language limiting the extraordinary and compelling circumstances in which LSC may grant a recipient's request for a waiver to retain a fund balance that exceeds 25% of its annual support. LSC staff determined that the list of extraordinary and compelling circumstances should be illustrative, rather than exhaustive, so that recipients that encounter truly unforeseeable situations can avoid having to make the difficult choice between returning large portions of unused balances or hurriedly spending funds before the end of the fiscal year. Whereas existing § 1628.3(c) is limited to three circumstances where a recipient receives a sudden infusion of income, the new section expands the types of situations that the Corporation, in its discretion, may consider to be extraordinary and compelling circumstances. The new section adds the example of a natural disaster to illustrate a situation where a recipient would be unable to expend its current LSC grant for reasons other than the receipt of new funds, such as being forced to temporarily shut down operations. The section also adds the example of "a payment from an LSC-funded lawsuit, regardless of whether the recipient was a party to the lawsuit." This revision makes clear that a recipient may request a waiver to retain a fund balance in excess of 25% of its annual support when it receives an award as the result of a court decision in an LSC-funded case, even if the recipient was not named as a party to the action. LSC also proposed to make a minor revision to § 1628.3(d) to reflect the proposed redesignation of certain paragraphs in § 1628.4.

Comments: Both commenters expressed strong support of the revisions to § 1628.3.

§ 1628.4 Procedures

LSC proposed to add a new § 1628.4(d) to expressly allow recipients that expect to have a fund balance in excess of 25% of their annual support at the end of the fiscal year to submit a

waiver request prior to the submission of their annual audited financial statements. This addition will require existing § 1628.4(d), (e), (f), and (g) to be redesignated as § 1628.4(e), (f), (g), and (h). The new § 1628.4(d) will list the written requirements for a waiver request to retain a fund balance in excess of 25% of annual support. It will also require recipients that receive early approval to later submit updated information consistent with the requirements of § 1628.4(a) to confirm the actual fund balance amount to be retained by the recipient, as determined by reference to its annual audited financial statements. Accordingly, an advance approval would be, in effect, an approval of the reasons for a waiver and of the proposed amount to be retained. The recipient must later provide confirmation of the actual amount of excess funds it has retained. Finally, LSC proposed to revise the introductory text of paragraph (a), as well as paragraphs (a)(2) and (a)(3), for clarity and readability.

Comments: Both commenters were supportive of LSC's proposal to allow recipients with fund balances in excess of 25% of annual support to submit waiver requests prior to the submission of their annual audit reports. NLADA recommended that LSC further revise § 1628.4 to also allow recipients expecting to have fund balances in excess of 10% and up to 25% of their annual LSC support to submit early waiver requests. NLADA reasoned that this would allow recipients seeking such waivers to plan for the next fiscal year with greater certainty. NJP, on the other hand, expressed support for continuing the standard waiver request process for recipients with fund balances that do not exceed 25% of annual support. NJP stated that, in its experience, such requests are more than likely to be approved and that using annual audit report information to draft them assures that the amount approved for retention is equal to the final audited carryover.

Response: As stated in the preamble of the NPRM, LSC staff found that limiting early approvals to waiver requests for fund balances in excess of 25% of annual support was proper in light of the unique and significant financial planning burdens faced by recipients that experience extraordinary and compelling circumstances causing them to accrue substantial amounts of unused funds. Furthermore, while the Corporation will continue to apply the heightened standard of “extraordinary and compelling circumstances” to requests to retain fund balances in excess of 25% of annual support, it will maintain the less burdensome standard of “special circumstances” for requests to retain fund balances that do not exceed 25% of annual support. Therefore, LSC believes that recipients seeking to retain fund balance amounts in excess of 10% and up to 25% of annual support would not benefit significantly from the minimal level of additional assurance that allowing the early submission of waiver requests may potentially provide. In addition, recipients that receive early approvals of such requests would later have to provide confirmation of the actual amount of excess funds they accrued when they submit their annual audited financial statements. LSC believes that the additional time and effort required by this process would not be justified by the small amount of additional assurance that it may provide.

List of Subjects in 45 CFR part 1628

Administrative practice and procedure; Grant programs – law; Legal services.

For the reasons set forth in the preamble, the Legal Services Corporation revises 45 CFR part 1628 as follows:

PART 1628 – RECIPIENT FUND BALANCES

1. The authority citation for Part 1628 is revised to read as follows:

AUTHORITY: 42 U.S.C. § 2996g(e).

2. Revise paragraphs (c) and (d) of § 1628.3 to read as follows:

§ 1628.3 Policy

* * * * *

(c) Recipients may request a waiver to retain a fund balance in excess of 25% of a recipient’s LSC support only for extraordinary and compelling circumstances, such as when a natural disaster or other catastrophic event prevents the timely expenditure of LSC funds, or when the recipient receives an insurance reimbursement, the proceeds from the sale of real property, a payment from a lawsuit in which the recipient was a party, or a payment from an LSC-funded lawsuit, regardless of whether the recipient was a party to the lawsuit.

(d) A waiver pursuant to paragraph (b) or (c) of this section may be granted at the discretion of the Corporation pursuant to the criteria set out in § 1628.4(e).

* * * * *

3. Amend § 1628.4 as follows:

- a. Revise paragraph (a) introductory text and paragraphs (a)(2) and (3);
- b. Redesignate paragraphs (d) through (g) as paragraphs (e) through (h); and
- c. Add new paragraph (d).

§ 1628.4 Procedures

(a) A recipient may request a waiver of the 10% ceiling on LSC fund balances within 30 days after the submission to LSC of its annual audited financial statements. The request shall specify:

* * * * *

- (2) The reason(s) for the excess fund balance;
- (3) The recipient’s plan for disposing of the excess fund balance during the current fiscal

year;

* * * * *

(d) A recipient may submit a waiver request to retain a fund balance in excess of 25% of its LSC support prior to the submission of its audited financial statements. The Corporation may, at its discretion, provide approval in writing. The request shall specify the extraordinary and compelling circumstances justifying the fund balance in excess of 25%; the estimated fund balance that the recipient anticipates it will accrue by the time of the submission of its audited financial statements; and the recipient's plan for disposing of the excess fund balance. Upon the submission of its annual audited financial statements, the recipient must submit updated information consistent with the requirements of paragraph (a) of this section to confirm the actual fund balance to be retained.

* * * * *

[Dated: July XX, 2015.]

Stefanie K. Davis,

Assistant General Counsel.

**Proposed Rulemaking Agenda
2015 - 2016**



OFFICE OF LEGAL AFFAIRS

To: Operations and Regulations Committee

From: Ronald S. Flagg, Vice President and General Counsel
Mark Freedman, Senior Assistant General Counsel
Stefanie K. Davis, Assistant General Counsel

Re: Proposed Rulemaking Agenda for 2015-2016

Date: June 25, 2015

For 2015-2016, there are two rulemakings already in process, and Management has identified four additional areas for potential rulemaking, including two that were included in the 2014-2015 Proposed Rulemaking Agenda. The rulemakings are presented in the general order in which Management proposes to address them, although some rulemakings could proceed simultaneously. After the Committee expresses its views about the priorities for rulemaking, the Office of Legal Affairs (OLA) will develop a work plan that will result in the preparation of Justification Memoranda for each of the proposed rules.

LSC is currently engaged in the following rulemakings:

- Revising 45 C.F.R. Part 1627 – Subgrants and Membership Fees or Dues, and the transfer rule in 45 C.F.R. § 1610.7;
- Revising 45 C.F.R. Part 1630—Cost Standards and Procedures, and the Property Acquisition and Management Manual (PAMM).

Management has identified the following areas as being appropriate for regulatory action:

- Revising 45 C.F.R. Part 1629 – Bonding of Recipients;
- Revising the definition of “fee-generating case” in 45 C.F.R. § 1609.2(a);
- Developing Touhy regulations;
- Rescinding 45 C.F.R. Part 1603 – State Advisory Councils.

During development of the 2014-2015 rulemaking agenda, the Office of Inspector General (OIG) recommended rulemaking on Parts 1627, 1630, and 1603 and the Touhy regulations. June 27, 2014 Memorandum from Laurie Tarantowicz, Assistant Inspector General and Legal Counsel, and Tom Hester, Associate Counsel, to the LSC Board Operations and Regulations Committee (“OIG Memo”).

Proposed 2015-2016 Rulemaking Agenda

June 25, 2015

Page 2

Because these items were included on the 2014-2015 Proposed Rulemaking Agenda and remain on this proposed agenda, we will not substantially restate the OIG's recommendations and analysis in this memorandum. The OIG has reviewed this memorandum and has no objections to Management's recommendations for the Proposed 2015-2016 Rulemaking Agenda.

I. Ongoing Rulemakings

A. Update on 45 C.F.R. Parts 1610 and 1627

Part 1627—Subgrants and Membership Fees or Dues and 45 C.F.R. § 1610.7 jointly govern the use of LSC funds paid by a recipient to a third party under certain circumstances. The Notice of Proposed Rulemaking (NPRM) for Parts 1610 and 1627 was published in the Federal Register on April 20, 2015. 80 Fed. Reg. 21692 (Apr. 20, 2015). LSC proposed the following substantive changes:

- Adopting Management's interpretation of the rule as applying only to those subgrants awarded to third parties for the purpose of carrying out legal assistance activities. Id. at 21694.
- Adopting the Uniform Grant Guidance factors for determining whether a third-party award should be treated a subgrant or a procurement.
- Moving the transfer rule at 45 C.F.R. § 1610.7 into Part 1627 for ease of reference.
- Requiring that all subrecipients must comply with the Part 1635 timekeeping requirement. Id. at 21698.

LSC also sought recommendations whether to revise the \$25,000 threshold for fee-for-service arrangements supported with LSC funds. Id. at 21695.

The deadline for submitting comments was set for May 20, 2015. LSC extended the comment period to June 10, 2015 in response to a request for an extension of time. 80 Fed. Reg. 29600 (May 22, 2015). LSC received five comments by the end of the extended comment period. OLA is currently reviewing the comments.

B. Update on 45 C.F.R. Part 1630 and the PAMM

LSC issued the PAMM in 2001 as the document containing “all of the relevant policies and requirements related to the acquisition, use and disposal of real and personal property.” 66 Fed. Reg. 47688 (Sep. 13, 2001). Part 1630 – Cost Standards and Procedures, generally governs the allowability of costs attributed to a recipient’s LSC grant. 45 C.F.R. § 1630.1. Part 1630 overlaps with the PAMM insofar as Part 1630 establishes policy and procedures for when recipients must seek prior approval of a purchase of personal or real property. *Id.* §§ 1630.5 (describing costs requiring prior approval), 1630.6 (establishing the timetable and bases for granting prior approval).

OLA has held preliminary meetings with the Office of Compliance and Enforcement (OCE) and the Office of Program Performance to identify specific areas that would benefit from rulemaking. Areas identified include:

- § 1630.3(a)(8), which requires recipients to obtain consent from a federal agency before using LSC funds to match a federal grant awarded by that agency. Management understands that the requirement is burdensome and has caused recipients problems when using LSC funds to match federal grants;
- § 1630.5, concerning recipient requests for prior approvals and advance understandings, covers three distinct topics that partly overlap with the PAMM but are not included in the PAMM itself;
- § 1630.7(b), which limits LSC’s authority to question costs to those costs incurred within five years preceding the date LSC issues the questioned cost notice. The OIG and LSC management have identified this limitation as a weakness in LSC’s ability to ensure full accountability of recipients for their use of LSC funds;
- § 1630.11, pertaining to the applicability of the LSC Act restrictions to a recipient’s non-LSC funds, inaccurately describes the circumstances in which recipients may use non-LSC funds to carry out certain activities;
- Section 7 of the PAMM, which governs recipients’ disposition of real property purchased with LSC funds, does not consider LSC’s contribution to the cost of renovation to recipient properties and does not require LSC to approve a recipient’s plan for disposal of the property during the grant period; and
- Whether the PAMM should be promulgated formally as a rule.

Management proposes publishing an advanced notice of proposed rulemaking in the fall requesting recipient feedback on needed changes to Part 1630 and the PAMM.

II. Proposed Items for 2015-2016 Agenda

C. Revision of 45 C.F.R. Part 1629

Part 1629 – Bonding of Recipients, requires that any program receiving LSC funds must carry fidelity bond coverage on any individual holding a position of trust with the program. The program must bond every director, officer, employee, and agent who handles funds or property of the program. 45 C.F.R. § 1629.2(a). This requirement protects a program’s funds available to serve eligible clients from loss due to fraud or dishonesty by the bonded individuals. 49 Fed. Reg. 28716 (July 16, 1984).

The OIG has found that most grantees they have reviewed obtain fidelity bond coverage on all of their employees, which exceeds the minimum requirements of Part 1629. When misappropriation has occurred by individuals not required to be bonded under Part 1629, grantees who exceeded the minimum Part 1629 coverage were protected from loss. The OIG recommends that recipients carry fidelity bond coverage on every employee within the program in order to protect programs from bearing any loss caused by the misappropriation of funds. The increased cost of coverage does not appear to be significant. OLA also consulted with OCE about this issue. OCE agrees with the OIG that rulemaking may be the best way to resolve this issue. OCE also recommends raising the minimum bond coverage, which is currently set at \$50,000. Management proposes rulemaking to expand Part 1629 to require recipients to obtain fidelity bonds covering all employees and to seek comment on OCE’s proposal to raise the minimum bond coverage amount.

D. Revisions to 45 C.F.R. § 1609.2(a)

Part 1609 - Fee-Generating Cases, does not allow recipients to use legal services resources to represent eligible clients in fee-generating cases when private attorneys are available to provide effective representation. The definition of “fee-generating case” is set forth at 45 C.F.R. § 1609.2(a). Despite frequent guidance on the interpretation of “fee-generating case,” questions regarding the interpretation continue to come before OLA both internally and from the field. Management recommends rulemaking specifically to clarify the definition of “fee-generating case,” although it may identify additional issues with Part 1609 that would be appropriate for rulemaking.

E. Development of Touhy regulations

As explained more fully in their 2014 memorandum to the Committee, the OIG recommends that LSC develop and establish regulations to establish procedures by which litigants in civil cases not involving the Corporation may request documents or testimony from LSC and by which LSC will consider and respond to such requests. See OIG Memo at 5-7. Most,

if not all, Federal agencies have such regulations, called Touhy regulations after the case that prompted agencies to develop procedures for serving and responding to subpoenas. The Office of Legal Affairs also identified adoption of Touhy regulations as an area of interest, but because the Corporation so rarely receives subpoenas, did not consider the issue a priority when compared to the other proposed rulemakings addressed in this memorandum. Management and the OIG continue to believe that LSC should explore developing Touhy regulations and propose that this item remain on the rulemaking agenda.

F. Rescission of 45 C.F.R. Part 1603

The OIG identified a final area of potential rulemaking action in their 2014 memorandum to the Committee. The OIG noted that LSC promulgated 45 C.F.R. Part 1603, which gives LSC the authority to appoint state councils, but has not acted to maintain such councils. See OIG Memorandum at 7. The OIG recommended that LSC either ensure that the state advisory councils are established and operative or rescind Part 1603 “if the Corporation has no intention of establishing state advisory councils pursuant to Section 1004(f).” Id.

In 2014, Father Pius requested that OLA research Part 1603 to determine the status of the state advisory councils and the regulation in general. OLA determined that the Corporation met its requirement under section 1004(f) of the LSC Act by requesting state governors to appoint State Advisory Councils within the time period established by the Act and Part 1603. The Corporation chose not to exercise its option to appoint state councils. There are currently no state advisory councils in place, and the rule has been dormant for several years.

At its January 2015 meeting, this Committee recommended repealing Part 1603, but placed a low priority on initiating rulemaking to repeal. Prior to initiating rulemaking, Dean Minow recommended analyzing whether oversight mechanisms that have developed since the LSC Act was passed in 1974 are sufficient to occupy the role the state councils were intended to play. Consistent with the Committee’s views, Management and the OIG propose to keep this item on the rulemaking agenda.

LSC Rulemaking Protocol

Legal Services Corporation Rulemaking Policy Statement

In order to carry out its mission, the Legal Services Corporation (“LSC” or “Corporation”) is authorized under the LSC Act to issue binding federal regulations with the force of law. The United States Court of Appeals for the District of Columbia Circuit has described LSC as possessing “general rulemaking authority.” *Texas Rural Legal Aid, Inc., et al. v. Legal Services Corporation*, 940 F.2d 685, 692 (D.C. Cir. 1991); *see* 42 U.S.C. § 2996e. The LSC Act specifies, however, that the Corporation “shall not be considered a department, agency, or instrumentality, of the Federal Government.” 42 U.S.C. § 2996d(e). Consequently, the Corporation’s regulatory process is not statutorily tied to the Administrative Procedure Act (APA, 5 U.S.C. Ch. 5 et seq.), which binds federal agencies. Instead, Congress has required more specifically that LSC “shall afford notice and reasonable opportunity for comment to interested parties prior to issuing rules, regulations, and guidelines, and it shall publish in the Federal Register at least 30 days prior to their effective date all its rules, regulations, guidelines, and instructions.” *Id.* § 2996g(e). The scope of LSC’s Rulemaking Protocol encompasses “rules” and “regulations,” which are interpreted as essentially synonymous and which result in codified federal regulations.

Although the APA does not bind LSC, the Corporation has identified the broad purposes of that statute – public participation and reasoned, orderly, decision-making based on high quality information – as consistent with its own statutory requirements and the general goals of regulation. LSC is also guided by other best practices broadly adopted by federal agencies, which include Executive Orders 12866 (1993) and 13563 (2011) and Office of Management and Budget Circular A-4 (2003).

Collectively, these documents suggest that regulation should proceed by demonstrating why action is needed and should be justified by a consideration of the costs and benefits of the regulatory approach chosen. Costs and benefits may be qualitative or quantitative and include outcomes related to the widespread distribution of “equity, human dignity, [and] fairness,”¹ which is in accord with the goals of the LSC Act. In addition, these federal best practices remind us to maintain regulatory flexibility where possible by specifying objectives rather than detailed rules, and also to engage in a regular examination of existing regulations to identify those that are redundant, unnecessary, or in need of modification.

LSC intends that an important source of new rulemaking activity and agenda items will be an ongoing retrospective review of its existing regulations. LSC’s regulations are not voluminous, and to the extent they can be improved, they should be, as time and resources allow. In particular, LSC will examine its regulations to identify those where costs and burdens can be lessened without compromising effectiveness, or where effectiveness can be increased without increasing cost. It also will identify, with the input of the Office of Inspector General, regulations that are outdated or otherwise no longer useful or manageable, and those rules implicated by LSC’s Strategic Plan. In order to maintain this process of continuous improvement, however, LSC anticipates the need for assistance from the regulated community, which is in the best position to highlight unanticipated problems that have arisen from particular regulatory provisions.

Similarly, existing nonregulatory guidance, including Program Letters and External Opinions, may often be a basis for agenda items. For a variety of reasons, it may be useful to codify successful guidance following a notice and comment process. In other cases, LSC may

¹ See Executive Order 13563, § 1(c).

identify this guidance as founded in outdated regulation and as problematic in practice; revision of the underlying regulations would then be called for. Because of these important relationships between guidance and regulation, LSC's commitment to retrospective review extends to its guidance documents, as does its reliance on the communicated experience of the public and regulated community.

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Rulemaking Protocol of the Legal Services Corporation (2015)

I. Purposes, Principles, and Authorities

The purpose of this protocol is to explain the procedures used by the Legal Services Corporation (“LSC” or “the Corporation”) in the development, modification, rescission, and promulgation of its regulations, currently codified beginning at 45 C.F.R. § 1600. The regulatory principles guiding LSC are intended to advance its overall mission as an organization: to provide financial support for legal assistance in civil matters to persons financially unable to afford legal assistance in a manner consistent with the LSC Act and other statutory directives of Congress. *See* 42 U.S.C. § 2996b(a). LSC, in particular, is asked “to insure that grants and contracts are made so as to provide the most economical and effective delivery of legal assistance to persons” eligible for LSC-funded services. *Id.* § 2996f(a)(3).

LSC first developed a formal rulemaking protocol in 2000. The rulemaking protocol was revised in 2002. The Board of Directors of LSC (“Board”) at that time believed that while there was no legal requirement for rulemaking procedures to be formalized in a written protocol, it was appropriate for LSC to produce such a document. As an independent entity not bound by the Administrative Procedure Act, LSC does not follow precisely the standardized regulatory processes of federal agencies, and in the interests of conducting its business in an open and fair way, LSC should make its rulemaking procedure generally known. The Board issuing this Protocol has determined these views to be sensible and has also determined that further revisions would be useful. This 2015 revision reflects more than a decade’s worth of experience in rulemaking under

the prior protocol and in addition incorporates certain trends in regulations, such as the emphasis on outcomes and on cost-benefit analysis.

It should be noted that since this Protocol is a statement of LSC internal procedure and is not itself a “rule, regulation, guideline or instruction,” LSC is not required by law to publish this Protocol or seek public comment. LSC is choosing to publish this Protocol in the Federal Register (and has also posted it on the LSC website at <http://www.lsc.gov>) in furtherance of LSC's general policy of transparency.¹ The Protocol begins with an overview of the rulemaking process as usually conducted and then proceeds to a more detailed discussion of the steps involved and certain variations that may occur.

II. Summary of the Usual Rulemaking Process

The Operations and Regulations Committee (“Committee”) is responsible for identifying rulemaking priorities for the Corporation in consultation with LSC Management and LSC’s Office of Inspector General (“OIG”), and for laying the groundwork for the Board’s initial consideration of a regulatory change. The usual vehicle for the Committee’s work will be a Rulemaking Agenda (“Agenda”), revised at least annually. Through the Agenda, LSC Management will propose a prioritized list of regulatory actions that the Committee will consider for action and presentation to the Board. The Agenda will serve as a work plan for the Committee and LSC staff.

As items from the Rulemaking Agenda come up for Committee consideration, LSC staff will produce a written statement describing the need for regulatory action. This document, termed a Justification Memorandum (“Memorandum”), is intended to be

¹ Although this Protocol reflects LSC policy, it is not intended to and shall not create or confer any rights for or on behalf of any person or party and shall not establish legally enforceable rights against LSC or establish any legally enforceable obligations on the part of LSC, its directors, officers, employees and other agents.

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flexible in character, and will be of a length and scope appropriate to the issue. The Memorandum will contain a recommendation from LSC Management regarding whether or not to authorize rulemaking.

Final authority over LSC rulemaking policies and actions rests with the Board. Under the LSC Act, the Board has the legal authority to initiate, terminate, or otherwise direct a rulemaking at any duly authorized meeting. Under normal circumstances, the Board will take three votes on a rulemaking:

(Vote 1) To authorize rulemaking

(Vote 2) To publish a Notice of Proposed Rulemaking (“NPRM”) for notice and comment

(Vote 3) To publish a Final Rule

Prior to each of these votes, the Committee normally will engage in public deliberation on the rulemaking, and the meeting or meetings at which such deliberations occur will include an opportunity for public comment. Upon concluding its deliberations, the Committee will vote on and issue a recommendation to the Board.

III. Rulemaking Protocol in Detail

Step 1 – Issue Identification and Inclusion on the Agenda

The initial impetus for a rulemaking may come from a variety of sources, including:

- New studies or other evidence;
- Initiatives arising from the Corporation’s Strategic Plan;
- Retrospective review of the Corporation’s regulations;
- Congressional directives;

- Board or Committee decisions;
- Requests from Management, the OIG, or individual members of the Board or Committee; or
- Petitions or recommendations from the regulated community and general public.

Management is responsible for compiling and conveying these possibilities, together with its views, for Committee consideration. At minimum, this will occur annually during revision of the Rulemaking Agenda.² It may, however, occur at any time as circumstances dictate or if a potential rulemaking is time-sensitive. From the possibilities presented by Management, the Committee will determine which items to include or exclude from further consideration for the coming year and will also indicate general priorities among the items included.

The annual preparation of the Agenda (and any significant revisions) will be reported to the Board at its Spring quarterly meeting. The Committee normally will develop the Agenda without Board action, but rather in consultation with Management and the OIG. The Board may specifically act to place (or remove) items on the Agenda. During the course of the year, the Committee may authorize LSC to undertake rulemakings that were not placed on the Rulemaking Agenda.

Step 2 – The Need for Regulation and the Justification Memorandum

Generally, LSC Management will work on items on the Rulemaking Agenda in the order of priority established by the Committee. Management will present each item to the

² This parallels the practice followed by many federal agencies of publishing their regulatory plans semi-annually in the Unified Agenda of Regulatory and Deregulatory Actions (www.reginfo.gov). LSC is not required to include its regulatory plans in this document, and its creation of a Rulemaking Agenda should not be interpreted as indicating intent at this time to participate in the Unified Agenda or to follow its requirements.

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Committee at a public meeting. Prior to that meeting, LSC Management will prepare a Justification Memorandum discussing the potential rulemaking for the Committee and the Board. This Memorandum will discuss the need for the regulatory action and Management's views on whether action is necessary or desirable. The Memorandum represents Management's considered view on the initiation of rulemaking and is developed in consultation with the OIG. OIG's views may be incorporated in the Memorandum submitted by Management, or OIG may submit them to the Committee independently.

Beyond these elements, the format of the Memorandum will be determined by the characteristics of each particular proposed rulemaking. Often, the focus at this early stage of the rulemaking will be simply on whether *some* change is warranted, rather than an assessment of any specific changes or routes by which they could be achieved. The Memorandum may discuss and evaluate:

- The effects of acting or not acting on a particular rulemaking proposal;
- The costs and benefits of engaging in rulemaking, compared to the status quo;
- Whether LSC needs additional information from the public before it can proceed with drafting an NPRM; and
- The suitability of particular processes, such as fact-gathering through a rulemaking workshop with stakeholders.

In other circumstances, where rulemaking is needed to conform the rule to statutory or regulatory changes, none of these analyses may be necessary.

LSC Management may provide the Committee and the Board with privileged advice related to a proposed rulemaking. That advice may be provided in writing, as well

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as in a closed session of the Committee or Board's meeting, as permitted by the Government in the Sunshine Act.

The Committee will consider the Memorandum at a public meeting, and a copy of the Memorandum (but not any privileged material) will be publicly available, either physically or online, at the time of the meeting. The Committee will then provide an independent recommendation to the Board on the advisability of initiating rulemaking. Instead of issuing a recommendation, the Committee may also choose to request further work by Management on particular issues and development of a revised Memorandum, which the Committee will consider at future public meeting.

If the Committee makes a recommendation to the Board, it is asking the Board to take the first of its votes on a particular rulemaking. The Board also has the option of requesting further work and a revised Memorandum before acting on the Committee's recommendation. If the Board votes to not initiate rulemaking without further instruction, it is effectively removing the rulemaking from the Rulemaking Agenda. If the Board votes to initiate rulemaking, it may attach to its vote further instructions regarding the scope of the rulemaking, particular changes desired, or processes to be used in developing the rule.

In certain circumstances, including time-sensitive matters that are relatively straightforward and anticipated to be uncontroversial, an accelerated process may be employed that combines Step 2 and Step 3 (discussed below). This would involve Management's preparation, with the concurrence of the Committee, of a Memorandum and a draft of an NPRM. If the Committee votes to recommend rulemaking, it could then proceed at the same meeting to consider a recommendation regarding the draft NPRM, and then present both recommendations in a combined motion to the Board. The Board could

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then choose to authorize both the opening of rulemaking and the publication of the NPRM for comment. In these circumstances, the Memorandum should contain a separate justification for the use of this accelerated process.

Step 3 – The Development of the Proposed Rule

Once the Board votes to open rulemaking, Management and the Committee will work together to oversee the process of developing the rule. For relatively straightforward rules, this may involve simply converting the Memorandum into the preamble of a draft NPRM, accompanied by proposed regulatory changes.

More complex rulemakings, especially those with different alternatives for regulating a particular issue, may call for public engagement at an early stage. The Committee, after consulting with Management, may vote at a public meeting to authorize preliminary information-gathering actions. Should the Committee use these methods, it will regularly report its actions and the results of its efforts to the Board.

In particular, rulemaking may be enhanced in some cases by the issuance of an Advanced Notice of Proposed Rulemaking (ANPRM) or a Request for Information (RFI) that solicits comments on certain issues or requests certain factual information at an early stage of the rulemaking process. An ANPRM or RFI may also be useful in collecting public views on the scope of the proposed rulemaking and on what issues to include or exclude from the proposed rule. In addition, if the costs and benefits associated with the rulemaking are unclear, LSC may use an ANPRM or an RFI to request that public input and data be provided to help understand the costs and benefits more clearly and accurately.

Alternatively, LSC may choose to seek public input through Rulemaking Workshops. Rulemaking Workshops consist of one or more publicly noticed meetings of

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the Committee with the participation of Management, invited stakeholder representatives, and other interested and well-informed parties. Workshops are open discussions designed to elicit information about problems or concerns with the regulation (or certain aspects thereof) and provide an opportunity for sharing ideas regarding how to address those issues. Using whatever electronic and online methods are feasible, the Workshop should be open to observation by, and input from, the general public, including those not physically present with the Committee. The Workshop is not generally intended to develop detailed alternatives or to obtain consensus on regulatory proposals, and the primary anticipated role of Committee members would be to engage other participants with relevant questions rather than issue immediate decisions.

A Negotiated Rulemaking³ is another alternative to develop an NPRM for a particular item. If the Committee determines this is the best approach, it will work with Management to designate a group of external representatives that will then meet with Management over an extended period, under supervision of a professional facilitator, in order to develop consensus regarding particular regulatory alternatives and the form of a draft NPRM.

The above mechanisms do not exhaust the ways LSC may develop its proposed rules. Where appropriate, LSC may publish general or specific requests for comment or surveys or use social media to seek public input on a proposed rule.

³ For further general information, see Negotiated Rulemaking Act of 1990, codified at 5 U.S.C §§ 561-70. LSC would be generally guided in the conduct of a negotiated rulemaking, should it choose to conduct one, by the principles and models contained in these statutes, but its particular parameters would be designated by the LSC Board of Directors, acting through the Committee.

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After gathering the necessary input, and as directed by the Committee, LSC staff will be responsible for drafting the NPRM in consultation with the OIG. LSC staff will submit the draft for review and approval or revision by the President of LSC. Once approved, LSC Management will submit the draft NPRM to the Committee for consideration at a public meeting.

Management will provide the draft NPRM to the Committee sufficiently in advance of the meeting to allow adequate time for consideration. The draft also will be made available both electronically in advance of the meeting and in physical form at the meeting. LSC will publish in the Federal Register a notice of the meeting announcing the placement of the draft NPRM on the Committee agenda and the availability of the draft NPRM on LSC's website. At the Committee meeting, Management will present the draft NPRM, and the Committee will provide a designated opportunity for public comment prior to a vote of the Committee to recommend publication. The Committee will then deliberate and decide whether to recommend that the Board publish the NPRM, recommend that the Board terminate the rulemaking, or make no recommendation to the Board, but instead return the draft to Management for further development.

If the Board authorizes by its vote publication of the NPRM, Management will make any necessary technical revisions to the document and submit it to the Federal Register for publication. The comment period will be at least 30 days, but may be longer at the discretion of the Committee and Management, or at the direction of the Board.

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Step 4 – Public Comment and the Development of the Final Rule

LSC will accept comments submitted in either physical or electronic form by the closing date stated in the NPRM published in the Federal Register. LSC will publish the notice and the NPRM on LSC's website.

Copies of all comments received during the designated comment period will be provided to the Committee and made available to other Board Members upon request. Copies of all comments will also be placed in a public docket available for inspection and copying in the FOIA Reading Room at the Corporation's offices, as well as in an electronic docket accessible from LSC's website.

In addition to comments received during the comment period, any relevant public comments made to the Committee during its public meetings on the rulemaking – including written comments submitted in conjunction with oral presentations – will be considered part of the administrative record of the rulemaking and included in LSC's docket. LSC will not consider or respond to comments submitted outside of the public comment period or the relevant Committee meetings for a particular rulemaking. In the event a comment submitted outside the time periods described above raises significant substantive or procedural questions that LSC believes are likely to affect the outcome of the rulemaking, LSC may provide another opportunity for the submitter to provide the comment to LSC in a public forum or by reopening the rulemaking.

In some circumstances, LSC may determine that publication of a revised (or "further") NPRM (an FNPRM) or a supplemental NPRM is necessary. These notices may be used to request comment on specific issues, on revisions to discrete parts of an NPRM, to clarify or add missing information to an existing NPRM, or in other instances where

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LSC wishes to obtain from or share information with the public. With notice to the Board, the Committee may authorize an FNPRM or a supplemental NPRM at a public meeting, designating an additional period of public comment no less than 30 days. The Committee may also authorize an extension or re-opening of the comment period on an existing NPRM.

Upon the close of the comment period, and upon determination that no further comment periods are needed, Management will draft the Final Rule in consultation with the OIG. LSC Management will submit the draft Final Rule to the Committee for consideration at a public meeting. The draft also will be made available both electronically in advance of the meeting and in physical form at the meeting. LSC will publish in the Federal Register a notice of the meeting announcing the placement of the draft Final Rule on the Committee agenda and the availability of the draft Final Rule on LSC's website. At the Committee meeting, Management will present the draft Final Rule, and the Committee will provide a designated opportunity for public comment prior to a vote of the Committee to recommend publication. The Committee will then deliberate and decide whether to recommend that the Board adopt the Final Rule as a federal regulation, recommend that the Board terminate the rulemaking, or make no recommendation to the Board, but instead return the draft to Management for further development.

If the Board authorizes by its vote adoption of the Final Rule (as amended, if it chooses to do so), Management will make any necessary minor revisions to the document submitting it to the Federal Register. Any changes to LSC's regulations will also be reflected on LSC's website. In accordance with the LSC Act, any regulatory change will not be operative for at least 30 days after publication as a Final Rule, and this period may

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be extended at the discretion of the Committee and Management, or at the direction of the Board.

Initial Rule
Code of Federal Regulations 45 Part 1630



OFFICE OF LEGAL AFFAIRS

TO: Operations and Regulations Committee

FROM: Ronald S. Flagg, General Counsel and Vice President for Legal Affairs
Stefanie K. Davis, Assistant General Counsel
Peter Karalis, Office of Legal Affairs Graduate Fellow

DATE: June 30, 2015

SUBJECT: Justification Memorandum: Proposed Rulemaking on 45 C.F.R. Part 1630—Cost Standards and Procedures and the Property Acquisition and Management Manual (PAMM)

This Justification Memorandum sets forth considerations and recommendations regarding potential revisions to 45 C.F.R. Part 1630 and the Property Acquisition and Management Manual (PAMM). Part 1630 establishes cost standards and procedures that govern the allowability of costs incurred by LSC recipients. The PAMM establishes policies and procedures related to the acquisition, use, and disposal of real property and non-expendable personal property. This Justification Memorandum summarizes the relevant regulatory history of Part 1630 and the PAMM, as well as the impetus for this rulemaking. It next outlines the areas of Part 1630 and the PAMM that Management proposes to consider within the scope of this rulemaking. Finally, this Justification Memorandum presents Management’s recommendation for the process of initiating this rulemaking.

I. Summary of Management Recommendation

Management recommends that the LSC Board of Directors (Board) authorize rulemaking and approve the preparation of an Advance Notice of Proposed Rulemaking (ANPRM) to revise Part 1630 and the PAMM. Management believes that the rulemaking process would benefit greatly from collecting input from the regulated community through an ANPRM published prior to determining the scope of the proposed revisions. The publication of an ANPRM would also enable LSC to develop a more accurate understanding of the potential costs and benefits of certain revisions.

II. Regulatory Background

The purpose of Part 1630 is “to provide uniform standards for allowability of costs and to provide a comprehensive, fair, timely, and flexible process for the resolution of questioned costs.” 45 C.F.R. § 1630.1. LSC last revised Part 1630 in 1997, when it published a final rule intended to “bring the Corporation’s cost standards and procedures into conformance with applicable provisions of the Inspector General Act, the Corporation’s appropriations action, and relevant Office of Management and Budget (‘OMB’) Circulars.” 62 Fed. Reg. 68219 (Dec. 31, 1997). Although OMB Circulars are not binding on the Corporation because it is not a federal agency, LSC adopted certain provisions from OMB Circulars pertaining to non-profit grants, audits, and cost principles into the final rule for Part 1630. *Id.* at 68219-20 (citing OMB Circulars A-50, A-110, A-122, and A-133).

LSC published the PAMM in 2001 “to provide recipients with a single complete and consolidated set of policies and procedures related to property acquisition, use and disposal.” 66 Fed. Reg. 47688 (Sept. 13, 2001). Prior to the PAMM’s issuance, such policies and procedures were “incomplete, outdated and dispersed among several different LSC documents.” *Id.* The PAMM contains policies and procedures that govern both real and non-expendable personal property, but, with the exception of contract services for capital improvements, the PAMM does not apply to expendable personal property or to contract services. *Id.* at 47695. The PAMM’s policies and procedures were developed with guidance from the Federal Acquisition Regulations, the Federal Property Management Regulations, and OMB Circular A-110. *Id.* at 47688. The PAMM also incorporates several references to provisions of Part 1630 pertaining to costs requiring LSC prior approvals and proper allocation of derivative income. *Id.* at 47696-98 (containing references to 45 C.F.R. §§ 1630.5(b)(2-4), 1630.5(c), and 1630.12, respectively).

III. Justification for Rulemaking

LSC believes that engaging in regulatory action is justified at this time. Part 1630 and the PAMM have not been revised since 1997 and 2001, respectively, during which time procurement practices and cost allocation principles applicable to awards of federal funds have changed significantly.

Additionally, LSC has identified several aspects of Part 1630 and the PAMM that reduce efficiency, create confusion, and fail to ensure accountability in the use of LSC funds. For example, Part 1630 overlaps with the PAMM with respect to establishing policy for when recipients must seek prior approval of a purchase of real property or non-expendable personal property. 45 C.F.R. §§ 1630.5 (describing costs requiring prior approval), 1630.6 (establishing the timetable and bases for granting prior approval). Management has determined that revising and restructuring these overlapping provisions of Part 1630 and the PAMM would provide

greater clarity and efficiency for recipients seeking to navigate the prior approval process. Clarifying when recipients must seek prior approval of purchases will align the text of the rule with agency practice and eliminate uncertainty about the application of those provisions. This revision would also be consistent with LSC's original purpose in issuing the PAMM "to provide recipients with a single complete and consolidated set of policies and procedures related to property acquisition, use and disposal." 66 Fed. Reg. at 47688.

LSC's Office of Inspector General (OIG) and LSC Management have also recommended that the Corporation consider revising § 1630.7(b). Section 1630.7(b) provides that if Management "determines that there is a basis for disallowing a questioned cost, and if not more than five years have elapsed since the recipient incurred the cost, Corporation management shall provide to the recipient written notice of its intent to disallow the cost." 45 C.F.R. § 1630.7(b). OIG and Management have expressed concern that this provision, in particular the lack of clarity regarding the triggering event for the five-year period, unnecessarily impedes LSC's ability to recover misspent funds.

In July 2014, the Operations and Regulations Committee (Committee) approved Management's proposed 2014–2015 rulemaking agenda, which included the revision of Part 1630 and the PAMM as a priority item. In addition to the issues identified above, Management has identified several other areas of Part 1630 and the PAMM that would benefit from the rulemaking process, discussed in detail below. LSC believes that the improvements to the rules will considerably outweigh the costs associated with developing and seeking comment on the proposed and final rules. LSC also believes that the difficulties LSC experiences in applying ambiguous rules, as well as the limitations that the current rules place on LSC's ability to ensure efficiency and accountability in its grant-making and grants oversight, outweigh the costs involved in the rulemaking process.

IV. Preliminary Considerations for Rulemaking

Management has identified the following as potential areas for revision within Part 1630 and the PAMM. Other potential areas for rulemaking may be identified during the process, and would be recommended for inclusion as appropriate. In addition, just as LSC referred to OMB Circulars for guidance when drafting the current Part 1630 and the PAMM, LSC will look to OMB's Uniform Grant Guidance, which consolidated OMB's Circulars in 2013, for guidance during this rulemaking.

A. Revising and Restructuring Provisions Governing Prior Approval

To improve the organization and clarity of Part 1630, Management proposes to consider restructuring 45 C.F.R. § 1630.5, which currently governs three discrete topics:

- 1) recipient requests for advance understanding of whether an unusual or special cost is allowable (§ 1630.5(a));
- 2) costs for which prior approval is necessary (§ 1630.5(b)); and
- 3) the duration of a prior approval or advance understanding (§1630.5(c)).

Section 1630.5(b) lists four types of costs requiring prior approval, the first of which is not directly related to property:

- 1) pre-award costs and costs incurred after the cessation of funding;
- 2) purchases and leases of personal property if the individual purchase price of any item exceeds \$10,000;
- 3) purchases of real property; and
- 4) capital expenditures exceeding \$10,000 to improve real property.

As part of this process, Management also proposes to consider expressly incorporating all of the procedures and requirements governing prior approval that are related to property into the PAMM. By its own terms, the PAMM is supposed to represent the consolidation of “all of the relevant policies and requirements related to the acquisition, use and disposal of real and personal property” in a single document. 66 Fed. Reg. 47688 (Sept. 13, 2001). In fact, however, the PAMM merely incorporates some of these policies and requirements by reference. For example, § 1630.5(b)-(c), as previously described, requires prior approval for certain costs involved in the purchase or lease of personal property or the purchase or improvement of real property. *Id.* at 47696. Program Letter 98-4 established the processes for requesting prior approval, provisions of which were incorporated into the PAMM. *Id.* at 47689. The PAMM omits other provisions altogether, such as § 1630.6, which establishes the timetable and basis for granting prior approval.

Finally, Management proposes to consider raising the prior approval threshold and indexing it for inflation. The \$10,000 threshold was adopted over 20 years ago and is not indexed for inflation. Thus, it requires recipients to seek prior approval for purchases considerably smaller than those for which LSC intended to require prior approval at the time the PAMM was published.

B. Updating Prior Approval Requirements for Personal Property and Real Property

There are various inconsistencies between Part 1630 and the PAMM that Management believes may be resolved through rulemaking. First, Management proposes to consider revising 45 C.F.R. § 1630.5(c) and § 3(d) of the PAMM to require prior approval for each transaction in which the aggregate cost of all items of personal property exceeds the threshold. Both sections currently require recipients to obtain prior approval only for acquisition of an “*individual*” item of personal property that has a value exceeding \$10,000. LSC’s Office of Compliance and Enforcement (OCE) and OIG, however, both have applied § 1630.5(c) and § 3(d) of the PAMM as requiring prior approval for a single acquisition of *multiple related* items that have an aggregate value exceeding \$10,000. This revision would, therefore, make the rules consistent with LSC and OIG’s policy.

Management also proposes to consider revising other provisions of the PAMM pertaining to real property. These would include the definitions of “acquisition costs for real property” and “capital improvement,” which are incomplete and contain inconsistencies. Currently, neither definition covers renovations of real property. In addition, § 7(a) of the PAMM, which governs a recipient’s disposal of real property during the grant period, is the only property disposal process outlined in the PAMM that does not expressly require LSC’s approval.

C. Revising the Limitations Period on the Recovery of Disallowed Costs

OIG and LSC Management propose to consider revising 45 C.F.R. § 1630.7(b), which currently states that LSC may commence a disallowed cost proceeding only if no more than five years have elapsed since a recipient incurred the cost in question. This revision could address OIG’s and Management’s concerns by providing the Corporation with more flexibility to ensure that recipients are fully accountable for their use of LSC funds. Management proposes to consider the timing of and the elements that must be included in a notice of a potential questioned cost proceeding which would trigger the five-year period.

D. Incorporating Procedures and Requirements for Services

Management proposes to consider including procurement procedures and prior approval requirements for contracts for services within Part 1630 and the PAMM. Neither Part 1630 nor the PAMM requires prior approval or any specific procurement procedures for services contracts, either alone or accompanying a purchase of personal property. For example, contracts with information technology providers often include both equipment (personal property) and services. Therefore, recipients must currently separate services out from personal property before determining whether they need to seek prior approval of a purchase of personal property. Recipients potentially may also enter into contracts for a significant amount of LSC funds over

which the Corporation has no oversight. By contrast, LSC's Technology Initiative Grant (TIG) program requires recipients to follow procurement procedures, but not obtain prior approval, for all procurements of any kind over \$3,500.

E. Revising the Requirements for Using LSC Funds for Federal Matching Purposes

Management proposes to consider modifying the requirement in 45 C.F.R. § 1630.3(a)(8) that recipients obtain written consent from a federal agency before using LSC funds to match a federal grant awarded by that agency. Under this section, recipients may use LSC funds to satisfy the matching requirement of another federally funded program only if "the agency whose funds are being matched determines in writing that Corporation funds may be used for federal matching purposes[.]" 45 C.F.R. § 1630.3(a)(8). LSC funds are not "federal funds" for matching purposes and may generally be used to match a federal award. Management understands that LSC grantees find this requirement burdensome because awarding agencies do not normally confirm in writing that the proposed source of a funding applicant's non-Federal match is a permissible source. Thus, even if the agency would not prohibit the match, § 1630.3(a)(8) currently prohibits the match if the agency will not provide written consent. LSC also believes that the requirement is not necessary to ensure that grantees using LSC funds to match a federal grant continue to use those funds consistent with LSC's governing statutes and regulations. LSC proposes to consider removing the requirement to obtain written consent and consider alternative ways to convey LSC's position on the use of its funds as matching funds.

F. Revising the Definition of "Personal Property"

Management proposes to consider revising the PAMM's definition of "personal property" to clarify that it includes software licenses and intellectual property. The definition of "personal property" in § 2(f) of the PAMM includes intangible property and types of intellectual property, such as copyrights or patents. However, it does not expressly include "intellectual property" as a category of personal property, nor does it include items such as software and software licenses that are often considered to be intellectual and/or personal property.

G. Revising the Real Property Disposition Requirements for Entities That Cease to Receive LSC Funding

Management proposes to consider revising the provisions governing disposition of real property purchased with LSC funds by entities that cease to receive LSC funding. Section 7(c) of the PAMM establishes the procedures for recipients to dispose of real property purchased with LSC funds. Pursuant to § 7(c) of the PAMM, when an entity no longer receives funding from LSC, it may: (1) transfer the real property to another LSC recipient; (2) retain title to the real property and pay LSC that percentage of the fair market value of the property that represents the percentage of the acquisition cost attributable to LSC funds; or (3) sell the real property and

compensate LSC as described in (2), minus actual and reasonable selling and fix-up expenses. Although this procedure is consistent with federal practice, the Corporation proposes to seek comments from grantees and others on whether it is the optimal approach.

H. Adopting the PAMM as a Codified Rule

Management proposes to consider adopting the provisions of the PAMM as a codified rule in the Code of Federal Regulations. Although the PAMM is not codified, it has characteristics in common with legislative rules. For example, it was adopted after notice and an opportunity for public comment. LSC also assesses recipients' compliance with the provisions of the PAMM. Management believes that the codification of the PAMM may further promote and preserve the effectiveness and consistency of LSC's property acquisition, use, and disposal policies and procedures.

V. Management Recommendation

LSC Management recommends that the Board authorize notice and comment rulemaking and approve the preparation of an ANPRM to consider revisions to 45 C.F.R. Part 1630 and the PAMM. The questions presented in the ANPRM would be drafted in accordance with the considerations for rulemaking outlined in the previous section and any other issues identified by Management. Additionally, an ANPRM would enable LSC to collect valuable insight from the regulated community on the proper scope of the proposed rulemaking and to develop a more accurate understanding of the costs and benefits that certain revisions may entail. If the Board authorizes this rulemaking, Management proposes to submit a draft ANPRM to the Committee for approval at its October 2015 meeting.

2016 Grant Assurances

1. 2016 Grant Assurances Memo
2. Statement of Purpose – LSC Grant Assurances (2007)
3. Summary of Changes for the 2016 Grant Assurances
4. Draft 2016 Grant Assurances – Track Changes Version
5. Draft 2016 Grant Assurances – Without Track Changes
6. Grant Assurances – Public Comments: NLADA #13, #14, #17
7. Grant Assurances – Public Comment: Northwest Justice Project #13, #17



MEMORANDUM

TO: Operations and Regulations Committee

FROM: James J. Sandman, President

DATE: July 7, 2015

SUBJECT: Grant Assurances for LSC 2016 Grant Awards

This memorandum addresses the LSC Grant Assurances for 2016 basic-field grant awards. Management proposes five changes to the current (2015) Grant Assurances. Four of the changes are updates affecting Grant Assurances 2, 14, 16, and 17. In addition, there is one new Grant Assurance, inserted as number 13. This new grant assurance requires LSC recipients to have a whistleblower protection policy and a conflicts of interest policy. (*The Grant Assurances, with the changes in redline format, appear at Attachment 3.*)

The LSC Grant Assurances Committee (Committee) developed these changes with guidance from the "Statement of Purpose—LSC Grant Assurances," which is the LSC guide for revisions to the Grant Assurances. (*Please see Attachment 1.*)

LSC published the proposed 2016 Grant Assurances on April 17, 2015, for a thirty-day public comment period and received comments from the National Legal Aid and Defender Association (NLADA) and from Northwest Justice Project (NJP). NLADA commented on Grant Assurances 13, 14, and 17. NJP commented on Grant Assurances 13 and 17. LSC received no comments on Grant Assurance 2 or Grant Assurance 16. (*The comments appear after this memo and attachments.*) The attached 2016 Grant Assurances reflect modifications from the initial, published proposals in response to these comments.

Background

Grant Assurances are uniform for all grantees, and LSC requires each LSC grantee to execute them as part of the application for, and acceptance of, an LSC grant. They include certifications by the grantee and delineate certain responsibilities of the grantee. Grant Assurances 1–6 address legal requirements; Grant Assurances 7–9 address programmatic requirements; Grant Assurances 10–20 address records and information, recordkeeping, notification requirements, and required policies regarding whistleblower protection and conflicts of interest; and Grant Assurances 21–22 address the grantee's responsibility to assist in resolving outstanding audit or compliance issues and the use of the LSC logo.

The Grant Assurances are periodically updated or revised based on LSC's experience and on suggestions received from the Office of Inspector General (OIG), LSC management, and third parties. They are reviewed annually by the Committee, which is comprised of representatives from the Offices of Compliance and Enforcement, Legal Affairs, and Program Performance. Representatives from the OIG provide recommendations and participate in Committee discussions.

Publication of Proposed Changes

LSC published the proposed 2016 Grant Assurances, for public comment, on the LSC website on April 17, 2015. A Federal Register notice (80 Fed. Reg. 21264 (April 17, 2015)) informed the public of the proposed changes, the location of the proposed Grant Assurances on the LSC website, and the options for submitting comments to LSC. LSC also emailed the notice of the proposed changes and the link to the webpage to all LSC recipients.

New Grant Assurance 13 would require LSC recipients to have, by the beginning of the grant term, a whistleblower protection policy and a conflicts of interest policy. In addition, this Grant Assurance would require recipients to provide training on these policies, and to document the training on and distribution of these policies. The purpose of this proposed grant assurance is to promote good program governance and oversight.

Grant Assurance 14 prohibits grantees from taking or threatening to take disciplinary action against any person for cooperating with, or for the appropriate release of information to, LSC or any other authorized entity. This provides protection for both whistleblowers and for individuals cooperating with oversight reviews and authorized data collection, regardless of whether they are whistleblowers. It also requires each grantee to notify its staff and volunteers (including board members) that it will not take retaliatory actions for any appropriate cooperation with LSC or any other authorized entity. The proposed change to the Grant Assurance provides stronger anti-retaliation protection. It notifies recipients that retaliatory action is prohibited for “good faith” cooperation with LSC or other authorized entities. The Grant Assurance retains the phrase “appropriate release of information” to ensure that privileged information is not released.

Grant Assurance 17 requires recipients to notify LSC whenever (1) the recipient receives any notice of a claim for attorney's fees from the recipient; (2) any monetary judgment, sanction, or penalty is entered against the recipient; (3) there has been a *force majeure* event; or (4) any of the recipient's key officials is charged with fraud, misappropriation, embezzlement, theft, or any similar offense, or is subject to suspension, loss of license, or other disciplinary action by a bar or other professional licensing organization. The change that LSC initially proposed would have added to the fourth requirement “any employee with fiscal responsibilities,” in addition to the recipient's key officials. It would have also required provision of that notice within 10 days of an occurrence and notification to both the OIG and OCE. In response to comments LSC received, we have defined more explicitly what employees are covered by this provision.

Comments and Recommendations

Of the five comments received, two pertain to Grant Assurance 13, one addressed Grant Assurance 14, and two addressed Grant Assurance 17. No comments were received regarding Grant Assurances 2 and 16.

Grant Assurance 13

Grant Assurance 13 would require each recipient to adopt a conflicts of interest policy and a whistleblower protection policy. NLADA recommended that LSC not add this Grant Assurance. NLADA argued that singling out these policies in the Grant Assurances is unnecessary because they are encompassed as a legal requirement in LSC Grant Assurance 1 and because the IRS mandates adoption of these policies through the non-profit reporting Form 990.

IRS Form 990 inquires whether the filer has conflicts of interest and whistleblower policies. It does not, however, require that the filer have those policies. Form 990 merely provides public disclosure of whether or not the filer has those policies without imposing any obligation that the filer have them. SC believes that every grantee should have conflicts of interest and whistleblower policies, and including these policies in the Grant Assurances “provides specific notice of [each] requirement [that] might not be otherwise readily known to the grantee.” (*Statement of Purpose—LSC Grant Assurances*, Attachment 1 at p. 2.)

NJP agreed with the issues raised by NLADA, but supported Grant Assurance 13 if (a) the recipient has authority to determine which employees are covered by a conflicts of interest policy, and (b) LSC does not require any new training or documentation requirements related to a “well-communicated ‘whistleblower’ policy” NJP requested that LSC clarify which individuals are affected by these policies and the training requirements.

Management recommends adoption of proposed Grant Assurance 13 with clarification. The proposed language allows each recipient to set the coverage of its own conflicts of interest policy. It also sets reasonable requirements for documenting the distribution of, and training on, both policies. LSC has revised Grant Assurance 13 to state more clearly that it requires only that recipients distribute and provide training on these policies to individuals who are covered by them. In addition, LSC has specified the types of reporting that need to be covered by the whistleblower policy.

Grant Assurance 14

Only NLADA commented on Grant Assurance 14. This Grant Assurance prohibits grantees from taking or threatening to take disciplinary action against any person for good faith cooperation with, or the appropriate release of information to, LSC or any other authorized entity. In addition, Grant Assurance 14 requires recipients to notify its staff and volunteers that it will not take retaliatory action against them for good faith cooperation with or the appropriate release of information to LSC or any other authorized entity. NLADA recommended using the term “acting on reasonable belief” instead of “good faith.” NLADA said:

This [reasonable belief] is the standard contained in the Sarbanes-Oxley Act (“SOX”), 18 U.S.C. § 1514A, a federal statute that provides whistleblower protection for employees disclosing information about delineated fraudulent conduct including certain criminal fraud statutes. Federal courts interpret this standard as including both an objective

standard – a reasonable belief that conduct complained of constitutes a violation and a subjective standard – that the employee was acting in good faith interpret the standard. *See Day v. Staples, Inc.*, 555 F.3d 42, 53 (1st Cir. Mass. 2009).

Management recommends adoption of proposed Grant Assurance 14 without further changes. We believe the meaning of “reasonable belief” in the provision NLADA proposes is confusing and unclear. LSC believes that its proposed language achieves the goal of strengthening the current requirement and providing broader protection to whistleblowers.

Grant Assurance 17

Both NLADA and NJP commented on the proposed change to Grant Assurance 17. This Grant Assurance requires recipients to notify LSC of receipt of any notice of a claim for attorney's fees from the recipient; of any monetary judgment, sanction, or penalty entered against the recipient; of a *force majeure* event; and if recipient's key officials have been charged with fraud, misappropriation, embezzlement, theft, or any similar offense, or subjected to suspension, disciplinary action, or loss of license.

LSC proposed broadening the scope of the requirement to include both key officials and “any employee with fiscal responsibilities.” LSC determined that the proposed change is necessary because the wording of the current Grant Assurance may not result in adequate disclosure of significant events.

NLADA and NJP asked for a clear definition of “any employee with fiscal responsibilities.” NLADA and NJP commented that the language could be interpreted to include employees such as attorneys, paralegals, or legal assistants who have limited responsibilities related to financial matters, such as keeping track of costs and fees while working on a client's case. In addition, NLADA recommended a change to the proposed Grant Assurance to indicate that a recipient's obligation to notify LSC begins when the grantee becomes aware of the charges or disciplinary actions that must be reported.

Management recommends adoption of Grant Assurance 17 with modifications. LSC has modified the proposed language for Grant Assurance 17 in response to the comments received. LSC did not intend the requirement to apply to recipient employees who have only limited responsibility over funds. LSC has replaced the phrase “any employee with fiscal responsibilities” with “any employee with control over recipient finances, or any employee with financial management responsibilities.” This addition will provide LSC with better disclosure regarding financial risks posed by such individuals in these situations.

With regard to NLADA's comment regarding notification to LSC when the recipient becomes aware of the charges or disciplinary actions, LSC determined that the addition is not necessary, because the 10 day requirement is reasonable and encourages recipients to contact LSC as early as they can.

This memorandum includes the following four attachments:

- **Attachment 1** is the LSC "Statement of Purpose—LSC Grant Assurances," which is the guide that LSC uses in considering revisions to the Grant Assurances.
- **Attachment 2** contains the rationale for the proposed revisions for the 2016 Grant Assurances. Revisions are proposed for Grant Assurances 2, 14, 16, and 17. In addition, LSC is proposing a new Grant Assurance, *i.e.*, Grant Assurance 13.
- **Attachment 3** is a copy of the 2016 Grant Assurances shown in redline format from the current Grant Assurances.
- **Attachment 4** is a clean copy of the 2016 Grant Assurances.

I do not believe that the 2016 Grant Assurances require action by the Operations and Regulations Committee, or the full Board. In recent years, however, Grant Assurances have been presented to this Committee. Consistent with that practice, I am submitting them to the Committee, and I would be happy to answer any questions you may have or provide any additional information.



Statement of Purpose - LSC Grant Assurances
(Final - January 18, 2007)

The purpose of the LSC Grant Assurances is to delineate the rights and responsibilities of LSC and the recipient pursuant to the provisions of the grant.¹

As a grant making agency created by Congress, LSC has Grant Assurances that are intended to reiterate and/or clarify the responsibilities and obligations already applicable through existing law and regulations and/or obligate the recipient to comply with specific additional requirements in order to effectuate the purposes of the LSC Act and other applicable law.

LSC Grant Assurances must serve one or more of the following objectives:

- 1) Ensure or support compliance with applicable law
- 2) Protect the legal and financial interests of LSC as grantor
- 3) Enable LSC to administer its grants effectively and efficiently
- 4) Promote the effective delivery of high quality legal services to eligible clients in an efficient manner
- 5) Prevent disputes and promote the expeditious resolution of any disputes that do occur

In addition, if a potential Grant Assurance serves one or more of the objectives stated above, in order for it to be included, it must meet the following requirements:

- 1) It is reasonably related to the purpose of the grant
- 2) It is appropriate for uniform application to all recipients
- 3) It is not duplicative of another existing Grant Assurance

¹There are substantive distinctions between Grant Assurances and special grant conditions. Grant assurances apply to all grantees. Special grant conditions are specific in application to an individual grantee.

ATTACHMENT – 1 (continued)

Further, a potential Grant Assurance which appears appropriate for inclusion because it fulfills the criteria set forth above should also:

- 4) be drafted in simple and straightforward terms, to the extent possible, and
- 5) the value of its objectives should outweigh any additional burden that the Grant Assurance imposes on grantees (does not apply to reiteration of statutory or regulatory requirements)

If a Grant Assurance reiterates a statutory or regulatory requirement, one or more of the following applies:

- 1) It clarifies the requirement in order to provide additional guidance
- 2) It provides specific notice of the requirement which might not be otherwise readily known to the grantee
- 3) LSC is required by statute or regulation to include the requirement in the Grant Assurances

Summary of Proposed Changes for the 2016 Grant Assurances

Grant assurances 2, 14, 16, and 17 are modified. Grant assurance 13 is new. To facilitate your review, the updates are shown in redline format at Attachment 3 and as a clean copy with changes accepted at Attachment 4. The attachment Grant Assurances incorporate changes resulting from comments received during the public comment period.

Grant Assurance 2

This Grant Assurances notifies each recipient that it is subject to all provisions of Federal law relating to the proper use of Federal funds; of its responsibility to inform its employees and its board of the laws governing Federal funding; and of the consequences of violating the laws as required by 45 C.F.R. Part 1640.

The proposed change refers recipients to a list of Federal laws related to the proper use of Federal funds, and notifies recipients that a violation of any of the Federal laws listed could result in summary termination of the LSC grant.

Rationale: The proposed changes are required as a result of the May 2015 revision to 45 C.F.R. Part 1640.

Grant Assurance 13

This Grant Assurance is new. It requires each LSC recipient to have a whistleblower policy and a conflicts of interest policy, to provide training on these polices, and to document the training and distribution of these policies to all covered individuals.

The purpose of this new grant assurance is to help prevent fraud, protect recipient resources, prevent actual or apparent conflicts of interest that may affect recipient expenditures or decisions, and provide avenues for and protection to individuals who raise concerns about illegal or improper practices at legal services programs.

Rationale: These policies are an important element of effective governance.

Grant Assurance 14

This Grant Assurance prohibits recipients from taking or threatening to take disciplinary action against any person for cooperating with or appropriately releasing information to LSC or other entity authorized to receive such cooperation. It also requires recipients to notify its staff and volunteers of this non-retaliation policy.

The proposed change replaces language regarding “appropriate cooperation” with “good faith cooperation” to better protect recipient staff and board members who cooperate with oversight efforts by LSC (including the OIG) or other authorized entities such as the Government Accountability Office. The use of this term is consistent with LSC’s own Code

of Ethics and Conduct. The proposal retains the qualifying phrase “appropriate release of information” to help prevent inappropriate release of privileged information. Other changes to the language are technical corrections and edits.

Rationale: The proposed change is intended to provide stronger protection against retaliation, encourage reporting to and cooperation with LSC, and to further clarify the grant assurance.

Grant Assurance 16

This Grant Assurance requires LSC recipients to notify the OIG when it has reason to believe it has been the victim of a loss of \$200 or more as a result of any crime, fraud, misappropriation, embezzlement, or theft involving property, client funds, LSC funds, as well as non-LSC funds used for the provision of legal assistance; or when local, state, or Federal law enforcement officials are contacted by the program about a crime. It also requires recipients to notify the OIG if it has been the victim of a theft of items such as credit cards, check stock, passwords, or electronic access codes that could lead to a loss of \$200 or more.

The proposed changes are technical edits in the first sentence.

Rationale: The proposed changes further clarify the Grant Assurance.

Grant Assurance 17

This Grant Assurance requires recipients to notify LSC of a receipt of any notice of a claim for attorneys’ fees from the recipient; any monetary judgment, sanction, or penalty entered against the recipient; a force majeure event; and if the recipient’s key officials have been charged with fraud, misappropriation, embezzlement, theft, or any similar offense, or are subjected to suspension, loss of license, or other disciplinary action by a bar or other professional licensing organization.

The proposed change clarifies the scope of the requirement to add all employees with control over recipient finances, or any employees with financial management responsibilities.

Rationale: The proposed change is needed to expand the scope of the Grant Assurance to cover all employees with significant financial responsibilities and minimize the risk of mishandling recipient funds.



**LSC Grant Assurances
Proposed for Calendar Year 2016 Funding**

If Applicant is successful and receives an LSC grant or contract,

APPLICANT HEREBY ASSURES THAT:

1. It will comply with the requirements of the Legal Services Corporation Act of 1974 as amended (LSC Act), any applicable appropriations acts and any other applicable law, rules, regulations, policies, guidelines, instructions, and other directives of the Legal Services Corporation (LSC), including, but not limited to, LSC Audit Guide for Recipients and Auditors, the Accounting Guide (2010 Edition), the CSR Handbook (2008 Edition, as amended 2011), the 1981 LSC Property Manual (as amended) and the Property Acquisition and Management Manual, and with any amendments of the foregoing adopted before or during the period of this grant. It will comply with both substantive and procedural requirements, including recordkeeping and reporting requirements. It understands that a successful Applicant may be required to agree to special grant conditions as a condition of receiving the grant. Multi-year grants must be renewed each year. Upon renewal, new terms and conditions may apply.
2. It agrees to be subject to all provisions of Federal law relating to the proper use of Federal funds ~~listed in 45 C.F.R. § 1640.2(a)(1).~~ A list of these laws is available at <http://grants.lsc.gov/45-cfr-part-1640-applicable-federal-laws>. It understands that if Applicant violates any of the Federal laws identified in 45 C.F.R. Part 1640 on the list, it may be subject to ~~civil, criminal and/or administrative penalties. the summary termination of its LSC grant as authorized by Pub. L. 104-193, Tit. V., § 504(a)(19).~~ It represents that it has informed employees and board members of the Federal laws and their consequences both to the recipient and to themselves as individuals as required ~~in~~by 45 C.F.R. § 1640.3.
3. It agrees that all derivative income from these grant funds shall also be subject to the terms and conditions of this grant as authorized by 45 C.F.R. Part 1630.
4. It will not discriminate on the basis of race, color, religion, gender, age, disability, national origin, sexual orientation, or any other basis prohibited by law against: (1) any person applying for employment or employed by the Applicant; or (2) any person seeking or provided assistance from the Applicant or other program(s) supported in whole or in part by this grant. The governing body has adopted or will adopt in a

timely manner Equal Opportunity and Sexual Harassment Policies, each of which must include an effective mechanism for processing complaints.

5. It will notify the LSC Office of Inspector General (OIG) within thirty (30) calendar days after replacement of the Independent Public Accountant (IPA), termination of the IPA, or any other occurrence resulting in a new IPA performing the grantee's annual financial audit. No audit costs may be charged to the LSC grant when the audit required has not been made in accordance with the guidance promulgated by the OIG. It understands that if it fails to have an audit acceptable to the OIG in accordance with the OIG's audit guidance (including the Audit Guide for Recipients and Auditors), LSC may impose sanctions in addition to those specified by statute, which are: (1) withholding of a percentage of the recipient's funding until the audit is completed satisfactorily; and (2) suspension of the recipient's funding until an acceptable audit is completed. Other possible sanctions that LSC may impose for not having an acceptable audit include special grant conditions and/or corrective actions.
6. It understands that Congress may reduce, rescind or sequester LSC funding or may impose additional requirements or restrictions on the use of LSC funding. An award of a grant under the competitive bidding process does not obligate LSC to disburse any funds that are not authorized or appropriated by Congress, nor preclude the imposition of additional Congressional requirements on any funds that are so disbursed. Such requirements or reductions as implemented by LSC shall not constitute a termination or suspension of funding.
7. It will provide legal services in accordance with the plans set out in its grant application, as modified in further negotiations with LSC, and agrees to provide high quality, economical, and effective legal assistance, as measured by the LSC Performance Criteria, ABA Standards for the Provision of Civil Legal Aid, ABA Standards for Programs Providing Civil Pro Bono Legal Services to Persons of Limited Means, and consistent with any applicable code or rules of professional conduct, responsibilities, or ethics.
8. With respect to its office technology:
 - a) it has an information security system that ensures confidentiality and security of its operations, assets, data, and files.
 - b) it will conduct program-wide conflicts checking contemporaneously with intake using a case management system with an electronic database, including when intake is conducted outside its offices and contemporaneous access to the case management system is available.
 - c) it has a plan for backing up case management data, financial data, documents and other critical data. It performs these backups at least weekly and checks their integrity by restoring test files. Further, it stores electronic or physical copies of these backups in a safe, offsite location.

- d) it has the capacity to convert paper documents into Portable Document Format (PDF) and the capacity to transmit those documents as electronic files.
 - e) each case handler has a computer at her or his work area that can perform all of the following functions: word processing, access to the case management system, access to time-keeping, access to the Internet, including the ability to download files from the Internet, and e-mail capability with the capacity to send and receive messages and attachments both internally and externally. It understands that the above functions describe the minimum functionality of existing computers only. It further agrees that any new computer, monitor, or printer purchased to perform the above functions will have a capacity to exceed the demands of current operating systems and software so that it can reasonably be expected to perform adequately with few upgrades for at least three (3) years.
9. It will work with other LSC and non-LSC-funded legal services providers in the State to ensure that there is a statewide website that publishes a full range of relevant and up-to-date community legal education/pro se related materials and referral information, at least covering the common topics facing the client communities on the subject matters that are the Applicant's priorities. It will contribute to sustaining said website according to the plan for the development and maintenance of the website adopted by the statewide website Stakeholders Committee of which it will be a member. As a member of the Committee it will work to ensure that: 1) outreach is conducted for members of the client community to inform them of the website and about how to use it, 2) the website is periodically evaluated and updated for ease of use and accessibility to meet the needs of as many consumers as possible, 3) the LSC logo is included on the website, at least on the homepage, and 4) the website indicates that LSC funded programs participate in the website consistent with LSC restrictions. *Sample disclaimer language for the homepage or other prominent location: LSC's support for this website is limited to those activities that are consistent with LSC restrictions* (see Grant Assurance 21 for further instructions and clarification on terms of usage). If a Technology Initiative Grant (TIG) was awarded to start the website using either the LawHelp or Open Source template, it will maintain the scope of functionality of the template it was using, including the capability of having separate sections on the website for clients, legal services advocates, and pro bono attorneys; adhering to the "National Subject Matter Index"; and the ability to use the LawHelp interactive HotDocs server.
10. During normal business hours and upon request, it will give any authorized representative of LSC, including the OIG, or the Comptroller General of the United States (which includes the Government Accountability Office (GAO)) access to and copies of all records that they are entitled to under the provisions of the LSC Act and other applicable laws. This requirement does not apply to any such materials that may be properly withheld due to applicable law or rules. It agrees to provide LSC with the requested materials in a form determined by LSC while, to the extent consistent with this requirement, preserving applicable client secrets and confidences and respecting the privacy interests of the Applicant's staff members. For each record subject to the attorney-client privilege, it will identify in writing the specific record or

portion thereof not being provided and the legal justification for not providing the record or portion thereof.

11. Notwithstanding any other Grant Assurance, §1006(b)(3) of the LSC Act, 42 U.S.C. § 2996e(b)(3), or any state rule governing professional responsibility, it shall, upon request, provide access to and copies of financial records, time records, retainer agreements, client trust fund and eligibility records, and client names, except for those reports or records that may be properly withheld due to applicable law governing attorney-client privilege, to LSC, including the OIG, and to any Federal department or agency that is auditing or monitoring the activities of LSC or of the Applicant and any independent auditor or monitor receiving Federal funds to conduct such auditing or monitoring, including any auditor or monitor of LSC. For each record subject to the attorney-client privilege, it will identify in writing the specific record or portion thereof not being provided and the legal justification for not providing the record or portion thereof. Any materials furnished pursuant to this Assurance shall be provided in a timely manner.
12. It will cooperate with all reasonable information collection, including surveys, questionnaires, monitoring, audits, investigations, and compliance or evaluation activities undertaken by LSC, including the OIG, or its agents. Such cooperation shall include making staff available to LSC, including the OIG, or its agents for interview and otherwise allowing staff to cooperate with the same. It understands that nothing in these Grant Assurances in any way restricts or limits the authority of the LSC OIG to access any and all records and information to which it is entitled under the Inspector General Act of 1978, as amended, 5 U.S.C. app. § 3. It will submit, for each year of the grant and for each service area for which a grant is awarded, Grant Activity Reports in a format and at a time determined by LSC.
13. It has, or will adopt prior to commencement of the grant: (1) a written whistleblower policy encouraging reporting of unlawful or unethical activity (i.e., violation of any law, policy, or regulation; abuse of authority; gross waste of funds; fraud; embezzlement; theft; improper destruction of records; or providing false information) and prohibiting retaliation and (2) a written conflicts of interest policy. It shall distribute these policies, and provide training about these policies, to all covered individuals. It shall document its distribution of, and training on, both policies.
- 13.14. It will not take or threaten to take any disciplinary or other retaliatory action against any person for good faith because of any appropriate cooperation with or the appropriate release of information to LSC, including the OIG, or other entity authorized to receive such cooperation or information ~~pursuant to applicable procedures and~~ consistent with any applicable law, ~~code of ethics,~~ or rule of professional ~~responsibility~~conduct. It will notify its employees and volunteers in writing that it will not take any disciplinary or other retaliatory action against an employee or volunteer (including board members) for any ~~appropriate good faith~~ cooperation with LSC, including the OIG, or other entity authorized to receive such cooperation.

15. It will notify the LSC Office of Information Management within thirty (30) calendar days after any of the following occurrences that involve activities funded by the grant:
 - a. a decision to close and/or relocate any main or staffed branch office;
 - b. change of chairperson of the governing/policy body (including the new chairperson's name, telephone number, and e-mail address);
 - c. change of chief executive officer (including the new chief executive officer's name, telephone number, and e-mail address);
 - d. change in its charter, articles of incorporation, by-laws, or governing body structure; or
 - e. change in its main e-mail address or its website address (URL).

16. It will notify the LSC OIG Hotline (Telephone: 800-678-8868 or 202-295-1670; E-mail hotline@oig.lsc.gov; Fax 202-337-7155) within two (2) business days of (1) the discovery of any information that gives it reason to believe it has been the victim of a loss of \$200 or more as a result of any: willful misrepresentation or theft of time, crime, fraud, misappropriation, embezzlement, or theft involving property, client funds, LSC funds, and/or non-LSC funds used for the provision of legal assistance; ~~or (2)~~ when the grantee has contacted local, state, or Federal law enforcement officials about a crime. ~~It also will notify the OIG if; or (3)~~ it has been the victim of a theft of items such as credit cards, check stock, passwords, or electronic access codes that could lead to a loss of \$200 or more. The required notice shall be provided regardless of whether the funds or property are recovered. Once it has determined that a reportable event has occurred, it agrees it will contact the OIG before conducting its own investigation into the occurrence.

17. It will notify the LSC Office of Compliance and Enforcement (or other office as noted) within twenty (20) calendar days (unless otherwise noted) whenever:
 - (a) under the provisions of § 1006(f) of the LSC Act, 42 U.S.C. § 2996e(f), the Applicant receives any notice of a claim for attorneys' fees. The Applicant also will forward, upon receipt, a copy of the pleading requesting these attorneys' fees;

 - (b) any of the following events likely to have a substantial impact on its delivery of services occur:
 - (i) a monetary judgment, sanction or penalty has been entered against it;
 - (ii) it enters into a voluntary settlement of an action or matter which involves the payment of a monetary judgment, sanction or penalty;
 - (iii) it experiences a *force majeure* event.

 - (c) any of a grantee's key officials (e.g., executive director, chief financial officer, ~~or~~ other key financial official) is or any employee with control over grantee finances, or any employees with financial management responsibilities, is charged with fraud, misappropriation, embezzlement, theft, or any similar

offense, or is subjected to suspension, loss of license, or other disciplinary action by a bar or other professional licensing organization (recipient will notify both the LSC Office of Compliance and Enforcement and the LSC OIG of an occurrence within 10 days).

18. It will maintain all records pertaining to the grant during the grant year and for such period(s) of time as prescribed by the Accounting Guide for LSC Recipients, Appendix II (2010 Edition) after expiration of the grant year. With respect to financial records, it will maintain originals (or digital images thereof unless otherwise required by applicable law) of all financial records and supporting documentation sufficient for LSC to audit and determine whether the costs incurred and billed are reasonable, allowable and necessary under the terms of the grant. LSC retains the right to perform an audit, or engage independent auditors to do so, whether during or subsequent to the grant period.
19. It will, in accordance with internal policies, retain and preserve closed client files for a period of not less than five (5) years from the date the file is closed or for the period set by Federal, state, or local rules on maintenance of records, whichever is longer.
20. In the event that the Applicant merges or consolidates with another LSC grantee, changes its current identity or status as a legal entity, or ceases to be a direct recipient of LSC grant funds at the end of the grant term or during the grant term for whatever reason, it agrees:
 - a. to provide the LSC Office of Program Performance (OPP) with written notice at least sixty (60) calendar days prior to any of the above events (except when the LSC grant relationship changes as a result of LSC action);
 - b. not to transfer its interests in its LSC grant to another entity without prior approval from LSC for such transfer, including submission to LSC and approval by LSC of a Successor in Interest Agreement;
 - c. to ensure that any successor entity maintains the Applicant's records, including financial records, for a period of six (6) years after expiration of the grant year to which they pertain and maintains client files for a period of not less than five (5) years after the closure of the case to which they pertain;
 - d. to submit to the LSC OPP, either at the time that it provides the written notice in (a) above, or within fifteen (15) calendar days from being notified by LSC that it will cease to be a recipient of LSC grant funds, a plan for the orderly conclusion of the role and responsibilities of the Applicant as a recipient of LSC funds. Detailed instructions for preparing this plan are at www.grants.lsc.gov under the title "Planning the Orderly Conclusion of the Role and Responsibilities of a Recipient of LSC Funds." Once at the website, click "RIN," then locate the instructions under "Grantee Guidance."

21. It agrees to cooperate with LSC in its efforts to follow up on audit findings, recommendations, significant deficiencies or material weaknesses, and corrective actions by LSC, including the OIG, or the GAO, and/or with the findings, recommendations or significant deficiencies or material weaknesses found by the Applicant's IPA to ensure that instances of deficiencies and noncompliance are resolved in a timely manner. It agrees to expeditiously resolve all such reported audit findings, significant deficiencies or material weaknesses, and corrective actions, including those of sub-recipients, to the satisfaction of LSC.

22. It will use the LSC logo on any Internet website page that may serve as a “homepage” for the Applicant, and on its Annual Report, press releases, and official letterhead, and may use the logo on other official documents such as business cards, newsletters, telephone directory listings or other advertisements or announcements about services provided by the Applicant and supported with LSC funds. It understands that the LSC logo is a registered service mark of LSC and that permission to use the logo is provided to Applicant under a limited license such that the logo may be used: (1) only while Applicant is receiving LSC funds; (2) only for the purposes described above; and (3) only in accordance with such size, format and color instructions as LSC provides. Other uses of the logo are not permitted unless expressly authorized in writing by LSC. Electronic and camera-ready versions of the logo are available at www.grants.lsc.gov. Once at the website, click “Resources,” then click “Reference Materials” to access the logo

Name of Executive Director

Name of Governing/Policy Board Chairperson
(or other organization official authorizing this application)

Title

Title

Signature

Signature

Date

Date



**LSC Grant Assurances
Proposed for Calendar Year 2016 Funding**

If Applicant is successful and receives an LSC grant or contract,

APPLICANT HEREBY ASSURES THAT:

1. It will comply with the requirements of the Legal Services Corporation Act of 1974 as amended (LSC Act), any applicable appropriations acts and any other applicable law, rules, regulations, policies, guidelines, instructions, and other directives of the Legal Services Corporation (LSC), including, but not limited to, LSC Audit Guide for Recipients and Auditors, the Accounting Guide (2010 Edition), the CSR Handbook (2008 Edition, as amended 2011), the 1981 LSC Property Manual (as amended) and the Property Acquisition and Management Manual, and with any amendments of the foregoing adopted before or during the period of this grant. It will comply with both substantive and procedural requirements, including recordkeeping and reporting requirements. It understands that a successful Applicant may be required to agree to special grant conditions as a condition of receiving the grant. Multi-year grants must be renewed each year. Upon renewal, new terms and conditions may apply.
2. It agrees to be subject to all provisions of Federal law relating to the proper use of Federal funds. A list of these laws is available at <http://grants.lsc.gov/45-cfr-part-1640-applicable-federal-laws>. It understands that if Applicant violates any of the Federal laws on the list, it may be subject to the summary termination of its LSC grant as authorized by Pub. L. 104-193, Tit. V., § 504(a)(19). It represents that it has informed employees and board members of the Federal laws and their consequences both to the recipient and to themselves as individuals as required by 45 C.F.R. § 1640.3.
3. It agrees that all derivative income from these grant funds shall also be subject to the terms and conditions of this grant as authorized by 45 C.F.R. Part 1630.
4. It will not discriminate on the basis of race, color, religion, gender, age, disability, national origin, sexual orientation, or any other basis prohibited by law against: (1) any person applying for employment or employed by the Applicant; or (2) any person seeking or provided assistance from the Applicant or other program(s) supported in whole or in part by this grant. The governing body has adopted or will adopt in a timely manner Equal Opportunity and Sexual Harassment Policies, each of which must include an effective mechanism for processing complaints.

5. It will notify the LSC Office of Inspector General (OIG) within thirty (30) calendar days after replacement of the Independent Public Accountant (IPA), termination of the IPA, or any other occurrence resulting in a new IPA performing the grantee's annual financial audit. No audit costs may be charged to the LSC grant when the audit required has not been made in accordance with the guidance promulgated by the OIG. It understands that if it fails to have an audit acceptable to the OIG in accordance with the OIG's audit guidance (including the Audit Guide for Recipients and Auditors), LSC may impose sanctions in addition to those specified by statute, which are: (1) withholding of a percentage of the recipient's funding until the audit is completed satisfactorily; and (2) suspension of the recipient's funding until an acceptable audit is completed. Other possible sanctions that LSC may impose for not having an acceptable audit include special grant conditions and/or corrective actions.
6. It understands that Congress may reduce, rescind or sequester LSC funding or may impose additional requirements or restrictions on the use of LSC funding. An award of a grant under the competitive bidding process does not obligate LSC to disburse any funds that are not authorized or appropriated by Congress, nor preclude the imposition of additional Congressional requirements on any funds that are so disbursed. Such requirements or reductions as implemented by LSC shall not constitute a termination or suspension of funding.
7. It will provide legal services in accordance with the plans set out in its grant application, as modified in further negotiations with LSC, and agrees to provide high quality, economical, and effective legal assistance, as measured by the LSC Performance Criteria, ABA Standards for the Provision of Civil Legal Aid, ABA Standards for Programs Providing Civil Pro Bono Legal Services to Persons of Limited Means, and consistent with any applicable code or rules of professional conduct, responsibilities, or ethics.
8. With respect to its office technology:
 - a) it has an information security system that ensures confidentiality and security of its operations, assets, data, and files.
 - b) it will conduct program-wide conflicts checking contemporaneously with intake using a case management system with an electronic database, including when intake is conducted outside its offices and contemporaneous access to the case management system is available.
 - c) it has a plan for backing up case management data, financial data, documents and other critical data. It performs these backups at least weekly and checks their integrity by restoring test files. Further, it stores electronic or physical copies of these backups in a safe, offsite location.
 - d) it has the capacity to convert paper documents into Portable Document Format (PDF) and the capacity to transmit those documents as electronic files.

- e) each case handler has a computer at her or his work area that can perform all of the following functions: word processing, access to the case management system, access to time-keeping, access to the Internet, including the ability to download files from the Internet, and e-mail capability with the capacity to send and receive messages and attachments both internally and externally. It understands that the above functions describe the minimum functionality of existing computers only. It further agrees that any new computer, monitor, or printer purchased to perform the above functions will have a capacity to exceed the demands of current operating systems and software so that it can reasonably be expected to perform adequately with few upgrades for at least three (3) years.
9. It will work with other LSC and non-LSC-funded legal services providers in the State to ensure that there is a statewide website that publishes a full range of relevant and up-to-date community legal education/pro se related materials and referral information, at least covering the common topics facing the client communities on the subject matters that are the Applicant's priorities. It will contribute to sustaining said website according to the plan for the development and maintenance of the website adopted by the statewide website Stakeholders Committee of which it will be a member. As a member of the Committee it will work to ensure that: 1) outreach is conducted for members of the client community to inform them of the website and about how to use it, 2) the website is periodically evaluated and updated for ease of use and accessibility to meet the needs of as many consumers as possible, 3) the LSC logo is included on the website, at least on the homepage, and 4) the website indicates that LSC funded programs participate in the website consistent with LSC restrictions. *Sample disclaimer language for the homepage or other prominent location: LSC's support for this website is limited to those activities that are consistent with LSC restrictions* (see Grant Assurance 21 for further instructions and clarification on terms of usage). If a Technology Initiative Grant (TIG) was awarded to start the website using either the LawHelp or Open Source template, it will maintain the scope of functionality of the template it was using, including the capability of having separate sections on the website for clients, legal services advocates, and pro bono attorneys; adhering to the "National Subject Matter Index"; and the ability to use the LawHelp interactive HotDocs server.
10. During normal business hours and upon request, it will give any authorized representative of LSC, including the OIG, or the Comptroller General of the United States (which includes the Government Accountability Office (GAO)) access to and copies of all records that they are entitled to under the provisions of the LSC Act and other applicable laws. This requirement does not apply to any such materials that may be properly withheld due to applicable law or rules. It agrees to provide LSC with the requested materials in a form determined by LSC while, to the extent consistent with this requirement, preserving applicable client secrets and confidences and respecting the privacy interests of the Applicant's staff members. For each record subject to the attorney-client privilege, it will identify in writing the specific record or portion thereof not being provided and the legal justification for not providing the record or portion thereof.

11. Notwithstanding any other Grant Assurance, §1006(b)(3) of the LSC Act, 42 U.S.C. § 2996e(b)(3), or any state rule governing professional responsibility, it shall, upon request, provide access to and copies of financial records, time records, retainer agreements, client trust fund and eligibility records, and client names, except for those reports or records that may be properly withheld due to applicable law governing attorney-client privilege, to LSC, including the OIG, and to any Federal department or agency that is auditing or monitoring the activities of LSC or of the Applicant and any independent auditor or monitor receiving Federal funds to conduct such auditing or monitoring, including any auditor or monitor of LSC. For each record subject to the attorney-client privilege, it will identify in writing the specific record or portion thereof not being provided and the legal justification for not providing the record or portion thereof. Any materials furnished pursuant to this Assurance shall be provided in a timely manner.
12. It will cooperate with all reasonable information collection, including surveys, questionnaires, monitoring, audits, investigations, and compliance or evaluation activities undertaken by LSC, including the OIG, or its agents. Such cooperation shall include making staff available to LSC, including the OIG, or its agents for interview and otherwise allowing staff to cooperate with the same. It understands that nothing in these Grant Assurances in any way restricts or limits the authority of the LSC OIG to access any and all records and information to which it is entitled under the Inspector General Act of 1978, as amended, 5 U.S.C. app. § 3. It will submit, for each year of the grant and for each service area for which a grant is awarded, Grant Activity Reports in a format and at a time determined by LSC.
13. It has, or will adopt prior to commencement of the grant: (1) a written whistleblower policy encouraging reporting of unlawful or unethical activity (i.e., violation of any law, policy, or regulation; abuse of authority; gross waste of funds; fraud; embezzlement; theft; improper destruction of records; or providing false information) and prohibiting retaliation and (2) a written conflicts of interest policy. It shall distribute these policies, and provide training about these policies, to all covered individuals. It shall document its distribution of, and training on, both policies.
14. It will not take or threaten to take any disciplinary or other retaliatory action against any person for good faith cooperation with or the appropriate release of information to LSC, including the OIG, or other entity authorized to receive such cooperation or information consistent with any applicable law or rule of professional conduct. It will notify its employees and volunteers in writing that it will not take any disciplinary or other retaliatory action against an employee or volunteer (including board members) for any good faith cooperation with LSC, including the OIG, or other entity authorized to receive such cooperation.
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- a. a decision to close and/or relocate any main or staffed branch office;
 - b. change of chairperson of the governing/policy body (including the new chairperson's name, telephone number, and e-mail address);
 - c. change of chief executive officer (including the new chief executive officer's name, telephone number, and e-mail address);
 - d. change in its charter, articles of incorporation, by-laws, or governing body structure; or
 - e. change in its main e-mail address or its website address (URL).
16. It will notify the LSC OIG Hotline (Telephone: 800-678-8868 or 202-295-1670; E-mail hotline@oig.lsc.gov; Fax 202-337-7155) within two (2) business days of (1) the discovery of any information that gives it reason to believe it has been the victim of a loss of \$200 or more as a result of any: willful misrepresentation or theft of time, crime, fraud, misappropriation, embezzlement, or theft involving property, client funds, LSC funds, and/or non-LSC funds used for the provision of legal assistance; (2) when the grantee has contacted local, state, or Federal law enforcement officials about a crime; or (3) it has been the victim of a theft of items such as credit cards, check stock, passwords, or electronic access codes that could lead to a loss of \$200 or more. The required notice shall be provided regardless of whether the funds or property are recovered. Once it has determined that a reportable event has occurred, it agrees it will contact the OIG before conducting its own investigation into the occurrence.
17. It will notify the LSC Office of Compliance and Enforcement (or other office as noted) within twenty (20) calendar days (unless otherwise noted) whenever:
- (a) under the provisions of § 1006(f) of the LSC Act, 42 U.S.C. § 2996e(f), the Applicant receives any notice of a claim for attorneys' fees. The Applicant also will forward, upon receipt, a copy of the pleading requesting these attorneys' fees;
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 - (i) a monetary judgment, sanction or penalty has been entered against it;
 - (ii) it enters into a voluntary settlement of an action or matter which involves the payment of a monetary judgment, sanction or penalty;
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 - (c) any of a grantee's key officials (e.g., executive director, chief financial officer, other key financial official) or any employee with control over grantee finances, or any employees with financial management responsibilities, is charged with fraud, misappropriation, embezzlement, theft, or any similar offense, or is subjected to suspension, loss of license, or other disciplinary action by a bar or other professional licensing organization (recipient will

notify both the LSC Office of Compliance and Enforcement and the LSC OIG of an occurrence within 10 days).

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19. It will, in accordance with internal policies, retain and preserve closed client files for a period of not less than five (5) years from the date the file is closed or for the period set by Federal, state, or local rules on maintenance of records, whichever is longer.
20. In the event that the Applicant merges or consolidates with another LSC grantee, changes its current identity or status as a legal entity, or ceases to be a direct recipient of LSC grant funds at the end of the grant term or during the grant term for whatever reason, it agrees:
 - a. to provide the LSC Office of Program Performance (OPP) with written notice at least sixty (60) calendar days prior to any of the above events (except when the LSC grant relationship changes as a result of LSC action);
 - b. not to transfer its interests in its LSC grant to another entity without prior approval from LSC for such transfer, including submission to LSC and approval by LSC of a Successor in Interest Agreement;
 - c. to ensure that any successor entity maintains the Applicant's records, including financial records, for a period of six (6) years after expiration of the grant year to which they pertain and maintains client files for a period of not less than five (5) years after the closure of the case to which they pertain;
 - d. to submit to the LSC OPP, either at the time that it provides the written notice in (a) above, or within fifteen (15) calendar days from being notified by LSC that it will cease to be a recipient of LSC grant funds, a plan for the orderly conclusion of the role and responsibilities of the Applicant as a recipient of LSC funds. Detailed instructions for preparing this plan are at www.grants.lsc.gov under the title "Planning the Orderly Conclusion of the Role and Responsibilities of a Recipient of LSC Funds." Once at the website, click "RIN," then locate the instructions under "Grantee Guidance."

21. It agrees to cooperate with LSC in its efforts to follow up on audit findings, recommendations, significant deficiencies or material weaknesses, and corrective actions by LSC, including the OIG, or the GAO, and/or with the findings, recommendations or significant deficiencies or material weaknesses found by the Applicant's IPA to ensure that instances of deficiencies and noncompliance are resolved in a timely manner. It agrees to expeditiously resolve all such reported audit findings, significant deficiencies or material weaknesses, and corrective actions, including those of sub-recipients, to the satisfaction of LSC.

22. It will use the LSC logo on any Internet website page that may serve as a “homepage” for the Applicant, and on its Annual Report, press releases, and official letterhead, and may use the logo on other official documents such as business cards, newsletters, telephone directory listings or other advertisements or announcements about services provided by the Applicant and supported with LSC funds. It understands that the LSC logo is a registered service mark of LSC and that permission to use the logo is provided to Applicant under a limited license such that the logo may be used: (1) only while Applicant is receiving LSC funds; (2) only for the purposes described above; and (3) only in accordance with such size, format and color instructions as LSC provides. Other uses of the logo are not permitted unless expressly authorized in writing by LSC. Electronic and camera-ready versions of the logo are available at www.grants.lsc.gov. Once at the website, click “Resources,” then click “Reference Materials” to access the logo

Name of Executive Director

Name of Governing/Policy Board Chairperson
(or other organization official authorizing this application)

Title

Title

Signature

Signature

Date

Date



Send by e-mail to: LSCGrantAssurances@lsc.gov

May 18, 2015

Stefanie K. Davis
Assistant General Counsel
Legal Services Corporation
3333 K Street NW
Washington, D.C. 20007

**RE: Comments to Notice of Proposed Revisions for the LSC Grant Assurances for Calendar
Year 2016 Funding (80 FR 21264, April 17, 2015)**

Dear Ms. Davis:

This letter is submitted in response to LSC's request for comments on proposed revisions to the LSC Grant Assurances for Calendar Year 2016 Funding. The comments are submitted on behalf of NLADA by its Civil Policy Group, the elected representative body that establishes policy for the NLADA Civil Division, and its Regulations and Policy Committee.

We want to thank LSC for the inclusive process LSC employed in considering revisions to the 2016 Grant Assurances by providing for notice and a public comment period in the Federal Register.

1. Grant Assurances 2016 - New Paragraph 13

LSC has indicated in its supplementary comments to the proposed revisions to 2016 Grant Assurances that a new paragraph is being added to promote program governance and oversight. The new paragraph 13 requires a federal grantee to have a written whistleblower policy that encourages reporting and prohibits retaliation and a written conflicts of interest policy; and further requires written documentation of distribution and training on these two policies. These two policies are standard policies that LSC funded programs are required to have in place.¹ 2016 Grant Assurance paragraph 1 already requires LSC funded programs to:

¹ The Internal Revenue Service, Form 990, requires that non-profit programs document written conflict of interest and whistleblower policies.

“...comply with the requirements of the Legal Services Corporation Act of 1974 as amended (LSC Act), any applicable appropriations acts and any other applicable law, rules, regulations, policies, guidelines, instructions, and other directives of the Legal Services Corporation (LSC), including, but not limited to, LSC Audit Guide for Recipients and Auditors, the Accounting Guide (2010 Edition), the CSR Handbook (2008 Edition, as amended 2011), the 1981 LSC Property Manual (as amended) and the Property Acquisition and Management Manual, and with any amendments of the foregoing adopted before or during the period of this grant. It will comply with both substantive and procedural requirements, including recordkeeping and reporting requirements.”

If LSC has reason to believe that programs do not have these requisite written policies, or the policies are not being followed, these concerns can be remedied without singling out specific policies for inclusion in LSC Grant Assurances. LSC maintains significant oversight of programs with bi-annual, annual and other mandated reporting as well as thorough detailed oversights of programs' compliance with a myriad of programmatic, regulatory and fiscal requirements by three different divisions of the LSC - the Office of Compliance Enforcement, (OCE) the Office of Program Compliance (OPP) and the Office of the Inspector General (OIG). LSC also annually issues program letters summarizing common compliance concerns found during these visits which includes specific guidance for programs. The current Grant Assurances, particularly paragraph 1 and Internal Revenue Service obligations, as well as LSC's intensive oversight, are more than adequate to insure that programs have whistleblower and conflict of interest policies in place and, if not, that any possible concerns are efficiently remedied. Putting specific written policy requirements in LSC's Grant Assurances each time there is a compliance concern is unnecessary and unwieldy.

Furthermore, mandating documentation of training on these two policies in LSC's Grant Assurances calls for an unnecessary level of detailed management of a grantee's program. LSC funded programs should be able to determine how to most appropriately use their limited resources to insure compliance with their written policies while at the same time striving to meet the vast, critical legal needs of their client community.

NLADA proposes that LSC not add the new paragraph 13 and continue to monitor these requirements, as LSC has done for many years, as part of LSC's oversight for grantees' compliance with general principles of sound program management and statutory and regulatory requirements.

2. Grant Assurance 2016 – Paragraph 14

NLADA recognizes that protections for whistleblowers are very important and play a vital role in insuring that employees who become aware of fraud, misconduct or other wrongdoing by federal grantees will report this conduct. On the other hand, LSC investigations of unfounded anonymous reports of improper conduct by LSC grantees are burdensome for programs and waste valuable and limited LSC resources. While we want to protect true whistleblowing, reports are sometimes used for internal political and other inappropriate purposes.

The current language in Paragraph 14 protects employees from retaliatory action by an employer when the employee's conduct is based on "appropriate cooperation". LSC's proposed revision replaces this standard with a "good faith" standard. This substitution broadens protections for employee whistleblowers so that, even when an employee's cooperation is not "appropriate", an objective standard, the employee is protected by a subjective good faith standard. NLADA recommends that the standard of "reasonable belief" be used in lieu of "good faith" which achieves a balance between the goals of protecting whistleblowers while at the same time discouraging unfounded reports.

This is the standard contained in the Sarbanes-Oxley Act ("SOX"), 18 U.S.C. § 1514A, a federal statute that provides whistleblower protection for employees disclosing information about delineated fraudulent conduct including certain criminal fraud statutes. Federal courts interpret this standard as including both an objective standard— a reasonable belief that conduct complained of constitutes a violation and a subjective standard - that the employee was acting in good faith interpret the standard. See *Day v. Staples, Inc.*, 555 F.3d 42, 53 (1st Cir. Mass. 2009).

NLADA recommends revising the language in the 2016 Grant Assurances as follows:

14. It will not take or threaten to take any disciplinary or other retaliatory action against any person ~~acting upon a reasonable belief, for good faith because of any appropriate~~ cooperation with or the appropriate release of information to LSC, including the OIG, or other entity authorized to receive such cooperation or information ~~pursuant to applicable procedures and~~ consistent with any applicable law, ~~code of ethics,~~ or rule of professional ~~responsibility~~conduct. It will notify its employees and volunteers in writing that it will not take any disciplinary or other retaliatory action against an employee or volunteer (including board members) for any ~~appropriate good faith~~ cooperation, based upon a reasonable belief, -with LSC, including the OIG, or other entity authorized to receive such cooperation.

3. Grant Assurance 2016 - Paragraph 17

Paragraph 17 requires a grantee to report to LSC's Office of Compliance and Enforcement (OCE) when "any of a grantee's key officials (e.g., executive director, chief financial officer, or other key financial official) are charged with fraud, misappropriation, embezzlement, theft, or any similar offense, or is subjected to suspension, loss of license, or other disciplinary action by a bar or other professional licensing organization."

The main revision to this paragraph mandates that notification must be submitted to LSC within 10 days instead of the current requirement "within 20 days"; adds that in addition to notifying LSC's Office of Compliance and Enforcement, a recipient must also notify the Office of the Inspector General; and the list of employees whose actions must be reported has been expanded to include "any employee with fiscal responsibilities."

Overall, the above revisions are reasonable requests for assurances from a grantee. However, NLADA recommends that, in fairness, language should be added to indicate that a grantee's

obligation begins when they become aware of the charges or disciplinary actions that must be reported. NLADA also recommends that the term “any employee with fiscal responsibilities” be more clearly defined. This current definition could be interpreted very broadly to include virtually all employees such as attorneys, paralegals or legal assistants who have responsibilities for financial matters, such as keeping track of costs and fees while working on a client’s case. LSC should consider further defining the term to only encompass “employees with fiscal responsibilities for overall program operation”. Conduct by any employee which involves criminal or fraudulent actions involving the grantee, such as theft, or embezzlement is already covered by paragraph 16 with more stringent reporting requirements.

Thank you again the opportunity to present comments regarding changes to the 2016 Grant Assurances.

Sincerely,

Steve D. Eppler-Epstein, Chair, Civil Policy Group (CPG)
Silvia Argueta, Chair, CPG Regulations and Policies Committee
Robin C. Murphy, Chief Counsel for Civil Programs,
National Legal Aid and Defender Association



Northwest Justice Project

401 Second Ave S. Suite 407
Seattle, WA 98104
Tel. (206) 464-1519
Fax (206) 903-0526

Toll Free 1-888-201-1012
www.nwjustice.org

César E. Torres
Executive Director

Send by e-mail to: LSCGrantAssurances@lsc.gov

May 18, 2015
Stefanie K. Davis
Assistant General Counsel
Legal Services Corporation
3333 K Street NW
Washington, D.C. 20007

RE: Comments to Notice of Proposed Revisions for the LSC Grant Assurances for Calendar Year 2016 Funding (80 FR 21264, April 17, 2015)

Dear Ms. Davis:

I am writing on behalf of the Northwest Justice Project (NJP) regarding the proposed additions to the LSC Grant Assurances. NJP agrees with the comments submitted by NLADA regarding the issues raised by the proposed Grant Assurance changes. NJP currently has and maintains a conflicts of interest policy that its board members and executive management staff are required to review and sign each year. One concern raised by proposed Grant Assurance 13 is what is intended by “affected employees.” NJP has determined that “affected employees” under its conflicts of interest policy are its governing board and its six member executive management team. Under NJP’s structure and policy, these are the only persons who are authorized to procure goods and services and can bind NJP to significant financial commitments. Assuming “affected employees” is left to be determined by the recipient program solely in its discretion, NJP supports the requirement. However, if by the requirement LSC intends to expand which employees are subject to a recipient’s conflicts of interest policy, NJP does not support creating a new bureaucratic process to those beyond what is needed to meet the specific goals of a grantee’s conflicts of interest policy.

Regarding a written whistleblower policy, again NJP currently has and maintains a “whistleblower” policy as part of its personnel manual applicable to all staff. NJP’s personnel manual is available to all staff through its staff intranet and the manual is updated annually. NJP notifies (trains) all new staff on the policy at the time of hire and notifies (trains) board members during a formal orientation for new board members. It is unclear what LSC intends with a grant assurance that recipient programs “provide training...to staff and board members” or what type of documentation will be deemed satisfactory to comply with the grant assurance. NJP disagrees with LSC imposing through the grant assurances any new training and documentation requirement related to a well communicated “whistleblower”

policy, particularly given the lack of specificity regarding the training documentation and the risks involved in potentially failing to meet LSC's expectations in this regard.

Regarding proposed changes to Grant Assurance 17, NJP agrees with comments submitted by NLADA. Specifically, NJP does not understand the need for language that extends the notification requirement to report employees charged with fraud, etc. to "any employee with fiscal responsibilities." It is unclear who this applies to and whether it is intended to include not only the finance director (officer) but also any staff member (e.g., legal assistants and other support staff) who may have responsibility for documenting litigation costs, requesting distribution of funds to clients from the program's trust account, reconciling a \$100 petty cash account or being a local office checking account check signer, authorizing payment to private attorneys under a PAI contract attorney system, an account payables clerk, etc. Given that Grant Assurance 16 already requires reporting to the OIG within two business days any loss of \$200 through criminal activity, including theft of time (in reference to any employee), expanding the notice requirements to a potentially broad and undefined category of employees regarding actions related to those who are charged with a crime or loss of license due to fraud, etc., is unnecessary and duplicative.

Thank you for the opportunity to comment on the proposed Grant Assurance changes.

Sincerely,



Deborah Perluss

Director of Advocacy/General Counsel

C César E. Torres, Executive Director

Steve Pelletier, Director of Finance

Agricultural Workers Data

7050-01

LEGAL SERVICES CORPORATION

Notice—Agricultural Worker Population Data for Basic Field—Migrant Grants

AGENCY: Legal Services Corporation

ACTION: Notice

SUMMARY: The Legal Services Corporation (LSC) provides special population grants to effectively and efficiently fund civil legal aid services to address the legal needs of agricultural workers and their dependents through grants entitled “Basic Field—Migrant.” The funding for these grants is based on data regarding the eligible client population to be served. LSC has obtained from the U.S. Department of Labor new data regarding this population that are more current than the data LSC has been using and that better reflect the population to be served. On February 3, 2015, LSC sought comments on the use of that data for grants beginning in January 2016 and related issues. Based on the comments received, LSC will not use the data for 2016 grants. LSC will make public additional information underlying the new data, contract with the Department of Labor for assistance addressing issues raised in the comments, consider development of revised data, and seek public comment on any revised data and implementation beginning in January 2017.

FOR FURTHER INFORMATION CONTACT: Mark Freedman, Senior Assistant General Counsel, Legal Services Corporation, 3333 K St., NW., Washington, DC 20007; 202-295-1623 (phone); 202-337-6519 (fax); mfreedman@lsc.gov.

SUPPLEMENTARY INFORMATION: The Legal Services Corporation (“LSC” or “Corporation”) was established through the LSC Act “for the purpose of providing financial support for legal assistance in noncriminal matters or proceedings to persons financially unable

to afford such assistance.” 42 U.S.C. 2996b(a). LSC performs this function primarily through distributing funding appropriated by Congress to independent civil legal aid programs providing legal services to low-income persons throughout the United States and its possessions and territories. 42 U.S.C. 2996e(a)(1)(A). LSC designates geographic service areas and structures grants to support services to the entire eligible population in a service area or to a specified subpopulation of eligible clients. 45 CFR 1634.2(c) & (d), 1634.3(b). LSC awards these grants through a competitive process. 45 CFR part 1634. Congress has mandated that LSC “insure that grants and contracts are made so as to provide the most economical and effective delivery of legal assistance to persons in both urban and rural areas.” 42 U.S.C. 2996f(a)(3).

Throughout the United States and U.S. territories, LSC provides Basic Field—General grants to support legal services for eligible clients. LSC provides funding for those grants on a per-capita basis using the poverty population as determined by the U.S. Census Bureau every three years. Pub. L. 104-134, tit. V, 501(a), 110 Stat. 1321, 1321-50 (1996), as amended by Pub. L. 113-6, div. B, tit. IV, 127 Stat. 198, 268 (2013) (LSC funding formula adopted in 1996, incorporated by reference in LSC’s appropriations thereafter, and amended in 2013). Since its establishment in 1974, LSC has also provided subpopulation grants to support legal services for the needs of agricultural workers through Basic Field—Migrant grants under the authority of the LSC Act to structure grants for the most economic and effective delivery of legal assistance. 42 U.S.C. 2996f(a)(3). Congress amended the LSC Act in 1977 to require that LSC conduct a study of the special legal needs of various subpopulations, including migrant or seasonal farm workers, and develop and implement appropriate means of addressing those needs. 42 U.S.C. 2996f(h). LSC’s study, issued in 1979, concluded that specialized legal expertise and knowledge were needed to address the distinctive “unmet special legal problems” that migrant and seasonal

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farmworkers shared because of their status as farmworkers. Legal Services Corporation, *Special Legal Problems and Problems of Access to Legal Services of Veterans, Migrant and Seasonal Farm Workers, Native Americans, People, with Limited English-Speaking Ability, and Individuals in Sparsely Populated Areas*, 1979.

LSC provides funding for Basic Field—Migrant grants on a per-capita basis by determining the size of the subpopulation and separating that population from the overall poverty population for the applicable geographic area or areas. LSC expects programs receiving these grants to serve the legal needs of a broad range of eligible agricultural workers and their dependents who have specialized legal needs that are most effectively and efficiently served through a dedicated grant program. LSC currently uses data regarding migrant and seasonal farmworkers, and their families, from the early 1990s, with some adjustments based on changes in the general poverty population. These data are no longer current and do not reflect the entire population served by these grants.

The United States Department of Labor, Employment and Training Administration (ETA) collects data regarding agricultural workers for federal grants serving the needs of the American agricultural worker population. The U.S. Census Bureau does not maintain data regarding agricultural workers. LSC has contracted with ETA for more current data regarding the agricultural worker population served by these grants. ETA has provided LSC with these data, including state-by-state breakdowns. The changes in data will result in changes in funding levels for these grants.

In January of 2015, LSC management (Management) proposed to the LSC Board of Directors (Board) that LSC seek comments on using the new data for these grants as follows:

- (1) implement the new data for calculation of these grants beginning in January 2016;

(2) phase in the funding changes to provide intermediate funding halfway between the old and new levels for 2016 and to fully implement the new levels for 2017;

(3) update the data every three years on the same cycle as LSC updates poverty population data from the U.S. Census Bureau for the distribution of LSC's Basic Field—General grants.

Upon approval by the Board's Operations and Regulations Committee (Committee) on January 22, 2015, and the Board on January 24, 2015, LSC published a notice for comment on this proposal in the *Federal Register* on February 3, 2015 at 80 FR 5791. LSC extended the comment period to April 20, 2015, via notice in the *Federal Register* on March 19, 2015 at 80 FR 14413. Management's proposal, related documents and the comments submitted are available at: <http://www.lsc.gov/about/mattersforcomment.php>.

LSC received eleven comments from ten individuals or organizations. The National Legal Aid and Defender Association (NLADA) submitted two comments—one from the NLADA Civil Policy Group and one from the NLADA Farmworker Section.

The comments all supported the proposal to use more current data for apportioning funding to and among these grants. Some comments raised concerns about the source data and the methodology used. In particular, concerns were raised about the types of state groupings used for distribution of the data among the states. Those comments stated that the groupings did not accurately reflect the patterns of employment and residence for low-income agricultural workers and their dependents. Some comments identified additional sources of data for determining the relevant populations in some states. Comments also sought additional access to the source data and methodology used by the Department of Labor. Other issues raised by the comments included the scope of the definition of "agricultural worker," implementation over two

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or three years, and adjustments to the data for aliens eligible under federal law for LSC services based on sexual abuse, domestic violence, trafficking, or other abusive or criminal activities. *See* 45 CFR § 1626.4—Aliens eligible for assistance under anti-abuse laws.

Based on these comments, Management proposed to the Committee that LSC further investigate improvements to the data, postpone prospective implementation until January 2017, seek additional comments on revised options, and publish this notice. [DRAFT BOARD CONSIDERATION LANGUAGE FOLLOWS] On July 18, 2015, the Committee approved Management’s proposal. On July 18, 2015, the Board adopted the recommendation of Management and the Committee [INSERT ANY CHANGES OR MODIFICATIONS].

Management has contracted with ETA to obtain expert review of the issues regarding source data and methodology raised by the comments. Management will publish on the Matters for Comment page of www.lsc.gov additional information regarding the source data and methodology. Management will also determine whether ETA can provide revised data based on some of the considerations raised in the comments. Based on this review and any other relevant information, LSC will publish for comment any revised data and a proposal for implementation beginning in January 2017.

Dated: July __, 2015

Ronald S. Flagg

Vice President & General Counsel

Audit Committee

Agenda

AUDIT COMMITTEE

July 16, 2015

Agenda

Open Session

1. Approval of agenda
2. Approval of minutes of the Committee's April 13, 2015 meeting
3. Review of the Audit Committee Charter
4. Briefing by Office of Inspector General
 - Jeffrey Schanz, Inspector General
5. Management update regarding risk management
 - Ron Flag, Vice President of Legal Affairs
6. Briefing about follow-up by Office of Compliance and Enforcement on referrals by the Office of Inspector General regarding audit reports and annual Independent Public audits of grantees
 - Lora Rath, Director of Compliance and Enforcement
 - John Seeba, Assistant Inspector General for Audits
7. Public comment
8. Consider and act on other business

CLOSED SESSION

9. Approval of minutes of the committee's Closed Session meeting on April 13, 2015
10. Briefing by Office Compliance and Enforcement on active enforcement matter(s) and follow-up on open investigation referrals from the Office of Inspector General
 - Lora Rath, Director of Compliance and Enforcement
11. Consider and act on adjournment of meeting

**Draft Minutes of the April 13, 2015
Open Session Meeting**

**Legal Services Corporation
Meeting of the Audit Committee**

Open Session

Monday, April 13, 2015

DRAFT

Chairman Victor B. Maddox convened an open session meeting of the Legal Services Corporation's ("LSC") Audit Committee ("the Committee") at 1:37 p.m. on Monday, April 13, 2015. The meeting was held at the F. William McCalpin Conference Center, Legal Services Corporation Headquarters, 3333 K Street, NW, Washington, DC 20007.

The following Committee members were in attendance:

Victor B. Maddox, Chairman
Harry J. F. Korrell, III
Gloria Valencia-Weber
David Hoffman, Non-Director Member (by telephone)
John G. Levi, *ex officio*

Other Board members present:

Charles N. W. Keckler
Father Pius Pietrzyk, O.P.
Laurie Mikva
Martha L. Minow
Julie A. Reiskin

Also in attendance were:

James Sandman	President
Rebecca Fertig Cohen	Special Assistant to the President
Lynn Jennings	Vice President for Grants Management
Patrick Malloy	Grants Management/Legislative Fellow, Executive Office
Ronald S. Flagg	Vice President for Legal Affairs, General Counsel & Corporate Secretary
Stefanie Davis	Assistant General Counsel, Office of Legal Affairs
Mark Freedman	Senior Assistant General Counsel, Office of Legal Affairs,
David L. Richardson	Treasurer and Comptroller, Office of Financial and Administrative Services
Wendy Rhein	Chief Development Officer
Traci Higgins	Director, Office of Human Resources
Jeffrey E. Schanz	Inspector General

David Maddox	Assistant Inspector General for Management and Evaluation, Office of the Inspector General (OIG)
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel, Office of the Inspector General (OIG)
John Seeba	Assistant Inspector General for Audit, Office of the Inspector General (OIG), by telephone
Daniel O'Rourke	Assistant Inspector General for Investigations, Office of the Inspector General (OIG)
Joel Gallay	Special Counsel to the Inspector General, Office of the Inspector General (OIG)
Daniel Sheahan	Program Evaluation Analyst, Office of the Inspector General (OIG)
Magali Khalkho	Director of Management Operations, Office of the Inspector General (OIG)
Roxanne Caruso	Office of the Inspector General (OIG)
Carol Bergman	Director, Office of Government Relations and Public Affairs (GRPA)
Carl Rauscher	Director of Media Relations, Office of Government Relations and Public Affairs (GRPA)
Janet LaBella	Director, Office of Program Performance (OPP)
Lora M. Rath	Director, Office of Compliance and Enforcement (OCE)
Megan Lacchini	Deputy Director, Office of Compliance and Enforcement (OCE)
Lisa Watson	Deputy Director for Fiscal Compliance and Enforcement (OCE)
Shila Mashhadishafie	Program Counsel, Office of Compliance and Enforcement (OCE)
William Carl Isler	Program Counsel, Office of Compliance and Enforcement (OCE)
Kia Ashley	Program Counsel, Office of Compliance and Enforcement (OCE)
Helga Merz-Hafezi	Fiscal Compliance Specialist, Office of Compliance and Enforcement (OCE)
Shanda Gottlieb	Fiscal Compliance Specialist, Office of Compliance and Enforcement (OCE)
Thomas Enright	Fiscal Compliance Specialist, Office of Compliance and Enforcement (OCE)
Janice Fontell	Office of Compliance and Enforcement (OCE)
Chinnamma Mathew	Administrative Assistant, Office of Compliance and Enforcement (OCE)
Robert Henley	Non-Director Member, Finance Committee
Herbert Garten	Non-Director Member, Institutional Advancement Committee
Frank Strickland	Non-Director Member, Institutional Advancement Committee
Peter Campbell	Chief Information Officer, Office of Technology (OIT)
Eric Jones	Network Engineer, Office of Technology (OIT)
Terry Brooks	American Bar Association Standing Committee on Legal Aid and Indigent Defendants (SCLAID)
Robin C. Murphy	National Legal Aid and Defender Association (NLADA)

The following summarizes actions taken by and presentations made to the Committee:

Committee Chairman Maddox called the meeting to order.

MOTION

Mr. Korrell moved to approve the agenda. Professor Valencia-Weber seconded the motion.

VOTE

The motion was approved by voice vote.

MOTION

Professor Valencia-Weber moved to approve the minutes of the Committee's meeting of January 22, 2015. Mr. Korrell seconded the motion.

VOTE

The motion passed by voice vote.

Mr. Schanz and Mr. Seeba briefed the Committee on the recent Independent Public Accountants (IPA) report the Office of the Inspector General (OIG) sent to the Board. Committee Chair Maddox requested going forward Mr. Schanz provide an executive summary in transmitting such reports to the Board. Mr. Schanz and Mr. Seeba answered Committee members' questions.

Mr. Flagg presented the revised LSC Risk Management matrix to the Committee.

Ms. Rath provided a briefing on OCE's follow-up of referrals from the OIG regarding audit reports and the annual independent public accountants' audits of grantees. Ms. Rath answered Committee members' questions.

Committee Chairman Maddox noted the memo regarding the 403(b) Thrift Plan from Ms. Higgins for the Committee to review.

Committee Chairman Maddox invited public comment and received none.

Other business to consider, Committee Chairman Maddox requested Audit Committee members evaluate the current Committee charter, and have suggestions by the July meeting on how to better implement the charter.

MOTION

Professor Valencia-Weber moved to adjourn meeting. Mr. Korrell seconded the motion.

VOTE

The motion passed by voice vote.

The Committee meeting adjourned at 2:36 p.m.

LSC Audit Committee Charter

**CHARTER OF THE AUDIT
COMMITTEE OF
LEGAL SERVICES CORPORATION
As Amended October 1, 2012**

I. Establishment

On March 24, 2008, the Board of Directors ("Board") of the Legal Services Corporation ("LSC" or "Corporation") established, as a standing Board advisory committee, to be known as the Audit Committee (the "Committee").

II. Purposes

The purpose of the Committee shall be: (1) to perform the functions delineated below as a means of assessing the matters addressed herein and advising the Board in fulfilling the Board's responsibilities to ensure that the Corporation's assets are properly safeguarded and to oversee the quality and integrity of the Corporation's accounting, auditing, and reporting practices and, when warranted, report on such practices to the Board; and (2) to perform such other duties as assigned by the Board.

III. Membership

The Board or, upon delegation, the Chairman of the Board ("Chairman") shall appoint at least three Directors other than the Chairman to serve on the Committee. The Board or, upon delegation, the Chairman shall appoint the Chair of the Audit Committee from among these Directors. The Board or, upon delegation, the Chairman, may appoint non-Directors as members of the Committee. A majority of the Director members of the Committee (or two, if their number is even) will be required in order to constitute a quorum. No member of the Committee may be an officer or employee of the Corporation. To the extent practicable, members of the Committee should have at least a basic understanding of finance and accounting, be able to read and understand fundamental financial statements, and understand the Corporation's financial operations and reporting requirements.

IV. Terms

Members of the Committee shall serve for a term of one year, or until their earlier resignation, replacement or removal from the Committee or Board.

V. Meetings

The Committee:

- (1) shall meet at least four times per calendar year, but may meet more frequently at the call of any member of the Committee; and
- (2) may adopt procedural rules that are not inconsistent with this Charter, the Corporation's Bylaws, or the laws to which the Corporation is subject.

VI. Resources

All offices, divisions and components of the Corporation ("Management"), including the Office of Inspector General ("OIG") are expected to cooperate with all requests made by the Committee for information, and Management shall provide any necessary support. The Committee shall be given the resources necessary to carry out its responsibilities.

VII. Authority

The Committee:

- (1) shall, unless otherwise directed by the Board, annually review and discuss with the Inspector General (IG) the selection and retention of the external auditor (External Auditor) by the IG, and shall provide the Board with its assessment of the qualifications and independence of the External Auditor selected and retained by the IG;
- (2) shall have unrestricted access to the Corporation's books, records, facilities, personnel, and External Auditor(s), except with regard to confidential information in the possession of the OIG that it is prohibited by law from sharing with the Board;
- (3) is authorized to carry out the functions described in this Charter, as well as any other activities reasonably related to the Committee's purposes or as may be directed by the Board from time to time;
- (4) may delegate authority to one or more designated members of the Committee;
- (5) may rely on the expertise and knowledge of Management, the OIG, External Auditor(s), and such consultants and experts that the Board approves for carrying out its oversight responsibilities;
- (6) may authorize to be conducted, or itself conduct, reviews into any matters within the scope of its responsibilities; and
- (7) may request that the Board require any person, including the External

Auditor or any officer or employee of the Corporation, to attend Committee meetings or to meet with any member(s) of or advisor(s) to the Committee.

VIII. Duties and Responsibilities

A. Audits and Audit Related Matters

To best understand audits and audit related matters in order to report to and properly advise the Board, the Committee shall:

- (1) review and discuss with Management, the OIG, and the Corporation's External Auditor(s) the contemplated scope and plan for LSC's required annual audit;
- (2) review and discuss with the External Auditor(s), the OIG, and Management the annual audit report and results of the External Auditor's year-end audit, including any problems or difficulties encountered by the External Auditor(s); any response by Management or the OIG to any audit findings; any areas of significant disagreement between Management, the OIG, and the External Auditor(s); and any recommendations of the External Auditor(s);
- (3) review and discuss with the OIG its audit responsibilities and performance; its audit plan for the Corporation and the risk assessment that drives its audit plan; and the effectiveness of its audit plan and activities; and may suggest to the OIG the performance of any audits that would assist the Committee or the Board of Directors;
- (4) review and discuss with the OIG all significant matters relative to audits performed by the OIG, including any problems the OIG encountered while performing their audits, and thus better understand LSC's control environment;
- (5) review and discuss with Management and the Board the Corporation's response to and, where appropriate, timely implementation of, significant findings and recommendations made by the OIG and External Auditor(s); and
- (6) review and discuss with Management any internal audit or review activities, including its audit or review plan, its audit or review reports, and the performance of those portions of Management that perform audits or reviews.

B. Financial Reporting:

To best understand financial reporting at LSC in order to report to and properly

advise the Board, the Committee shall:

- (1) review Management representation letters or certifications and the LSC Finance Committee chairperson's letters or certifications regarding the contents, accuracy, or completeness of financial reports, as appropriate;
- (2) review all issues identified and brought to the Committee's attention by Management, the OIG, the GAO or the External Auditor that may have a material effect on the Corporation's financial statements; and
- (3) review any significant deficiencies in internal control over financial reporting identified by Management, the OIG, or the External Auditor(s) and ensure that corrective action is taken by Management.

C. Risk Management

To best understand risk management issues at LSC in order to report to and properly advise the Board, the Committee shall:

- (1) review LSC's system of internal controls that are designed to minimize the risk of fraud, theft, corruption, or misuse of funds and, for such purpose, is authorized to receive information:
 - a. from Management about whether internal controls performed by Management are operating properly,
 - b. from OIG about whether its investigations function, audit function, and compliance function are operating properly, and
 - c. from Management and OIG about whether there is proper coordination and communication between them regarding their respective operations designed to minimize the risk of fraud, theft, corruption, or misuse of funds;
- (2) ensure that its review of the OIG's investigations *function* occurs in a manner that does not compromise the OIG's independence or the confidentiality of its investigations;
- (3) consult with the Inspector General as to an appropriate approach regarding communications and meetings between the Committee and the OIG;
- (4) review any concerns expressed regarding any impediments to the independence of the OIG, and report to the Board on any such concerns;
- (5) itself verify and then confirm for the Board that there is a proper

confidential mechanism in place for individuals to make complaints, anonymously if desired, regarding suspected fraud, theft, corruption, or misuse of funds, or problems involving internal controls, auditing, or accounting, and that there are proper procedures in place for the receipt, retention, and handling of such complaints; and

- (6) review LSC's efforts, including training and education, to help ensure that LSC employees and grantees act ethically and safeguard LSC funds.

D. Other Duties and Responsibilities

The Committee shall:

- (1) report to the Board at least four times per calendar year and on such other occasions as requested to do so by the Board;
- (2) periodically assess the Committee's performance under the Charter, reassess the adequacy of the Charter, and report to the Board the results of the evaluation and any recommendations for proposed changes to the Charter; and
- (3) perform such other duties, consistent with this Charter, as are assigned to the Committee by the Board.

IX. Overall Limitations

- (1) Nothing contained in this Charter is intended to expand the applicable standards of liability under statutory or regulatory requirements for the Board or its Directors.
- (2) Members of the Committee are entitled to rely on the expertise, knowledge, and judgment of Management, the Inspector General, and the External Auditor(s) and any consultant or expert retained by them. The Committee's responsibilities are not to be interpreted as a substitute for the professional obligations of others.
- (3) It is not the duty of the Committee to conduct audits or to determine that the Corporation's financial statements are in accordance with generally accepted accounting principles, generally accepted government auditing standards (the "Yellow Book") and other applicable rules, regulations, guidelines and instructions. These are the responsibilities of the OIG, the External Auditor(s) and Management.
- (4) Nothing contained in this Charter shall be construed as limiting the authority of the Inspector General under the Inspector General Act or is intended to restrict the authority of the Inspector General to conduct, supervise, and coordinate audits and investigations relating to

the programs and operations of the Corporation.

- (5) The Committee is an advisory committee, as defined at D.C. Code § 29-406.25(h), and nothing contained in this Charter shall be construed as authorizing the Committee to exercise the powers of the Board of Directors.

Risk Management Matrix

RISK TO LSC RESOURCES – PEOPLE							
Risks			Strategies	Who is responsible?		Last report to Board¹	Next report to Board
	Probability	Severity		Management	Board		
Board Leadership and Governance -- Potential for problems	L	H	<ul style="list-style-type: none"> • Good information flow from management (including legal, financial, programmatic information) and from the OIG and outside auditors • Training of board • Orientation of new board • Evaluations/self-assessments • Sufficient staff support • Staying abreast of best board governance practices • Staying abreast of stakeholder and client concerns • Periodic review of governing documents to assure compliance and relevancy 		Board, Chairman, Gov. & Performance Review Com.	4/15 (Compilation of authorities applicable to Board)	
-- Board Transitions	M	M	<ul style="list-style-type: none"> • Board transition plan • Board orientation 	Secretary	Board, Chairman, Gov. & Performance Review Com.		
Management Leadership Transitions					Gov. & Performance Review Com.		

¹ Tracking of risk management reports to the Board began with the Board meeting in 2013, and thus no dates before that year are recorded in this matrix.

RISK TO LSC RESOURCES – PEOPLE							
Risks			Strategies	Who is responsible?		Last report to Board ¹	Next report to Board
	Probability	Severity		Management	Board		
-- President	H	M	<ul style="list-style-type: none"> • Presidential transition plan 	President		1/15	
-- Other senior leadership changes	M	M	<ul style="list-style-type: none"> • Transition plan 	President	Gov. & Performance Review Com.	1/15	
Management/IG Relations -- Potential for problems	M	H	<ul style="list-style-type: none"> • Communicate, coordinate, cooperate • Regular meetings 	President	Audit Com.	4/15	7/15
Management Leadership Performance -- Preventing leadership problems	L	H	<ul style="list-style-type: none"> • Cohesive, effective management team • Emphasis on high standards • Regular communications with board, staff, grantees, public, OIG • Regular performance evaluations 	President	Gov. & Performance Review Com	4/6/14	
Management System Risks <ul style="list-style-type: none"> ■ Performance Management (failure to achieve performance of defined goals including implementation of LSC Strategic Plan) 	M	H	<ul style="list-style-type: none"> • Create formal organizational management performance cycle including articulation of goals and metrics • Routine reporting of performance • Providing training to close competency gaps 	President OHR Director	Ops. & Regs. Com.	4/15	

RISK TO LSC RESOURCES – PEOPLE							
Risks			Strategies	Who is responsible?		Last report to Board ¹	Next report to Board
	Probability	Severity		Management	Board		
<ul style="list-style-type: none"> ■ Human Capital Management (failure to attract, motivate and retain high quality staff) 	M	H	<ul style="list-style-type: none"> • Professional training for staff and managers • Routine performance evaluations and feedback • Robust communications with employees 	President OHR Director	Ops. & Regs. Com.	4/15	
<ul style="list-style-type: none"> ■ Information Management (failure to collect and share vital information) 	M	H	<ul style="list-style-type: none"> • Create a common data portal for collection and sharing of grantee data 	Vice President for Grants Management (VPGM) CIO	Ops. & Regs. Com.		
<ul style="list-style-type: none"> ■ Acquisitions Management (higher contract costs and possible areas of fraud, waste and abuse) 	M	H	<ul style="list-style-type: none"> • Periodically review and strengthen procurement and contracting policies • Routine training of employees on policies 	Vice President for Legal Affairs (VPLA) Controller	Ops. & Regs. Com.	7/20/14	10/15
Conflicts of Interest/Ethics Violations	L	M	<ul style="list-style-type: none"> • Training on ethics code • Reminders, emphasis on ethics 	Ethics Officer	Audit Com. Gov. & Performance Review Com	1/15	

RISK TO LSC RESOURCES – FUNDING							
Risks			Strategies	Who is responsible?		Last report to Board	Next report to Board
	Probability	Severity		Management	Board		
Adequacy of Basic Field Funding -- Insufficient funding to accomplish LSC’s mission of providing equal access to justice -- Funding cut so severely that programs must close altogether or radically cut back services	H	H	<ul style="list-style-type: none"> Public education Strengthen congressional relationships Develop stronger data to support funding requests, including data on outcomes and economic benefits of legal aid 	Government Relations/ Public Affairs (GRPA) Director	Finance Com.	4/15	7/15
	H	H	<ul style="list-style-type: none"> Develop crisis-mode messaging and network 	GRPA Director			
Adequacy of MGO Funding -- Insufficient Management and Grants Oversight funding	H	H	<ul style="list-style-type: none"> Strengthen congressional relationships Emphasize quantifying return on investment from oversight funding Emphasize grants oversight function Respond to and implement GAO recommendations 	GRPA Director	Finance Com.	4/15	7/15
					Gov. & Perform. Review Com.	10/14	

			<ul style="list-style-type: none">Continue to assess MGO expenses to reduce any unnecessary duplication and inefficiencies	VPGM			
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RISK TO LSC RESOURCES –ASSETS							
Risks			Strategies	Who is responsible?		Last report to Board	Next report to Board
	Probability	Severity		Management	Board		
Internal Fraud	L	H	<ul style="list-style-type: none"> • Effective internal controls • IG oversight • Annual corporate audit 	Treasurer	Audit Com.	1/15	1/16
			<ul style="list-style-type: none"> • Staff training on ethics 	Ethics Officer			
Internal Financial Controls -- Failures at LSC	L	H	<ul style="list-style-type: none"> • Management accountability • Annual audit • Board oversight • Regular review/update of Accounting Manual • Implement GAO recommendations and OMB guidance 	Treasurer	Audit Com.	10/20/13	
Litigation -- Employment	M	M	<ul style="list-style-type: none"> • Regular training of managers • Clear-cut policies and uniform application 	OHR Director	Ops. & Regs. Com.	4/15	
			<ul style="list-style-type: none"> • Effective negotiation and use of releases 	VPLA			
Integrity of electronic data/ information -- Potential for Problems -- Security of electronic data	M	H	<ul style="list-style-type: none"> • Effective system back-ups • Effective disaster recovery • Regular staff training • Maintain qualified IT staff • Effective document and system security • Maintain up-to-date 	CIO	Audit Com.	4/15	

RISK TO LSC RESOURCES –ASSETS							
Risks			Strategies	Who is responsible?		Last report to Board	Next report to Board
	Probability	Severity		Management	Board		
			technology				
Accuracy of grantee data -- Potential for Problems	M	H	<ul style="list-style-type: none"> Data validation protocols (electronic analysis) Clear guidance/training on grantee reporting Improve grantee Activity Reports to receive better data 	VPGM Director OPP Director OCE	Ops. & Regs. Com.		
LSC Records Management -- Potential for Problems	L	M	<ul style="list-style-type: none"> Update records management policy, including statement on the handling of confidential information Train staff in new policy Effective FOIA procedures Stay abreast of best practices Maintain effective computer back-ups Maintain effective security on electronic information access (continued on next page) Improve internal access to key records 	CIO VPLA	Ops. & Regs. Com.		10/15

RISK TO LSC RESOURCES –ASSETS							
Risks			Strategies	Who is responsible?		Last report to Board	Next report to Board
	Probability	Severity		Management	Board		
			<ul style="list-style-type: none"> improve public access to records Ensure compliance with legal requirements 				
Preservation of LSC interest in grantee property -- Potential for loss	L	L	<ul style="list-style-type: none"> Maintain up to date Property Acquisition Manual Remind grantees of LSC policy Pursue remedies as necessary 	VPLA	Ops. & Regs. Com.		
Continuation of Operations & Organizational Resilience	L	H	<ul style="list-style-type: none"> Effective COOP plan 	Chief of Staff	Ops. & Regs. Com.		
	L	H	<ul style="list-style-type: none"> Computer network back-up 	CIO			

RISK TO LSC RESOURCES – GRANTEES							
Risks			Strategies	Who is responsible?		Last report to Board	Next report to Board
	Probability	Severity		Management	Board		
Grantee Oversight by LSC & IPAs -- Preventing lapses	M	H	<ul style="list-style-type: none"> • Rigorous Compliance oversight • Maintain comprehensive procedures manuals • Well-defined workplans for program visits • Careful review of grantee reports to LSC • Communications between offices • Internal training • Regular communications with programs • Monitoring media reports 	VPGM	Ops & Regs. Com. Del. Of Legal Serv. Com.	4/15 Grantee Oversight by OPP	
Interpretations of regulations by LSC Staff -- Preventing inconsistencies	L	H	<ul style="list-style-type: none"> • Joint meetings and trainings • Joint work groups by topic • Feedback from grantees 	VPGM	Ops & Regs. Com.		

RISK TO LSC RESOURCES – GRANTEES							
Risks			Strategies	Who is responsible?		Last report to Board	Next report to Board
	Probability	Severity		Management	Board		
Grantee Operations				VPGM	Del. Of Legal Serv. Com.	4/15 Enforcement Mechanisms (Ops & Regs Cttee)	
-- Major misuse of grant funds	M	H	<ul style="list-style-type: none"> Rigorous selection process for grantees Enforcement of regulations 	Director OPP			
-- Failure of leadership	L	H	<ul style="list-style-type: none"> Grant assurances Grant conditions Advisories 	Director OCE		1/15 (Performance Criteria – Leadership)	
-- Failure of internal controls	M	H	<ul style="list-style-type: none"> Program letters Compliance/Fiscal visits 			7/20/14 (board composition and client board members)	
-- Lack of board oversight	M	H	<ul style="list-style-type: none"> LSC Resource Information Training of grantee staff Performance Criteria 			4/7/14 (financial planning & budgeting)	
-- Leadership transitions	H	M	<ul style="list-style-type: none"> Outreach to local boards Local board education 			1/24/14 (Board governance – fiscal and financial oversight)	
-- Restriction violations	M	H	<ul style="list-style-type: none"> Outreach to Access to Justice community in region 			10/21/13 (Performance Criteria)	
-- Poor records management	M	M	<ul style="list-style-type: none"> Review/redefine services Seek interim provider 			4/15/2013 Comprehensive legal needs assessments	
-- Poor Quality legal services	L	H	<ul style="list-style-type: none"> Work with programs to improve compliance and reduce chances that they will violate restrictions or otherwise require the imposition of sanctions 				
-- Need to replace program	L	H					

RISK TO LSC RESOURCES – GRANTEES							
Risks			Strategies	Who is responsible?		Last report to Board	Next report to Board
	Probability	Severity		Management	Board		
						1/25/2013 Succession planning and leadership development	

RISK TO LSC RESOURCES – GRANTEES							
Risks			Strategies	Who is responsible?		Last report to Board	Next report to Board
	Probability	Severity		Management	Board		
			<ul style="list-style-type: none"> • Annual review of regulations • OLA opinions 	VPLA	Ops & Regs. Com.	10/14	7/15

Responsibilities for Risk Management

Board of Directors

- Sets strategic goals and objectives, adopts annual operating budget, and approves risk management plan.
- Reviews operational reports to monitor progress towards goals as defined in *Strategic Directions* and assure compliance with organizational requirements.
- Adopts and establishes policies and regulations.
- Reviews the organization's risk management plan (RMP).
- Maintains working relationship with members of Congress.
- Board Committees to review implementation of RMP.

President

- Has overall responsibility for the effective implementation of the RMP.
- Assigns staff to design and carry out risk management activities.
- Assigns staff to perform annual review of the risk management activities.
- Approves all grants for the Corporation.
- Executes major contracts for the organization.
- Keeps the Board apprised of emerging threats and opportunities facing the organization.
- Leads the Executive Team in periodic review and update of the risk management plan.
- Gives final approval to the plan.
- Maintains effective relationship with members of Congress and staff.

Vice President for Legal Affairs

- Serves as advisor to the Board of Directors in legal matters, consulting outside counsel on an as needed basis.
- Advises senior staff on contracts; reviews contracts on an as needed basis.
- Monitors implementation of risk management program.
- Recommends any necessary modifications.

Vice President for Grants Management

- Supervises oversight of grantee operations and compliance.

Treasurer/Comptroller

- Establishes, conducts, and maintains internal controls for financial transactions.
- Purchases D&O insurance.

Executive Team

- Oversees organization-wide effort to protect the vital assets of LSC
- Convenes periodically to review the Corporation's priority risks and corresponding risk management strategies.

Office Directors

- Review and recommend modifications to corporate risk management program.
- Supervise implementation of risk management strategies within their area of responsibility.

**Office of the Inspector General Referrals
to the Office of Compliance &
Enforcement**

Office of Compliance and Enforcement

MEMORANDUM

To: Audit Committee

From: Lynn A. Jennings, Vice President for Grants Management
Lora M. Rath, Director, Office of Compliance and Enforcement

Re: Status of Referrals from the OIG Audit Division to LSC Management

Date: June 30, 2015

At the beginning of Calendar Year (CY) 2015, two referrals from the Office of Inspector General’s Audit Division remained open. One referral was closed during the first quarter. Two new referrals were received during the first half of CY 2015, one during the first quarter and a second during the second quarter.

	Pending at Outset	Referred during Quarter	Closed during Quarter	Remaining Open at End of Quarter
Q 1	2	1	1	2
Q 2	2	1	0	3
Q 3	--	--	--	--
Q 4	--	--	--	--

Summary of 2015 Activity to Date

OIG Audit Referrals Open at the Beginning of the Year and Remaining Open at End of First Half: 1

1. **Legal Services NYC.** On October 16, 2014, OIG referred \$196,837 in questioned costs for attorneys’ fees received by the program during Fiscal Year 2013, for cases supported in whole or in part with LSC funds, but for which the attorneys’ fees received were not allocated to the LSC funding line.

On October 22, 2014, LSC Management contacted LSNYC to request an accounting of the time charged to, and the funding sources so charged, for each of the 25 cases in question. That information was provided on November 27, 2014. After reviewing the materials provided, on December 15, 2014, LSC asked LSNYC to provide additional documentation. LSC received that information from LSNYC on February 6 and 13, 2015. OCE analyzed the information and provided a recommended course of action to the Vice President for Grants Management on February 24, 2015. The Vice President

entered into initial conversations with LSNYC Management during the week of March 2, 2015 and OCE is currently in contact with the program to facilitate resolution of this issue, to include LSNYC's transferring non-LSC funds to the LSC funding line to account for the derivative income not properly allocated and OCE's providing Technical Assistance to ensure LSNYC Management and fiscal staff is aware of LSC fiscal requirements, including how to properly allocate derivative income.

LSNYC has agreed with OCE's calculation that \$286,946 was improperly allocated and has also agreed to disclose the derivative income amounts as a reclassification entry for attorneys' fees for 2013 and 2014 as part of its 2015 audit. OCE and LSNYC have worked together to determine the timing and documentation of this transfer. LSNYC reported that the transfer would be completed by close of business on June 30, 2015. OCE is waiting for documentation to confirm the transfer has taken place.

New Referrals Opened During The First Quarter and Remaining Open at End of First Half: 1

1. **Legal Aid of West Virginia, Inc.** On March 13, 2015, the OIG referred \$9,579 in questioned costs:
 - a. \$3,842 in incorrectly allocated attorneys' fees, and
 - b. \$5,737 in unallowable costs (including membership dues, flower purchases, credit card fees, and late payment fees).

The OIG's Final Report on Selected Internal Controls included approximately \$14,000 in expenditures that were not included in the referral memorandum to LSC Management. On June 5, 2015, during a discussion with OCE, OIG agreed that those costs should have been included in the March 13, 2015 referral.

On June 18, 2015, an updated referral was issued in which the OIG referred \$24,141 in questioned costs:

- a. \$3,842 in incorrectly allocated attorneys' fees;
- b. \$5,737 in unallowable costs (including membership dues, flower purchases, credit card fees, and late payment fees); and
- c. \$14,562 for contract costs that were not allocated properly (allocated only to LSC rather than across multiple funding sources).

OIG has supplied supporting documentation related to the referral amounts. OCE has completed its review of that documentation and has drafted a recommendation memo for the Vice President of Grants Management to review and approve.

New Referrals Opened During The Second Quarter and Remaining Open at End of First Half: 1

1. **Northeast New Jersey Legal Services Corporation:** On April 1, 2015, OIG referred \$72,572 in questioned derivative income:
 - a. \$18,487 in State Supplemental Security Income;
 - b. \$345 in interest income;
 - c. \$10,766 in attorneys' fees; and
 - d. \$42,974 in rental income.

OCE reviewed the OIG's Final Report on Selected Internal Controls, as well as the program's response to the OIG's Draft Report. Based on the program's agreement with the OIG's findings, OCE recommended that informal negotiations be pursued, rather than initiating a costly questioned costs procedure. The Vice President for Grants Management accepted that recommendation. During a telephone call on June 8, 2015, Northeast New Jersey Legal Services Corporation's Executive Director and Controller notified OCE that the funds in question would be transferred from the program's unrestricted funding line to its LSC funding line by June 30, 2015 (the program's fiscal year end for 2014-15). OCE is waiting for documentation to confirm the transfer has taken place.

OIG Audit Referrals Open at the Beginning of the Year and Closed in the Prior Quarter: 1

1. **Nevada Legal Services, Inc.** On August 18, 2014, OIG referred \$1,375 in questioned costs:
 - a. \$1,246 in unallowable costs (flower and alcohol purchases, membership fees), and
 - b. \$129 in inadequately supported costs (cell phone charges for staff member).

On October 17, 2014, the Nevada Legal Services, Inc. (NLS) Executive Director (ED) provided OCE with additional information which NLS felt the OIG had not correctly considered. Based on its review of the OIG's Report on Selected Internal Controls, as well as the information provided by NLS, OCE recommended that informal negotiations be pursued, rather than initiating a costly questioned costs procedure. The Vice President for Grants Management accepted that recommendation. By letter dated March 20, 2015, NLS provided a check in the amount of \$1,222, and also provided evidence of policy amendments and trainings to ensure that deficiencies noted by OIG do not occur again. The \$1,222 recouped was for:

- a. \$1,093 in unallowable costs (flower and alcohol purchases, membership fees), and
- b. \$129 in inadequately supported costs (cell phone charges for staff member).

OCE determined that the remaining \$153 referred by the OIG for membership fees to a discount warehouse retailer to purchase office supplies was an allowable expense and not subject to recovery.

Total time from date of OIG referral to final resolution was 214 days.

Reconciliation of OIG Questioned Costs to Amounts Recouped on Closed Referrals

One referral, Nevada Legal Services, Inc., was closed during the first half of CY 2015. Information related to that referral includes:

	<u>Costs</u>	<u>% of Total</u>
Total Questioned Costs on Closed Referrals	\$ 1,375	100%
Supporting Documentation Subsequently Received or Research Indicated Was Allowable	\$ 153	11%
Questioned Cost Not Pursued Due to Statute of Limitations	\$ 0	- %
Subtotal of Costs for Management to Pursue	\$ 1,222	89%
Amount Recouped	\$ <u>1,222</u>	<u>89%</u>

STATUS OF OPEN REFERRALS FROM OIG AUDIT DIVISION TO OCE (Thru June 30, 2015)

State	Grantee	Date of OIG Onsite/ Review	Date of OIG Report	Date of Referral to OCE	OIG Referral - Issues and Amounts	LSC Action	Amount Disallowed by LSC	Resolution	Date Closed	
1	NY	Legal Services NYC	1/13- 17/14 and 6/2-6/14	10/9/2014	10/16/2014	OIG referred \$196,837 in questioned costs - all stemming from attorneys' fees received during 2013. The OIG examined 6 of the 25 cases in question and determined, based on the % of LSC funding used to support those 6 cases, that \$196,837 should have been allocated to the LSC funding line.	OCE contacted the LSNYC ED, on October 17, 2014, to inquire as to whether any actions had yet been taken in response to the OIG report. The ED informed OCE that LSNYC had begun reviewing case and time records to determine the amount of time actually allocated to LSC for each case - rather than depending on the OIG's sampling to determine what, if any additional funds need to be questioned. By email dated October 22, 2014, OCE requested that OIG provide case information related to the 6 cases the OIG reviewed on site. That documentation was provided on October 23, 2014. By email dated October 22, 2014, OCE contacted the LSNYC ED to formalize its request for information related to the 25 cases for which LSNYC received attorneys' fees in 2013. LSNYC provided the requested information on November 26, 2014. On December 15, 2014, OCE requested that clarifying information be provided. LSNYC submitted clarifying information on February 6 and 13, 2015. Based on the information provided by LSNYC, OCE calculated the correct amount of derivative income requiring reallocation as \$286,946. After being provided a recommended course of action by OCE, the Vice President for Grants Management initiated a conversation with LSNYC during the week of March 2, 2015. OCE contacted the program to facilitate resolution of this issue, to include LSNYC transferring non-LSC funds to LSC funding line to account for the derivative income not properly allocated and OCE providing Technical Assistance to ensure LSNYC Management and fiscal staff is aware of LSC fiscal requirements, including how to properly allocate derivative income. LSNYC has agreed with OCE's calculations and has also agreed to disclose the amounts for the derivative income as a reclassification entry for attorneys' fees for 2013 and 2014 as part of the 2015 audit. OCE and LSNYC have worked together to determine the appropriate documentation of this transfer. LSNYC reported that the transfer would be completed by close of business on June 30, 2015. OCE is waiting for documentation to confirm the transfer has taken place.	\$286,946	Program's LSC funding line will be increased by \$286,946.	Pending documentation of transfer.
2	WV	Legal Aid of West Virginia, Inc.	7/14- 23/14	1/27/2015	3/13/15 (referral was dated 2/2/15 but was not received until 3/13/15). Referral reissued on 6/18/15	The revised amount referred by OIG is \$24,141 in questioned costs: \$3,842 in incorrectly allocated attorneys' fees; and \$5,737 in unallowable costs (including membership dues, flower purchases, credit card fees, and late payment fees); and \$14,562 in incorrectly allocated contract costs.	OCE has begun reviewing the OIG's Final Report on Selected Internal Controls, as well as the program's response to the Draft Report, in order to provide a recommended course of action to the Vice President for Grants Management. Review of the OIG's Final Report revealed approximately \$14,000 in expenditures noted in the report that were not included in the referral memo to LSC Management. On June 5, 2015, during a discussion between OCE and OIG staff, OIG recognized that those expenditures should have been referred to LSC Management and provided supporting documentation for OCE to review. On June 18, 2015, OIG reissued the referral memo to reflect the correct amounts referred, as well as the underlying justifications for each referral.			
3	NJ	Northeast New Jersey Legal Services Corporation	9/8-12/14 and 9/17- 19/14	3/30/2015	4/1/2015	OIG referred \$72,572 in questioned derivative income (\$18,487 in State Supplemental Security Income, \$345 in interest income, \$10,766 in attorneys' fees, and \$42,974 in rental income)	OCE reviewed the OIG's Final Report on Selected Internal Controls, as well as the program's response to the OIG's Draft Report. Based on the program's agreement with the OIG's findings, OCE recommended that informal negotiations be attempted, rather than a costly questioned cost procedure. During a telephone call on June 8, 2015, the program's Executive Director and Controller notified OCE that the funds in question would be transferred from the program's unrestricted funding line to LSC by June 30, 2015 (the program's fiscal year end for 2014-15). OCE is waiting for documentation to confirm the transfer has taken place.	\$72,572	Program's LSC funding line will be increased by \$72,572.	Pending documentation of transfer.

Pending and Recently Closed Issues Referred from Audited Financial Statements Thru June 30, 2015

		Grantee Name	Referral Number	Date of Referral	OIG's Finding Description	OIG's Justification for Referral	OCE's Determination	Status of Referral
1		Appalachian Research and Defense Fund	2013-618030-01	9/10/2013	For the second straight year, there was a prior period adjustment required.	OIG noted that, for the second straight year, there was a prior period adjustment required due to improper recording of unearned grant revenue. Referred to OCE for follow-up to ensure corrective action is taken.	OCE conducted an onsite Compliance Review in June 2013. Fiscal and regulatory compliance issues noted during the review have been the subject of ongoing communications with the grantee. LSC has continued to provide this grantee with necessary technical assistance and training as it deals with ongoing financial and leadership issues. These referrals are being kept open in order to ensure that all required corrective actions have been - and continue to be - taken to ensure grantee compliance.	OCE and OPP continue to work with this program. A new Executive Director began work in February 2015. LSC has imposed Special Grant Conditions on the program's 2015 funding which required that the new Executive Director undergo an OCE-provided training webinar within his first two months of employment and that the program submit to a Technical Assistance Review within 6 months of his start date. The new ED participated in an OCE-provided webinar on February 24, 2015. A Technical Assistance Review took place during the week of June 23, 2015.
	2013-618030-02		9/10/2013	The Organization does not have a formal written policy that was effectively communicated to staff.	OIG reported that time keeping requirements were not met because the grantee lacked a formal written policy which was effectively communicated to staff. Grantee management stated that they would implement policies. Referred to OCE for follow-up to ensure corrective action is taken.			
	2013-618030-03		10/3/2013	Time keeping requirements were not met in that the grantee lacked a formal written policy which was effectively communicated to staff.	OIG noted that grantee management stated that they would develop a written time keeping requirements policy in accordance with Legal Services Corporation regulations and ensure that the policy is effectively communicated to staff. Referred to OCE for follow-up to ensure corrective action is taken.			
2	AZ	DNA Peoples Legal Services	2014-703068-01	6/3/2014	IPA noted numerous material audit adjustments were required at year-end. Thus, the unadjusted General Ledger was not materially correct under accounting principles accepted in the United States.	OIG noted that grant allocation information should be accurate and timely so it properly reflects the operations of the organization.	The program sufficiently completed the actions required by its Special Grant Condition. It is anticipated that the new processes will cure the deficiencies noted in the 2013 audit. OCE will keep this referral open until the IPA issues its findings for the 2014 audit.	This information has been noted in OCE's risk assessment chart. OCE also provided the program New Executive Director Orientation training to assist the program with fiscal oversight. A targeted Special Grant Condition, related to budgetary controls and processes, was imposed on the program's 2014 grant. That SGC was sufficiently completed. However due to ongoing concerns, OCE continues to work with DNA's Director of Finance to ensure that new policies, procedures, and practices are put into place to ensure adequate and timely oversight of the allocation processes.
	2014-703068-02		6/3/2014	OIG noted a segregation of duties concern relating to bank reconciliations where they are being reviewed by the same staff who prepares them without prior review by the ED.	OIG noted that this was a finding in prior years and it poses a risk for fraud.	OCE reviewed the Corrective Actions proposed by the program, in response to the Independent Public Auditor's finding, and found they would be sufficient if implemented. Review of the program's responses to the fiscal component of the 2015 funding application determined that the program has sufficient segregation of duties in place related to bank reconciliations. OCE will keep this referral open until the IPA issues its findings for the 2014 audit.		

Pending and Recently Closed Issues Referred from Audited Financial Statements Thru June 30, 2015

		Grantee Name	Referral Number	Date of Referral	OIG's Finding Description	OIG's Justification for Referral	OCE's Determination	Status of Referral
			2014-703068-03	6/3/2014	OIG noted that DNA holds Certificates of Deposit (CD) but the Board of Directors did not permit this.	OIG noted that the CD issue was noted in prior years.	After being contacted by OCE, the recipient divested itself of the CDs held at commercial financial institutions.	Closed: OCE has contacted the program to determine whether DNA has taken steps to revise its Board of Directors stance on the use of CDs or whether they had affirmatively approved the purchase. Review of the recipient's 2014 audit confirmed that it had divested itself of the CDs held at commercial financial institutions.
3	CA	Inland Counties Legal Services, Inc.	2012-805230-01	8/13/2012	Internal Controls over cash accounts were not adequate.	OIG noted that grantee management accepted the finding and stated that a new controller had been hired. Referred to OCE for follow-up to ensure that controls over cash accounts have been implemented.	OCE reviewed the documents submitted by ICLS and found the actions taken appear to be sufficient. OCE conducted an onsite review in January 2015, at which time all of the IPA's concerns were reviewed. This referral is being kept open until OCE can ensure that the corrective actions taken were sufficient.	OCE reviewed the documents submitted by ICLS and found the actions taken appear to be sufficient. OCE conducted an onsite review in January 2015, at which time all of the IPA's concerns were reviewed. The Draft Report from that visit is pending release and will be used to determine what, if any next steps need to be taken to resolve the pending referrals.
			2012-805230-02	8/13/2012	Policies and procedures for use of the accounting software and preparing transactions and reconciliations was not adequately documented. The new controller did not expend a significant effort to understand the system.	OIG noted that grantee management stated that they would strive to have that accounting manual updated in 2012 by the new controller. Referred to OCE for follow-up needed to determine if accounting manual was updated.	OCE reached out to the program to request the new policies, procedures, Manual etc. OCE has reviewed documents submitted by ICLS and determined the new procedures to be appropriate and adequately documented. This referral is being kept open until OCE can ensure that the corrective actions taken were sufficient.	
			2014-805230-01	6/3/2014	IPA noted grantee did not have a system in place to verify whether vendors were suspended or disbarred.	According to the IPA, the grantee stated that written protocols would be put in place to ensure that when considering bids for procurement in excess of \$25,000, a debarment and suspension check would be conducted. Referred to OCE for follow-up to ensure corrective action is taken.	OCE reviewed the sufficiency of the corrective actions take by the program during the January 2015 onsite review.	
			2014-805230-02	6/3/2014	IPA noted that 5 clients who had expired immigration cards received legal services.	The IPA noted that the program is reviewing and revising their policies to ensure compliance with 45 CFR Part 1626. The OIG referred the issue to OCE to ensure necessary actions are undertaken.	The program's adherence to 45 CFR Part 1626 was assessed as part of the OCE onsite review in January 2015.	

Pending and Recently Closed Issues Referred from Audited Financial Statements Thru June 30, 2015

		Grantee Name	Referral Number	Date of Referral	OIG's Finding Description	OIG's Justification for Referral	OCE's Determination	Status of Referral
4	AL	Legal Services Alabama, Inc.	2013-601037-01	10/3/2013	One difference was noted for payroll time entry used for cost allocation purposes.	OIG referred this as a repeat finding which requires OCE follow-up.	An onsite OCE site visit was conducted in January 2015.	OCE has noted this deficiency in its risk assessment chart. OCE conducted an onsite visit in January 2015. At that time OCE conducted testing to determine whether this a systemic issue or has been solved. The Draft Report from that visit is pending release and will be used to determine what, if any next steps need to be taken.
5	VA	Central Virginia Legal Services, Inc.	2014-447030-01	2/25/2014	Recipient must state who prepares monthly bank reconciliations, who reviews the reconciliations, and who approves & certifies the reconciliations. Due dates for each steps to be established. Follow-up by LSC management needed to ensure implementation.	OIG noted based upon inquires with management that bank reconciliations and reviews were not being performed on a timely basis. OIG also noted that CVLAS management was not tracing bank reconciliation totals back to the trial balance and General Ledger.	By letter dated March 7, 2014, OCE requested specific information regarding the IPA's findings. The program responded on March 21, 2014. OCE reviewed the information received and found it sufficient to address some but not all of the IPA's concerns. OCE continues to work with the program to close these referrals. OCE conducted a Technical Assistance Review of this program on August 18-20, 2014. Although responses to the January - June 2015 Special Grant Conditions indicate that this deficiency has been cured, OCE will continue to provide technical assistance and support.	The recipient's LSC funding for 2015 is subject to several Special Grant Conditions designed to address these issues. CVLAS was able to successfully fulfill all of the SGCs attached to its January - June 2015 funding. New SGCs have been imposed on the recipient's funding for July -December 2015 to ensure that forward progress continues. Included in the documentation provided in response to SGCs was evidence of: timely bank reconciliations; training and implementation of oversight regarding timekeeping and payroll; training provided to fiscal and executive staff, as well as board finance and audit committee members, regarding budgeting financial management, financial reporting, fiscal oversight, internal controls, and risk management; the Executive Director receiving monthly reports (statement of financial position, statement of activities, trial balances, general ledgers and journal entries) and reviewing them for accuracy and reasonableness; copies of letters to grant sources notifying them of 45 Part 1610 restrictions/prohibitions; and copies of bank signatory cards for each month showing any changes (addition/removal) to signature authority.
			2014-447030-02	2/25/2014	CVLAS indicated that a payroll module would be added to the case management system but did not provide a timeframe. This is a repeat finding from the prior year.	Based upon inquires with management and review of time records OIG noted instances were attorneys had not contemporaneously input a portion of their time into CVLAS' time keeping system by case matter and supporting activities.	By letter dated March 7, 2014, OCE requested specific information regarding the IPA's findings. The program responded on March 21, 2014. OCE reviewed the information received and found it sufficient to address some but not all of the IPA's concerns. OCE continues to work with the program to close these referrals. OCE conducted a Technical Assistance Review of this program on August 18-20, 2014.	

Pending and Recently Closed Issues Referred from Audited Financial Statements Thru June 30, 2015

	Grantee Name	Referral Number	Date of Referral	OIG's Finding Description	OIG's Justification for Referral	OCE's Determination	Status of Referral
		2014-447030-03 2015-447030-01	2/25/2014 2/15/2015	OIG indicated that LSC Management may want to follow-up on this requirement as 12 of 25 selections made by the IPA did not contain notice to the funding source. The CA mentions sending letters will be the sole responsibility of the ED, does not mention when the action will be put into place.	OIG noted instances where CVLAS had not provided to the source of funds written notification of LSC prohibitions and conditions.	By letter dated March 7, 2014, OCE requested specific information regarding the IPA's findings. The program responded on March 21, 2014. OCE reviewed the information received and found it sufficient to address some but not all of the IPA's concerns. OCE continues to work with the program to close these referrals. OCE conducted a Technical Assistance Review of this program on August 18-20, 2014. Although responses to the January - June 2015 Special Grant Conditions indicate that this deficiency has been cured, OCE will continue to provide technical assistance and support.	
		2014-447030-04 2015-447030-03 2015-447030-04	2/25/2014 3/20/2015	Incorrect cost and time allocations can lead to possibly incorrect revenues and expenses for grants/contracts. Program management should make decisions based on revenues/expenses. The CA should be followed up on. The OIG noted that the IPA reviewed time sheets on which no supervisor signature was noted.	Cost allocations are not being performed on a timely basis. Also timesheet are not being properly monitored by management and adjusted when funding sources have been eliminated or depleted. Also the funds in the accounting system need to be utilized. The absence of supervisory approval allows for the possibility of fraudulent or misallocated time.	This issue was addressed via Special Grant Conditions. OCE also conducted a Technical Assistance Review (TAR) of this program in August 2014 and provided additional training and support. This deficiency was noted during OCE August 18-20, 2014 TAR and is the subject of 2015 Special Grant Conditions. Although responses to the January - June 2015 Special Grant Conditions indicate that this deficiency has been cured, OCE will continue to provide technical assistance and support.	
		2014-447030-05	2/25/2014	Based on review of the CA OIG feels LSC Management should ensure that the CA s are being followed and follow-up on whether the Board approved the drafted policy mentioned.	OIG noted during inquires with management and review of credit card files instances were credit card receipts were not being properly maintained.	By letter dated March 7, 2014, OCE requested specific information regarding the IPA's findings. The program responded on March 21, 2014. OCE reviewed the information received and found it sufficient to address some but not all of the IPA's concerns. OCE continues to work with the program to close these referrals. OCE conducted a Technical Assistance Review of this program on August 18-20, 2014 and will continue to provide technical assistance and oversight.	

Pending and Recently Closed Issues Referred from Audited Financial Statements Thru June 30, 2015

		Grantee Name	Referral Number	Date of Referral	OIG's Finding Description	OIG's Justification for Referral	OCE's Determination	Status of Referral
			2015-447030-02	2/14/2015	The OIG noted that former employees had not been removed as authorized signatories on CVLAS bank accounts.	There is the possibility of fraud by former employees.	This deficiency was noted during OCE August 18-20, 2014 review and is the subject of 2015 Special Grant Conditions. Responses to the January - June 2015 Special Grant Conditions indicate that this deficiency has been cured.	
6	RI	Rhode Island Legal Services, Inc.	2014-140000-01	12/4/2014	The OIG noted that the IPA reported that a physical inventory of equipment purchased with Federal grant funds had not been performed in a two year period.	Physical inventory of equipment purchased with federal grants has not been conducted over the two year period.	OCE contacted the program on February 23, 2015 and requested that information related to corrective actions taken be submitted on or before March 20, 2015. The program requested additional time - until April 30 - to provide the necessary information.	The recipient's response indicated that the necessary corrective action had been taken in November and December 2014. However, a copy of the inventory was not submitted with their response. This referral will remain open until a copy of the inventory is submitted.
7	AZ	Community Legal Services, Inc.	2014-703030-01	10/23/2014	The OIG noted that the IPA found that the program did not properly record revenue & assets.	Recipient did not properly record contribution revenue and temporarily restricted net assets in the amount of \$73,840.	OCE determined that the recipient had properly cured the issue before submission of the 2013 audit. Review of the 2014 audit revealed that the misclassification did not reoccur.	Closed: OCE's initial review of the Audited Financial Statements did not find a similar deficiency. Upon second review it was revealed that the recipient had cured the deficiency prior to the AFS being issued by implementing an audit-related journal entry to recognize the revenue from the contribution to temporarily restricted net assets rather than as deferred income. Statements are currently pending second review. CLS reported that it would more closely examine contributions received for the purpose of identifying donor-imposed restrictions in order to properly reflect revenue and restrictions within the financial statements. Review of the recipients 2014 AFS revealed that the contributions with donor imposed restrictions were properly recorded as revenue/temporarily restricted net assets at the time of receipt.
8	SD	Dakota Plains Legal Services, Inc.	2014-742018-01	12/4/2014	The OIG noted that, during course of engagement, the IPA proposed material audit adjustments - some of which were the result of the Administrator resigning in January 2014 and not completing the year end close-out process.	Although the program reports hiring a new Administrator, more specific corrective action is required to address the internal control weaknesses.	OCE conducted an onsite Compliance Review in September 2014. Fiscal and regulatory compliance issues noted during the review have been the subject of ongoing communications with the grantee and resulted in several special grant conditions being imposed on DPLS' 2015 funding. LSC has continued to provide this grantee with necessary technical assistance to resolve the noted concerns.	OCE conducted an onsite review in September 2014. Many of the issues noted in the OIG's referral of IPA findings were also discovered during the course of that review. As a result, additional Special Grant Conditions were imposed on the program's 2015 funding. A Draft Report was issued on May 22, 2015, which contained 26 Required Corrective Actions, 8 of which were related to fiscal oversight. During the drafting of the report, OCE and OPP provided DPLS with technical assistance regarding the various policies and procedures which required revision or drafting to facilitate compliance with LSC regulations and fiscal oversight requirements. DPLS management has demonstrated sincere willingness to make the necessary improvements. The program's comments to the Draft Report are due to be submitted on or before July 6, 2015.
			2014-742018-02	12/3/2014	The December bank account reconciliations were not prepared as of audit fieldwork due to the vacant Administrator position in January 2014.	The IPA noted that 2 checks totaling \$279.99 were duplicated w/in GL. A check for \$9,418.18 written before year end was not included as an outstanding item. A deposit for \$26,307.23 prepared before year end was not deposited until Feb. 2014.		

Pending and Recently Closed Issues Referred from Audited Financial Statements Thru June 30, 2015

		Grantee Name	Referral Number	Date of Referral	OIG's Finding Description	OIG's Justification for Referral	OCE's Determination	Status of Referral
			2014-742018-03	12/3/2014	The organization carried outstanding travel advance amounts from transactions which occurred throughout 2013. Some accounts showed amounts due the organization; some showed amounts due back to employees.	Outstanding travel advance amounts due to Program. Long outstanding travel amounts potentially put the Program at risk of collecting such.		
			2014-742018-04	12/4/2014	The IPA noted three disbursements to two individuals for contract services. Based on supporting documentation including approved pay rates, timesheets, and purpose for the service, the individuals should have been paid as employees.	Processing payments to individuals as contract services who meet the employee criteria is not in accordance with Dept. of Labor regulations.		
			2014-742018-05	12/4/2014	The IPA noted several instances of lack of proper supporting documentation or approval for payments.	Disbursements without proper payment voucher documentation, receipts and approvals.		
			2014-742018-06	12/3/2014	The IPA noted employees were not paid the proper amounts based on supporting time cards and approved pay rates. IPA also noted instances where payroll was not charged to the proper program. Annual leave was paid without adequate approval or a formal policy.	No written policy on how overtime is calculated. Payroll not processed as calculated by the approved pay rate. There is risk that the annual leave payout may be different than calculated on annual leave listing. Allocation calculated based on wrong am		

LSC 403(b) Thrift Plan



OFFICE OF HUMAN RESOURCES

MEMORANDUM

TO: Audit Committee
FROM: Traci L. Higgins
DATE: June 25, 2015
SUBJECT: LSC 403(b) Thrift Plan – 1st Quarter 2015 Update

403 (b) Plan Performance

Our fund performance reflects the general market slow-down. Six of our funds, including all three bond funds, had negative returns for the three-month period ending May 30, 2015. The performance of the other funds, while positive, does not reflect the same rate of return as registered through the first quarter. The view of Dave Ponder, our financial advisor, is that the markets “are still floundering without clear direction.” He does not see anything that is overly significant to report or highlight at this time.

A report detailing fund performance through May 30, 2015 is attached.

403 (b) Plan Distributions

A total of \$204,873 in distributions was made during the period March 24, 2015 – June 24, 2015. Approximately \$160,673 of the distributions was paid to former employees. \$54,200 of the remaining distribution was for five in-service withdrawals made by three current employees.

Please let me know if you have any questions or require additional information.

Ranked by: descending Morningstar Category

Name	Morningstar Category	Ticker	Prospectus Net Expense Ratio	Tot Ret 3 Mo (mo-end)	Tot Ret YTD (mo-end)	Tot Ret 12 Mo (mo-end)	Tot Ret 3 Yr Annlzd (mo-end)	Tot Ret 5 Yr Annlzd (mo-end)	Tot Ret 10 Yr Annlzd (mo-end)	Tot Ret 15 Yr Annlzd (mo-end)
1. American Funds Capital World Gr&Inc R4	World Stock	RWIEX	0.790	0.60	5.02	3.69	16.87	12.56	8.17	8.08
2. American Century One Choice 2050 Inv	Target Date 2046-2050	ARFVX	0.950	0.91	4.06	8.69	14.93	12.87	—	—
3. American Century One Choice 2045 Inv	Target Date 2041-2045	AROIX	0.940	0.84	4.04	8.46	14.61	12.64	7.59	—
4. American Century One Choice 2040 Inv	Target Date 2036-2040	ARDVX	0.900	0.76	3.76	7.90	13.77	12.17	—	—
5. American Century One Choice 2035 Inv	Target Date 2031-2035	ARYIX	0.870	0.63	3.44	7.19	12.73	11.43	7.18	—
6. American Century One Choice 2030 Inv	Target Date 2026-2030	ARCVX	0.840	0.48	3.01	6.44	11.60	10.63	—	—
7. American Century One Choice 2025 Inv	Target Date 2021-2025	ARWIX	0.820	0.27	2.51	5.55	10.51	9.96	6.64	—
8. American Century One Choice 2020 Inv	Target Date 2016-2020	ARBVX	0.790	0.16	2.06	4.99	9.64	9.37	—	—
9. BMO Small-Cap Growth Y	Small Growth	MRSCX	1.410	1.69	8.17	10.27	19.81	15.58	11.84	8.18
10. Columbia Small Cap Index A	Small Blend	NMSAX	0.500	0.69	2.94	10.18	19.51	15.98	9.11	9.48
11. American Century One Choice In Ret Inv	Retirement Income	ARTOX	0.760	0.09	1.71	4.32	8.58	8.51	5.80	—
12. Nuveen Real Estate Securities A	Real Estate	FREAX	1.300	-4.58	-2.02	9.54	11.97	13.91	9.35	12.90
13. Prudential Jennison Natural Resources Z	Natural Resources	PNRZX	0.860	-0.27	0.54	-26.92	-0.67	-0.58	6.74	10.32
14. Goldman Sachs Mid Cap Value Instl	Mid-Cap Value	GSMCX	0.740	1.11	2.93	10.72	20.67	15.71	9.21	11.63
15. Lord Abbett Value Opportunities A	Mid-Cap Blend	LVOAX	1.170	0.64	3.88	9.06	19.54	13.85	—	—
16. Columbia Mid Cap Index A	Mid-Cap Blend	NTIAX	0.460	1.49	5.41	11.79	19.31	16.03	9.73	9.05
17. TIAA-CREF Large-Cap Value Idx Retire	Large Value	TRCVX	0.310	0.67	1.28	8.70	19.64	15.23	7.05	—
18. T. Rowe Price Equity Income Adv	Large Value	PAFDX	0.940	-0.14	0.86	4.27	16.41	13.14	6.73	6.79
19. Alger Capital Appreciation Instl I	Large Growth	ALARX	1.160	2.63	7.75	18.22	21.72	17.77	12.47	5.29
20. TIAA-CREF Large-Cap Gr Idx Retire	Large Growth	TRIRX	0.310	0.68	5.67	14.40	19.37	17.29	8.89	—
21. TIAA-CREF Growth & Income Retire	Large Growth	TRGIX	0.670	1.98	5.73	13.41	19.86	16.76	9.92	5.35
22. State Street Equity 500 Index Adm	Large Blend	STFAX	0.210	0.59	3.12	11.51	19.35	16.25	7.91	—
23. PIMCO Total Return Admin	Intermediate-Term Bond	PTRAX	0.710	-0.72	1.13	2.32	2.65	4.30	5.61	6.49
24. TIAA-CREF Bond Index Retirement	Intermediate-Term Bond	TBIRX	0.370	-0.26	0.80	2.68	1.79	3.48	—	—
25. American Century Infl Adj Bond A	Inflation-Protected Bond	AIAVX	0.720	-1.02	0.78	-1.63	-1.59	2.88	3.57	5.41
26. Prudential High-Yield Z	High Yield Bond	PHYZX	0.570	1.24	3.97	2.33	7.81	8.95	7.97	7.21
27. American Funds Europacific Growth R4	Foreign Large Growth	REREX	0.840	3.13	8.99	3.45	14.86	9.96	7.71	5.33
28. Oppenheimer Developing Markets Y	Diversified Emerging Mkts	ODVYX	1.070	0.08	0.97	-6.00	7.46	6.61	11.26	12.25

Research

LSC 403(b) Current List w four new index fds | US Mutual Fund Universe | Master Template

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Print Date 06-22-2015

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Ranked by: descending Morningstar Category

Name	% Rank Cat 3 Mo (mo-end)	% Rank Cat YTD (mo-end)	% Rank Cat 12 Mo (mo-end)	% Rank Cat 3 Yr (mo-end)	% Rank Cat 5 Yr (mo-end)	% Rank Cat 10 Yr (mo-end)	% Rank Cat 15 Yr (mo-end)	Annual Return 2014	Annual Return 2013	Annual Return 2012	Annual Return 2011	Annual Return 2010	Annual Return 2009
1. American Funds Capital World Gr&Inc R4	77	64	63	37	45	25	8	3.97	24.86	19.12	-7.55	7.71	32.29
2. American Century One Choice 2050 Inv	59	78	9	58	21	—	—	8.60	21.58	15.39	-0.96	15.70	26.66
3. American Century One Choice 2045 Inv	67	82	10	65	30	13	—	8.40	21.08	15.00	-0.78	15.50	26.36
4. American Century One Choice 2040 Inv	66	83	16	61	29	—	—	8.03	19.69	14.50	-0.27	14.99	25.95
5. American Century One Choice 2035 Inv	70	90	22	76	56	8	—	7.56	17.92	13.62	0.37	14.28	24.31
6. American Century One Choice 2030 Inv	70	83	30	67	44	—	—	7.22	15.86	12.79	1.04	13.39	22.88
7. American Century One Choice 2025 Inv	77	87	37	72	60	8	—	6.87	14.04	12.14	1.77	12.57	21.24
8. American Century One Choice 2020 Inv	73	87	34	51	34	—	—	6.61	12.58	11.47	2.50	11.70	20.11
9. BMO Small-Cap Growth Y	52	19	80	37	55	3	29	-0.43	42.25	12.06	-3.82	35.59	46.81
10. Columbia Small Cap Index A	61	56	40	32	23	28	45	5.25	40.60	15.96	0.58	25.71	25.19
11. American Century One Choice In Ret Inv	51	74	11	2	1	2	—	6.20	11.11	10.13	3.58	10.07	16.42
12. Nuveen Real Estate Securities A	72	75	57	35	25	5	3	30.94	1.04	18.07	7.69	30.24	30.18
13. Prudential Jennison Natural Resources Z	39	71	91	73	86	24	7	-19.69	10.08	-2.43	-18.54	28.14	73.74
14. Goldman Sachs Mid Cap Value Instl	38	64	27	37	38	33	6	13.71	32.97	18.54	-6.26	24.85	33.19
15. Lord Abbett Value Opportunities A	63	63	62	49	75	—	—	9.11	36.07	9.73	-4.18	24.50	33.82
16. Columbia Mid Cap Index A	34	28	31	56	38	21	35	9.22	32.92	17.31	-2.14	26.05	36.79
17. TIAA-CREF Large-Cap Value Idx Retire	51	75	41	30	28	47	—	13.10	32.03	17.09	0.05	15.20	19.41
18. T. Rowe Price Equity Income Adv	77	83	90	78	79	57	42	7.18	29.44	16.92	-0.94	14.87	25.40
19. Alger Capital Appreciation Instl I	7	12	10	11	15	1	24	13.30	34.81	18.11	-1.03	13.48	49.12
20. TIAA-CREF Large-Cap Gr Idx Retire	48	38	40	43	24	37	—	12.73	33.03	14.90	2.31	16.29	36.92
21. TIAA-CREF Growth & Income Retire	13	36	50	35	33	17	22	10.92	34.01	16.17	2.79	12.91	26.52
22. State Street Equity 500 Index Adm	48	49	30	40	25	33	—	13.39	31.97	15.84	1.79	14.81	26.25
23. PIMCO Total Return Admin	95	46	56	51	47	8	7	4.43	-2.17	10.08	3.91	8.56	13.55
24. TIAA-CREF Bond Index Retirement	66	78	38	82	79	—	—	5.71	-2.58	3.75	7.37	6.16	—
25. American Century Infl Adj Bond A	81	76	56	80	54	46	70	2.37	-9.31	6.44	12.64	5.24	10.33
26. Prudential High-Yield Z	41	43	23	28	18	10	26	2.84	7.23	14.16	5.07	14.72	48.35
27. American Funds Europacific Growth R4	46	58	41	36	51	19	19	-2.66	20.17	19.22	-13.61	9.39	39.13
28. Oppenheimer Developing Markets Y	65	84	79	30	10	2	1	-4.55	8.68	21.29	-17.85	27.39	82.10

Ranked by: descending Morningstar Category

Name	Annual Return 2008	Sharpe Ratio 3 Yr	Sharpe Ratio 3 Yr (% Rank Category)	Alpha 3 Yr	Alpha 3 Yr (% Rank Category)	Beta 3 Yr	Beta 3 Yr (% Rank Category)	R-Squared 3 Yr	Standard Deviation 3 Yr	Upside Capture Ratio 5 Yr	Upside Capture Ratio 3 Yr (% Rank Category)	Downside Capture Ratio 5 Yr	Downside Capture Ratio 3 Yr (% Rank Category)	% US Stocks Long
1. American Funds Capital World Gr&Inc R4	-38.41	1.90	21	6.80	46	0.74	52	85.36	8.43	95.60	36	69.90	51	40.61
2. American Century One Choice 2050 Inv	—	2.02	13	1.61	12	1.26	14	93.48	7.03	133.50	73	131.68	5	59.10
3. American Century One Choice 2045 Inv	-33.64	2.03	11	1.64	11	1.23	8	93.81	6.84	129.94	81	126.63	4	57.61
4. American Century One Choice 2040 Inv	—	2.05	10	1.62	11	1.16	15	94.17	6.41	124.01	79	119.22	2	52.94
5. American Century One Choice 2035 Inv	-30.58	2.05	10	1.51	12	1.07	6	94.51	5.93	115.15	85	108.77	3	48.61
6. American Century One Choice 2030 Inv	—	2.02	15	1.18	24	1.00	14	95.44	5.50	106.64	79	99.84	3	44.83
7. American Century One Choice 2025 Inv	-25.02	1.98	22	0.86	29	0.93	16	96.36	5.10	99.10	75	91.41	5	41.49
8. American Century One Choice 2020 Inv	—	1.98	24	0.77	27	0.86	33	95.90	4.70	91.92	62	82.83	11	39.15
9. BMO Small-Cap Growth Y	-42.50	1.38	55	-2.57	61	1.18	80	51.91	13.84	115.56	12	144.75	82	87.99
10. Columbia Small Cap Index A	-31.00	1.54	31	-2.19	31	1.13	51	63.04	12.06	109.64	36	127.50	28	97.19
11. American Century One Choice In Ret Inv	-16.57	1.96	9	0.62	14	0.77	96	95.66	4.25	81.24	2	69.80	66	36.80
12. Nuveen Real Estate Securities A	-34.96	0.93	50	6.57	40	0.37	46	6.20	13.00	83.78	34	56.28	45	97.56
13. Prudential Jennison Natural Resources Z	-52.73	0.05	63	-18.67	68	1.30	81	39.77	18.08	84.83	60	160.30	63	69.94
14. Goldman Sachs Mid Cap Value Instl	-36.47	2.22	16	2.08	17	0.93	22	83.19	8.67	102.70	47	113.18	18	95.77
15. Lord Abbett Value Opportunities A	-27.77	1.76	57	-1.38	74	1.08	67	75.57	10.51	100.40	41	122.97	59	98.30
16. Columbia Mid Cap Index A	-36.26	1.80	48	-0.39	42	1.01	43	71.49	10.14	106.04	56	118.57	42	96.82
17. TIAA-CREF Large-Cap Value Idx Retire	-37.01	2.08	28	-0.19	31	1.01	59	93.31	8.86	98.82	28	107.86	47	98.66
18. T. Rowe Price Equity Income Adv	-35.88	1.85	56	-1.92	73	0.95	42	91.74	8.42	92.75	74	110.57	74	90.02
19. Alger Capital Appreciation Instl I	-43.89	2.21	14	2.42	10	0.96	40	80.22	9.12	105.84	19	104.09	8	85.02
20. TIAA-CREF Large-Cap Gr Idx Retire	-38.67	2.09	26	0.14	42	0.98	45	90.82	8.70	101.22	31	96.84	60	97.92
21. TIAA-CREF Growth & Income Retire	-35.12	2.04	30	-0.49	54	1.04	63	92.88	9.12	101.65	14	102.17	81	90.44
22. State Street Equity 500 Index Adm	-36.89	2.14	21	-0.24	33	1.00	58	99.99	8.45	99.24	30	100.54	42	95.45
23. PIMCO Total Return Admin	4.55	0.72	59	0.00	58	1.21	94	88.31	3.67	116.75	11	127.89	92	0.00
24. TIAA-CREF Bond Index Retirement	—	0.60	69	-0.46	74	1.02	69	99.69	2.93	96.55	66	108.75	71	0.00
25. American Century Infl Adj Bond A	-1.38	-0.29	65	-5.14	66	1.66	72	80.29	5.30	125.17	56	213.44	57	0.00
26. Prudential High-Yield Z	-22.14	1.83	30	6.29	30	0.59	65	16.63	4.15	141.47	21	-4.02	54	0.08
27. American Funds Europacific Growth R4	-40.56	1.53	16	3.93	20	0.84	28	89.14	9.32	95.72	48	83.82	15	0.00
28. Oppenheimer Developing Markets Y	-47.84	0.64	34	-5.24	33	1.06	65	80.27	12.46	91.38	11	95.88	48	0.00

Ranked by: descending Morningstar Category

Name	% Non-US Stocks Long	% Bonds Long	% Cash Long	% Other/ Not Classified Long	Total Number of Holdings	Manager Tenure
1. American Funds Capital World Gr&Inc R4	50.39	1.02	3.79	4.20	448	22.25
2. American Century One Choice 2050 Inv	22.67	16.47	2.17	1.10	4988	7.08
3. American Century One Choice 2045 Inv	21.58	18.67	2.47	1.11	5186	8.50
4. American Century One Choice 2040 Inv	19.61	22.42	5.22	1.08	5186	7.08
5. American Century One Choice 2035 Inv	17.61	26.16	7.85	1.06	5323	8.50
6. American Century One Choice 2030 Inv	15.43	31.98	8.29	1.10	5323	7.08
7. American Century One Choice 2025 Inv	12.95	37.55	8.85	1.13	5323	8.50
8. American Century One Choice 2020 Inv	10.36	40.11	11.51	1.16	5323	7.08
9. BMO Small-Cap Growth Y	9.50	0.00	2.62	0.00	88	11.17
10. Columbia Small Cap Index A	0.34	0.00	2.47	0.00	760	3.83
11. American Century One Choice In Ret Inv	8.14	42.44	14.04	1.18	5177	8.50
12. Nuveen Real Estate Securities A	0.75	0.00	1.47	0.21	162	10.08
13. Prudential Jennison Natural Resources Z	24.79	0.00	3.96	1.31	112	8.92
14. Goldman Sachs Mid Cap Value Instl	0.60	0.00	3.64	0.00	188	13.50
15. Lord Abbett Value Opportunities A	0.61	0.00	0.61	0.48	100	9.50
16. Columbia Mid Cap Index A	0.08	0.00	3.10	0.00	560	3.83
17. TIAA-CREF Large-Cap Value Idx Retire	0.66	0.00	0.35	0.33	711	9.50
18. T. Rowe Price Equity Income Adv	4.43	0.64	4.07	0.84	520	29.67
19. Alger Capital Appreciation Instl I	9.98	0.00	4.57	0.43	144	10.75
20. TIAA-CREF Large-Cap Gr Idx Retire	1.58	0.00	0.25	0.25	687	9.83
21. TIAA-CREF Growth & Income Retire	9.24	0.00	0.33	0.00	252	10.25
22. State Street Equity 500 Index Adm	3.05	0.00	1.55	0.00	506	12.50
23. PIMCO Total Return Admin	0.00	135.52	149.55	4.21	8917	0.75
24. TIAA-CREF Bond Index Retirement	0.00	96.29	4.52	0.03	5287	5.50
25. American Century Infl Adj Bond A	0.00	98.87	2.13	0.00	200	13.58
26. Prudential High-Yield Z	0.00	96.76	3.02	0.21	606	15.50
27. American Funds Europacific Growth R4	86.72	0.39	9.42	3.47	541	23.50
28. Oppenheimer Developing Markets Y	91.73	0.00	4.27	4.00	308	8.08

Finance Committee

Agenda

FINANCE COMMITTEE

July 16, 2015

Agenda

1. Approval of agenda
2. Approval of minutes of the Committee's June 15, 2015 telephonic meeting
3. Presentation on LSC's Financial Reports for the first eight months of FY 2015
 - David Richardson, Treasurer/Comptroller
4. Review of Internal Budgetary Adjustments for the FY 2015 Consolidated Operating Budget
 - David Richardson, Treasurer/Comptroller
5. Report on the FY 2016 appropriations process
 - Carol Bergman, Director, Government Relations and Public Affairs
6. Consider and act on Temporary Operating Authority for FY 2016, ***Resolution 2015-XXX***
 - David Richardson, Treasurer/Comptroller
7. Consider and act on FY 2017 Budget Request, ***Resolution 2015-XXX***
 - Jim Sandman, President
 - Carol Bergman, Director, Government Relations and Public Affairs
 - Jeffrey Schanz, Inspector General
8. Public comment
9. Consider and act on other business

10. Consider and act on adjournment of meeting

**Draft Minutes of the June 15, 2015
Open Session Telephonic Meeting**

**Legal Services Corporation
Telephonic Meeting of the Finance Committee**

Open Session

Monday, June 15, 2015

DRAFT

Committee Chairman Robert J. Grey Jr. convened an open session meeting of the Legal Services Corporation's ("LSC") Finance Committee ("the Committee") at 3:10p.m. on Monday, June 15, 2015. The meeting was held at the F. William McCalpin Conference Center, Legal Services Corporation, 3333 K Street, NW Washington, D. C. 20007.

The following Committee members were present:

Robert J. Grey Jr., Chairman
Laurie I. Mikva
Martha L. Minow
Father Pius Pietrzyk, O.P.
Robert E. Henley Jr. (Non-Director Member), by telephone
Alan Tanenbaum (Non-Director Member), by telephone
John G. Levi, *ex officio*

Other Board Members Present:

Harry J.F. Korrell III
Julie A. Reiskin
Gloria Valencia-Weber

Also attending were:

James J. Sandman	President
Rebecca Fertig Cohen	Special Assistant to the President
Ronald S. Flagg	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
David L. Richardson	Comptroller and Treasurer, Office of Financial and Administrative Services (OFAS)
Carol Bergman	Director, Office of Government Relations and Public Affairs (GRPA)
Treefa Aziz	Government Affairs Representative, Office of Government Relations and Public Affairs (GRPA)
Stephanie Damon-Moore	Summer Intern, Office of Government Relations and Public Affairs (GRPA)

Robert DeNunzio	Summer Intern, Office of Government Relations and Public Affairs (GRPA)
Jeffrey E. Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel, Office of the Inspector General
Robin C. Murphy	National Legal Aid and Defenders Association (NLADA)
Don Saunders	National Legal Aid and Defenders Association (NLADA)
Terry Brooks	American Bar Association, SCLAID
Jacquelynne Bowman	American Bar Association, SCLAID

The following summarizes actions taken by, and presentations made to, the Committee:

Committee Chairman Grey called the meeting to order.

MOTION

Father Pius moved to approve the agenda. Mr. Levi seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Dean Minow moved to approve the minutes of the Committee's meeting of April 13, 2015. Mr. Levi seconded the motion

VOTE

The motion passed by voice vote.

Ms. Bowman and Mr. Brooks from the American Bar Association, Standing Committee on Legal Aid and Indigent Defendants (SCLAID); and Mr. Saunders from the National Legal Aid and Defenders Association (NLADA) gave public comments regarding LSC's fiscal year 2017 budget request. They each answered Committee members' questions.

Committee Chairman Grey invited public comment and receive none. There was no other business to consider.

MOTION

Father Pius moved to adjourn the meeting. Mr. Levi seconded the motion.

VOTE

The Committee meeting adjourned at 3:36p.m.

**First Eight-Month Financial Report
for FY 2015**

FINANCIAL & ADMINISTRATIVE SERVICES

MEMORANDUM

TO: Robert J. Grey, Jr., Finance Committee Chairman

FROM: David L. Richardson, Treasurer/Comptroller *dlr*

DATE: June 22, 2015

SUBJECT: May 2015 Financial Reports

The financial report for the eight-month period ending May 31, 2015, is attached. There are four attachments (some with multiple pages) that support this report.

The first section of Attachment A presents information for the Delivery of Legal Assistance, *Roman numeral I*, and the Herbert S. Garten Loan Repayment Assistance Program (LRAP), *Roman numeral II*. The expenditures are compared to the annual budget, and the report shows the variance for each budget line. The expenditures are also compared to the same period of the prior year.

- I. There are six elements included in the Delivery of Legal Assistance:
 1. The Basic Field Programs budget is \$343,612,147; the grant expenses total \$339,930,170. The grant expenses include Basic Field Programs of \$319,001,298, Native American of \$9,615,253, and Migrant of \$11,313,619. The remaining funds of \$3,681,977 are earmarked for a Michigan services area on short-term funding, for a close-out audit to be conducted in Louisiana, and additional funds for American Samoa.
 2. The U.S. Court of Veterans Appeals Funds budget totals \$2,505,422, and there are no grant expenses.
 3. The Grants from Other Funds budget totals \$583,580, and a one-time emergency grant totaling \$47,282 has been awarded to Legal Services of North Florida to address the needs resulting from rain and flooding between April 28 and April 30,

2015. The remaining funds of \$536,298 are available to support emergency or special one-time grants.

4. The Technology Initiatives budget totals \$4,193,149, and there have been \$32,829 in TIG grants returned, which increases the available funds to \$4,225,978. These funds will be used to support the FY 2015 competitive awards process, which is under way, with a target of providing awards by September 30.
 5. The Hurricane Sandy Disaster Relief Funds budget totals \$75,959; there are no grant expenses.
 6. The Pro Bono Innovation Fund budget is \$4,000,000. This year's competitive grant process is under way, with a target to make all awards by September 30.
- II. The Herbert S. Garten Loan Repayment Assistance Program's budget is \$2,408,419; loan expenses are \$439,346. The remaining funds of \$1,969,073 will be used for future loans.

The second section of Attachment A presents expenditures for MGO and the OIG. The expenditures are compared to a pro rata allocation of the annual budget based on the number of months of the fiscal year covered by the reporting period.

- III. MGO's annual budget totals \$25,033,796. The budget is comprised of the MGO operating budget of \$20,400,000, the MGO Research Initiative of \$66,622, and the MGO Contingency Funds totaling \$4,567,174.

The MGO operating budget allocation for this reporting period is \$13,600,000, compared to the actual expenses of \$11,571,078. LSC is under budget by \$2,028,922, or 14.92%, and the encumbrances are \$464,646. The expenditures are \$413,473 more than the same period in 2014.

The increases in expenditures, over last year, are attributed to higher Compensation and Benefits (\$267,747) associated with the increase in the number of regular employees and higher health insurance. Consulting costs are up principally because of the use of

outside counsel in Legal Affairs (\$62,126) and Information Technology costs for upgrading of our website, the new grantee portal that will be our conduit for managing information related to our grantees, and work being done to select a new grants management system (\$106,845). Other Operating Expenses are up because of renewed software costs, and maintenance and security for our networking systems

We are experiencing savings in Temporary Employee Pay, which shows a decrease in expenditures (\$132,375) because of our new hires.

The MGO Research Initiative budget allocation is \$44,415, and there are no expenses.

The MGO Contingency Funds allocation is \$3,044,783, and there are no expenses.

- IV. The OIG's annual budget totals \$5,151,271. The budget is comprised of the OIG operating budget of \$4,950,600, and Contingency Funds of \$200,671.

The budget allocation is \$3,300,400, compared to actual expenses of \$2,983,536. The OIG is \$316,864, or 9.60%, under budget, and the encumbrances are \$60,945. The expenditures are \$234,560 less than in 2014 because of a reduction in Compensation and Benefits due to open positions.

The OIG Contingency Funds allocation is \$133,781, and there are no expenses.

Attachment B, page 1, presents comparative budgets and expenditures for MGO by cost center. Attachment B, page 2, shows the budgets and expenditures by budget category for the MGO operating budget. All cost centers and budget categories are under budget:

The largest variance under budget, totaling \$995,957, is in the Compensation and Benefits category. This amount represents 49.09% (\$995,957 divided by \$2,028,922) of this month's total MGO variance. This variance is attributable to

delays in hiring, attrition, and in open positions. The open positions listed by office as of May 31 are as follows:

Program Performance – 2 Program Counsel and 2 Program Analysts; a new Program Counsel has been hired and will begin work on July 13; recruiting for another Program Counsel is under way, and recruiting for the 2 Program Analyst positions has not been initiated; and

Information Management – Director.

Attachment B, page 3, shows the MGO Contingency Funds budget categories. Attachment B, page 4, provides a summary of the expenditures by office and by budget category. Attachment C, pages 1 and 2, presents a breakdown of the other operating expenses by account code and by cost center.

Attachment D, page 1, shows a comparative OIG budget and expenditures by budget category. Attachment D, page 2, shows the OIG Contingency Funds budget categories. The OIG is under budget in all categories.

If you have any questions, please let me know.

Attachments (A – B – C - D)

cc Board of Directors
President
Corporate Secretary
Inspector General

LEGAL SERVICES CORPORATION
CONSOLIDATED OPERATING BUDGET WORKSHEET
FOR THE EIGHT-MONTH PERIOD ENDING MAY 31, 2015
FOR FISCAL YEAR 2015

(1)	(2)	(3)	(4)		(5)	(6)	(7)		(8)
			F I S C A L	Y E A R			P R I O R Y-T-D	A C T U A L	
ANNUAL BUDGET	ACTUAL	ANNUAL BUDGET	BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUM-BRANCES	P R I O R Y-T-D	A C T U A L	V A R I A N C E	A C T U A L VS P R I O R Y-T-D
I. DELIVERY OF LEGAL ASSISTANCE									
1. Basic Field Programs	343,612,147	\$343,612,147	\$3,681,977	1.07	\$0	333,685,379	333,685,379	\$6,244,791	
2. U.S. Court of Vets Appeals Funds	2,505,422	2,505,422	2,505,422	100.00	-	-	-	-	
3. Grants From Other Funds	583,580	583,580	536,298	91.90	-	-	-	47,282	
4. Technology Initiatives	4,193,149	4,193,149	4,225,978	100.78	-	3,060,538	3,060,538	(3,093,367)	
5. Hurricane Sandy Disaster Relief Funds	75,959	-	75,959	100.00	-	-	-	-	
6. Pro Bono Innovation Funds	4,000,000	4,000,000	4,000,000	100.00	-	-	-	-	
TOTAL DELIVERY OF LEGAL ASSISTANCE	354,970,257	354,970,257	15,025,634	4.23	-	336,745,917	336,745,917	3,198,706	
II. HERBERT S. GARTEN LOAN REPAYMENT ASSISTANCE PROGRAM									
	2,408,419	2,408,419 *	1,969,073	81.76	-	-	-	439,346	
III. MANAGEMENT & GRANTS OVERSIGHT									
1. MGO Operating Budget	20,400,000	\$11,571,078	\$2,028,922	14.92	464,646	11,157,605	11,157,605	413,473	
2. MGO Research Initiative	66,622	-	44,415	100.00	41,667	126,140	126,140	(126,140)	
3. MGO Contingency Funds	4,567,174	-	3,044,783	100.00	-	-	-	-	
TOTAL MANAGEMENT & GRANTS OVERSIGHT	25,033,796	11,571,078	5,118,120	30.67	506,313	11,283,745	11,283,745	287,333	
IV. INSPECTOR GENERAL									
1. I G Operating Budget	4,950,600	2,983,536	316,864	9.60	60,945	3,218,096	3,218,096	(234,560)	
2. I G Contingency Funds	200,671	-	133,781	100.00	-	-	-	-	
TOTAL INSPECTOR GENERAL	5,151,271	2,983,536	450,645	13.12	60,945	3,218,096	3,218,096	(234,560)	
TOTAL	\$387,563,743	\$354,938,583	\$22,563,472		\$567,258	\$351,247,758	\$351,247,758	\$3,690,825	

* \$327,980 LRAP ACCOUNTS RECEIVABLE

LEGAL SERVICES CORPORATION
CONSOLIDATED OPERATING BUDGET WORKSHEET
FOR THE EIGHT-MONTH PERIOD ENDING MAY 31, 2015
FOR FISCAL YEAR 2015

(1) ANNUAL BUDGET	(2) ACTUAL	(3) EIGHT - TWELFTHS OF THE FY 2015 COB	(4) F I S C A L Y E A R 2 0 1 5 VARIANCE BUD VS ACT		(5) % OF VARIANCE UNDER / (OVER)	(6) ENCUM- BRANCES	(7) PRIOR Y-T-D ACTUAL	(8) VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
			UNDER / (OVER)	(OVER) (UNDER)				
\$377,050	\$197,581	\$251,367	\$53,786		21.40	\$0	\$181,400	\$16,181
1,321,850	834,584	881,233	46,649		5.29	-	701,921	132,663
1,437,150	752,924	958,100	205,176		21.41	18,335	744,081	8,843
1,102,200	686,831	734,800	47,969		6.53	12,145	610,712	76,119
777,600	443,988	518,400	74,412		14.35	29,521	445,107	(1,119)
3,779,600	2,187,956	2,519,733	331,777		13.17	43,388	2,161,603	26,353
1,904,350	1,059,688	1,269,567	209,879		16.53	283,570	963,928	95,760
4,594,950	2,629,546	3,063,300	433,754		14.16	-	2,532,922	96,624
604,775	256,340	403,183	146,843		36.42	7,038	379,334	(122,994)
4,500,475	2,521,640	3,000,317	478,677		15.95	70,649	2,436,597	85,043
\$20,400,000	\$11,571,078	\$13,600,000	\$2,028,922		14.92	\$464,646	\$11,157,605	\$413,473
66,622	-	44,415	44,415		100.00	41,667	126,140	(126,140)
4,567,174	-	3,044,783	3,044,783		100.00	-	-	-
\$25,033,796	\$11,571,078	\$16,689,198	\$5,118,120		30.67	\$506,313	\$11,283,745	\$287,333

III. MANAGEMENT & GRANTS OVERSIGHT

- 1. Board of Directors
- 2. Executive Office
- 3. Legal Affairs
- 4. Government Relations/Public Affairs
- 5. Human Resources
- 6. Financial & Admin Services
- 7. Information Technology
- 8. Program Performance
- 9. Information Management
- 10. Compliance & Enforcement
- MANAGEMENT & GRANTS OVERSIGHT SUBTOTAL
- 11. M & G O Research Initiative
- 12. M & G O Contingency Funds

TOTAL MANAGEMENT & GRANTS OVERSIGHT

LEGAL SERVICES CORPORATION
FINANCIAL REPORT BY BUDGET CATEGORY
FOR THE PERIOD ENDING MAY 31, 2015
FOR FISCAL YEAR 2015
MANAGEMENT AND GRANTS OVERSIGHT

(1)	(2)		(3)	(4)		(5)		(6)		(7)		(8)
	ANNUAL BUDGET	ACTUAL	EIGHT - TWELFTHS OF THE FY 2015 BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUMBRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)	C O M P A R A T I V E			
TOTAL COMP./BENEFITS	14,331,350	8,558,276	9,554,233	995,957	10.42	-	8,290,529	267,747				
TEMP. EMPLOYEE PAY	675,000	308,036	450,000	141,964	31.55	-	440,411	(132,375)				
CONSULTING	1,035,700	398,519	690,466	291,947	42.28	352,772	187,877	210,642				
TRAVEL/TRANSPORTATION EXPS	1,150,900	487,176	767,268	280,092	36.51	-	490,468	(3,292)				
COMMUNICATIONS	121,825	49,316	81,218	31,902	39.28	-	48,595	721				
OCCUPANCY COST	1,775,500	1,144,587	1,183,666	39,079	3.30	-	1,140,000	4,587				
PRINTING & REPRODUCTION	108,150	31,848	72,099	40,251	55.83	37,987	35,756	(3,908)				
OTHER OPERATING EXPENSES	978,575	568,742	652,383	83,641	12.82	73,887	479,821	88,921				
CAPITAL EXPENDITURES	223,000	24,578	148,667	124,089	83.47	-	44,148	(19,570)				
TOTAL	\$20,400,000	11,571,078	13,600,000	2,028,922	14.92	\$464,646	11,157,605	413,473				

LEGAL SERVICES CORPORATION
FINANCIAL REPORT BY BUDGET CATEGORY
FOR THE PERIOD ENDING MAY 31, 2015
FOR FISCAL YEAR 2015
MANAGEMENT AND GRANTS OVERSIGHT CONTINGENCY FUNDS

BUDGET CATEGORY	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	ANNUAL BUDGET	ACTUAL	EIGHT-TWELFTHS OF THE FY 2015 BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUMBRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
TOTAL COMP./BENEFITS	\$2,694,633	-	1,796,422	1,796,422	-	-	-	-
TEMP. EMPLOYEE PAY	-	-	-	-	-	-	-	-
CONSULTING	-	-	-	-	-	-	-	-
TRAVEL/TRANSPORTATION EXPS	-	-	-	-	-	-	-	-
COMMUNICATIONS	-	-	-	-	-	-	-	-
OCCUPANCY COST	-	-	-	-	-	-	-	-
PRINTING & REPRODUCTION	-	-	-	-	-	-	-	-
OTHER OPERATING EXPENSES	1,872,541	-	1,248,361	1,248,361	-	-	-	-
CAPITAL EXPENDITURES	-	-	-	-	-	-	-	-
TOTAL	\$4,567,174	-	3,044,783	3,044,783	\$0	-	-	-

LEGAL SERVICES CORPORATION
OPERATING EXPENSES FOR FISCAL YEAR 2015
FOR THE PERIOD ENDING MAY 31, 2015
MANAGEMENT AND GRANTS OVERSIGHT

BUDGET CATEGORY	BOARD OF DIRECTORS	EXECUTIVE OFFICE	LEGAL AFFAIRS	GOV'T REL PUBLIC AFFS	HUMAN RESOURCES	OFFICE FINANCIAL & ADMIN SRVCS
COMPENSATION & BENEFITS	-	795,563	607,424	620,716	406,193	715,285
TEMPORARY EMPLOYEE PAY	-	7,588	37,922	13,581	-	1,739
CONSULTING	47,768	7,336	74,792	-	13,751	16,920
TRAVEL/TRANSPORTATION EXPS	118,712	17,580	5,679	17,966	12,240	6,358
COMMUNICATIONS	1,154	2,532	1,519	3,011	988	4,368
OCCUPANCY COST	-	-	-	-	-	1,144,587
PRINTING & REPRODUCTION	-	70	-	10,975	-	20,803
OTHER OPERATING EXPENSES	29,947	3,915	25,588	20,582	9,833	272,507
CAPITAL EXPENDITURES	-	-	-	-	983	5,389
TOTAL	\$197,581	\$834,584	\$752,924	\$686,831	\$443,988	\$2,187,956
BUDGET CATEGORY	INFORMATION TECHNOLOGY	PROGRAM PERFORMANCE	INFORMATION MANAGEMENT	COMPLIANCE & ENFORCEMENT	TOTAL MGT & GRANTS OVERSIGHT	
COMPENSATION & BENEFITS	637,549	2,266,847	245,697	2,263,002	8,558,276	
TEMPORARY EMPLOYEE PAY	-	142,706	-	104,500	308,036	
CONSULTING	196,795	35,306	-	5,851	398,519	
TRAVEL/TRANSPORTATION EXPS	7,196	161,094	-	140,351	487,176	
COMMUNICATIONS	18,025	10,027	26	7,666	49,316	
OCCUPANCY COST	-	-	-	-	1,144,587	
PRINTING & REPRODUCTION	-	-	-	-	31,848	
OTHER OPERATING EXPENSES	181,917	13,566	10,617	270	568,742	
CAPITAL EXPENDITURES	18,206	-	-	-	24,578	
TOTAL	\$1,059,688	\$2,629,546	\$256,340	\$2,521,640	\$11,571,078	

OTHER OPERATING EXPENSES FOR THE EIGHT - MONTH PERIOD ENDING MAY 31, 2015						
	ANNUAL BUDGET	\$978,575.00	ACTUAL	568,742.00	EIGHT -TWELFTHS OF THE FY 2015 BUDGET	UNDER / (OVER) BUD VS ACT VARIANCE
ACCOUNT CODES	DESCRIPTION		COST CENTERS			YTD EXPENSE
5600	EQUIPMENT RENTAL		BOARD OF DIRECTORS FINANCIAL & ADMIN SERVICES INFORMATION TECHNOLOGY TOTAL	574.00 15,685.44 70,245.63		86,505.07
5610	OFFICE SUPPLIES		HUMAN RESOURCES FINANCIAL & ADMIN SERVICES INFORMATION TECHNOLOGY TOTAL	138.75 26,195.77 7,979.40		34,313.92
5611	OFFICE EQUIPMENT		GOVERNMENT RELATIONS/PUBLIC AFFAIRS HUMAN RESOURCES FINANCIAL & ADMIN SERVICES INFORMATION TECHNOLOGY TOTAL	69.55 164.21 6,355.01 44,102.58		50,691.35
5620	COMMERICAL INSURANCE		FINANCIAL & ADMIN SERVICES TOTAL	138,647.75		138,647.75
5640	DATA PROCESSING		LEGAL AFFAIRS GOVERNMENT RELATIONS/PUBLIC AFFAIRS HUMAN RESOURCES FINANCIAL & ADMIN SERVICES INFORMATION MANAGEMENT INFORMATION TECHNOLOGY OFFICE OF PROGRAM PERFORMANCE TOTAL	18,909.58 20,512.40 350.00 45,303.01 72.64 56,594.10 299.00		142,040.73
5650	ADVERTISING & CLIPPING SERVICES		BOARD OF DIRECTORS HUMAN RESOURCES OFFICE OF PROGRAM PERFORMANCE TOTAL	29,373.00 4,925.02 12,823.99		47,122.01

OTHER OPERATING EXPENSES FOR THE EIGHT - MONTH PERIOD ENDING MAY 31, 2015

ANNUAL BUDGET	ACTUAL	EIGHT -TWELFTHS OF THE FY 2015 BUDGET	UNDER / (OVER) BUD VS ACT VARIANCE
\$978,575.00	568,742.00	652,383.00	83,641.00

ACCOUNT CODES	DESCRIPTION	COST CENTERS	YTD EXPENSE
5660	DUES & MEMBERSHIPS	EXECUTIVE OFFICE LEGAL AFFAIRS HUMAN RESOURCES FINANCIAL & ADMIN SERVICES INFORMATION TECHNOLOGY TOTAL	280.00 679.00 75.00 28.00 500.00 1,562.00
5670	SUBSCRIPTIONS	LEGAL AFFAIRS FINANCIAL & ADMIN SERVICES OFFICE OF PROGRAM PERFORMANCE INFORMATION MANAGEMENT OFFICE OF COMPLIANCE AND ENFORCEMENT TOTAL	5,999.00 501.00 242.99 4,797.98 269.74 11,810.71
5680	EMPLOYEE LECTURES/OTHER ACT.	HUMAN RESOURCES FINANCIAL & ADMIN SERVICES TOTAL	2,192.65 25,009.98 27,202.63
5690	OFFICE EXPENSES	EXECUTIVE OFFICE CHIEF DEVELOPMENT UNIT HUMAN RESOURCES FINANCIAL & ADMIN SERVICES INFORMATION TECHNOLOGY PROGRAM PERFORMANCE INFORMATION MANAGEMENT TOTAL	0.10 3,635.00 1,987.08 14,781.35 2,495.00 200.00 5,746.57 28,845.10
TOTAL OTHER OPERATING EXPENSES			\$568,741.27

LEGAL SERVICES CORPORATION
FINANCIAL REPORT BY BUDGET CATEGORY
FOR THE PERIOD ENDING MAY 31, 2015
FOR FISCAL YEAR 2015
INSPECTOR GENERAL

	(1) ANNUAL BUDGET	(2) ACTUAL	(3) FISCAL YEAR 2015			(5) % OF VARIANCE UNDER / (OVER)	(6) ENCUM- BRANCES	(7) C O M P A R A T I V E		(8) VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
			EIGHT - TWELFTHS OF THE FY 2015 BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	VARIANCE BUD VS ACT UNDER / (OVER)			PRIOR Y-T-D ACTUAL	PRIOR Y-T-D INCR / (DECR)	
TOTAL COMP./BENEFITS	\$4,005,600	2,509,154	2,670,401	161,247	6.04	-	-	2,755,027	(245,873)	
TEMP. EMPLOYEE PAY	20,000	7,363	13,333	5,970	44.78	-	-	6,734	629	
CONSULTING	430,000	268,975	286,667	17,692	6.17	60,945	60,945	242,524	26,451	
TRAVEL/TRANSPORTATION EXPS	280,000	134,118	186,667	52,549	28.15	-	-	130,015	4,103	
COMMUNICATIONS	35,000	13,955	23,333	9,378	40.19	-	-	19,083	(5,128)	
OCCUPANCY COST	11,000	-	7,333	7,333	100.00	-	-	2,325	(2,325)	
PRINTING & REPRODUCTION	18,000	7,765	12,000	4,235	35.29	-	-	10,148	(2,383)	
OTHER OPERATING EXPENSES	86,000	35,331	57,333	22,002	38.38	-	-	40,861	(5,530)	
CAPITAL EXPENDITURES	65,000	6,875	43,333	36,458	84.13	-	-	11,379	(4,504)	
TOTAL	\$4,950,600	2,983,536	3,300,400	316,864	9.60	60,945	60,945	3,218,096	(234,560)	

LEGAL SERVICES CORPORATION
FINANCIAL REPORT BY BUDGET CATEGORY
FOR THE PERIOD ENDING MAY 31, 2015
FOR FISCAL YEAR 2015
INSPECTOR GENERAL CONTINGENCY FUNDS

BUDGET CATEGORY	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	ANNUAL BUDGET	ACTUAL	EIGHT - TWELFTHS OF THE FY 2015 BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUMBRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
FISCAL YEAR 2014								
TOTAL COMP./BENEFITS	-	-	-	-	-	-	-	-
TEMP. EMPLOYEE PAY	-	-	-	-	-	-	-	-
CONSULTING	-	-	-	-	-	-	-	-
TRAVEL/TRANSPORTATION EXPS	-	-	-	-	-	-	-	-
COMMUNICATIONS	-	-	-	-	-	-	-	-
OCCUPANCY COST	-	-	-	-	-	-	-	-
PRINTING & REPRODUCTION	-	-	-	-	-	-	-	-
OTHER OPERATING EXPENSES	200,671	-	133,781	133,781	-	-	-	-
CAPITAL EXPENDITURES	-	-	-	-	-	-	-	-
TOTAL	\$200,671	-	133,781	133,781	\$0	\$0	-	\$0

**Review of Internal Budgetary
Adjustments for the Consolidated
Operating Budget for FY 2015**



FINANCIAL & ADMINISTRATIVE SERVICES

MEMORANDUM

TO: Robert J. Grey, Jr., Finance Committee Chairman

FROM: David L. Richardson, Treasurer/ Comptroller *dlr*

DATE: June 29, 2015

SUBJECT: Review of Fiscal Year ("FY") 2015 Consolidated Operating Budget ("COB"), Expenses, and Internal Budgetary Adjustments ("adjustments")

Following Section 3 of LSC's *Guidelines for Adoption, Review and Modification of the Consolidated Operating Budget (Guidelines)*, each office director has reviewed his or her office's budget and expenses for the seven-month period ending April 30, 2015, and provided a projection of spending for the remainder of the fiscal year. As a result of this process, the President has approved the following adjustments:

- Executive Office ("EO") – With the departure of the Development Associate, funds of \$6,100 from Personnel Compensation and Benefits were used to increase Temporary Employee Pay by \$2,500 to fund interim help while a replacement was being recruited, and Other Operating Expenses were increased by \$3,600 because of additional costs associated with the charitable solicitation renewals.
- Government Relations/Public Affairs ("GRPA") – An employee recently resigned and will be leaving on June 30. While a replacement is being recruited, GRPA plans to hire a temporary employee to assist the office in the interim. Personnel Compensation and Benefits was decreased by \$7,000 and Temporary Employee Pay was increased by this amount.
- Financial and Administrative Services – A new employee has been hired from an agency. At the end of twelve weeks, this employee will become a regular employee. Temporary Employee Pay needs to be increased by \$15,000 to accommodate the hire; funds were available from Personnel Compensation and Benefits.

- Information Technology ("OIT") – Other Operating Expenses requires an increase of \$15,000 because of additional software, and network maintenance costs. These funds were available from the Consulting budget category.

The adjustments were needed to align our projected spending plan with the budget.

FY 2015 Office of Inspector General ("OIG") Five Month Budget Review

The OIG also conducted a review of budget and expenses for the seven-month period and completed a projection of spending for the remainder of the fiscal year. Because the OIG's Information Technology Specialist recently resigned, a temporary hire was needed while recruiting for a replacement was being completed. An adjustment was made to increase Temporary Employee Pay by \$15,000 to fund the hiring; these funds are available from Personnel Compensation and Benefits.

Attachment A presents the COB by line item and Attachment B summarizes each office's budget by budget category. There is no resolution for the Board of Directors to approve with these adjustments that the President approved.

If you have any questions or need additional information, please let me know.

Attachments (3)

Resolution
Attachment A
Attachment B

Temporary Operating Authority FY 2016



FINANCIAL & ADMINISTRATIVE SERVICES

MEMORANDUM

TO: Robert J. Grey, Jr., Finance Committee Chairman
FROM: David L. Richardson, Treasurer/ Comptroller *dlr*
DATE: June 22, 2015
SUBJECT: Temporary Operating Authority

This is the last scheduled Board of Directors' meeting prior to the beginning of Fiscal Year ("FY") 2016 on October 1, 2015. Because of this, resolution 2015-0XX has been prepared for your consideration to authorize Temporary Operating Authority with a Temporary Operating Budget (TOB) of \$387,563,743. This amount equals the FY 2015 Consolidated Operating Budget.

Management is asking that you approve this resolution and recommend it to the Board of Directors. At the next scheduled Board meeting in October, we will present a Temporary Operating Budget for FY 2016.

If you have any questions, prior to the meeting, please do not hesitate to contact me.

Attachments

LEGAL SERVICES CORPORATION
 PROPOSED TEMPORARY OPERATING BUDGET

 FOR THE FISCAL YEAR 2016

	(1)	(2)	(3)	(4)
	FY 2015 APPROPRIATION -----	FY 2014 CARRYOVER -----	COURT OF VETS APPEALS & ADJUSTMENTS -----	FY 2016 TEMPORARY OPERATING BUDGET -----
I. DELIVERY OF LEGAL ASSISTANCE -----				
1. Basic Field Programs	343,150,000	462,147	-	343,612,147
2. U.S. Court of Veterans Appeals Funds	-	5,422	2,500,000	2,505,422
3. Grants From Other Funds	-	583,580	-	583,580
4. Technology Initiatives	4,000,000	193,149	-	4,193,149
5. Hurricane Sandy Disaster Relief Funds	-	75,959	-	75,959
6. Pro Bono Innovation Funds	4,000,000	-	-	4,000,000
	-----	-----	-----	-----
DELIVERY OF LEGAL ASSISTANCE TOTALS	351,150,000	1,320,257	2,500,000	354,970,257
II. HERBERT S. GARTEN				
LOAN REPAYMENT ASSISTANCE PROGRAM	1,000,000	1,408,419	-	2,408,419
III. MANAGEMENT & GRANTS OVERSIGHT -----				
1. MGO Operating Budget	18,500,000	1,900,000	-	20,400,000
2. MGO Research Initiative	-	66,622	-	66,622
3. MGO Contingency Funds	-	4,567,174	-	4,567,174
	-----	-----	-----	-----
TOTAL - MANAGEMENT & GRANTS OVERSIGHT	18,500,000	6,533,796	-	25,033,796
IV. INSPECTOR GENERAL -----				
1. OIG Operating Budget	4,350,000	600,600	-	4,950,600
2. OIG Contingency Funds	-	200,671	-	200,671
	-----	-----	-----	-----
TOTAL - OFFICE OF INSPECTOR GENERAL	4,350,000	801,271	-	5,151,271
	-----	-----	-----	-----
TOTAL BUDGET	\$375,000,000	\$10,063,743	2,500,000	\$387,563,743
	=====	=====	=====	=====

**LEGAL SERVICES CORPORATION
OPERATING BUDGETS
FOR MANAGEMENT AND GRANTS OVERSIGHT
AND FOR LSC'S OFFICE OF INSPECTOR GENERAL
FOR FISCAL YEAR 2016**

BUDGET CATEGORY	BOARD OF DIRECTORS	EXECUTIVE OFFICE	LEGAL AFFAIRS	GOV'T REL PUBLIC AFFS	HUMAN RESOURCES	OFFICE FINANCIAL & ADMIN SRVCS
COMPENSATION & BENEFITS	-	\$1,236,750	\$1,007,450	\$954,350	\$685,950	\$1,230,800
TEMP. EMPLOYEE PAY	-	14,100	70,200	31,950	-	12,400
CONSULTING	93,600	9,050	297,000	18,000	28,250	32,300
TRAVEL/TRANSPORTATION EXPS	222,450	49,300	17,900	44,300	45,100	21,100
COMMUNICATIONS	5,400	5,250	5,200	4,600	2,400	15,200
OCCUPANCY COST	-	-	-	-	-	1,775,000
PRINTING & REPRODUCTION	-	500	-	14,000	-	93,650
OTHER OPERATING EXPENSES	55,600	6,900	39,400	35,000	14,900	469,150
CAPITAL EXPENDITURES	-	-	-	-	1,000	130,000
TOTAL	\$377,050	\$1,321,850	\$1,437,150	\$1,102,200	\$777,600	\$3,779,600
BUDGET CATEGORY	INFO TECH	PROGRAM PERFORMANCE	INFO MANAGEMENT	COMPLIANCE & ENFORCE	MANAGEMENT & GRANTS OVERSIGHT	INSPECTOR GENERAL
PERSONNEL COMPENSATION	733,600	2,695,050	424,600	\$2,836,750	10,395,800	3,122,000
PERSONNEL BENEFITS	260,200	1,069,450	151,900	\$1,044,500	3,935,550	883,600
COMPENSATION & BENEFITS	\$993,800	\$3,764,500	\$576,500	\$3,881,250	\$14,331,350	\$4,005,600
TEMP. EMPLOYEE PAY	7,000	369,700	-	169,650	675,000	20,000
CONSULTING	414,000	83,500	-	60,000	1,035,700	430,000
TRAVEL/TRANSPORTATION EXPS	43,000	335,250	4,000	368,500	1,150,900	280,000
COMMUNICATIONS	42,300	20,900	75	20,500	121,825	35,000
OCCUPANCY COST	-	500	-	-	1,775,500	11,000
PRINTING & REPRODUCTION	-	-	-	-	108,150	18,000
OTHER OPERATING EXPENSES	312,250	20,600	24,200	575	978,575	86,000
CAPITAL EXPENDITURES	92,000	-	-	-	223,000	65,000
TOTAL	\$1,904,350	\$4,594,950	\$604,775	\$4,500,475	\$20,400,000	\$4,950,600



BOARD OF DIRECTORS

RESOLUTION

Temporary Operating Authority For Fiscal Year 2016

WHEREAS, the Legal Services Corporation ("LSC") Board of Directors (Board) has reviewed information regarding the status of fiscal year ("FY") 2016;

WHEREAS, the Board of Directors desires LSC to continue operations;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby grants Temporary Operating Authority with a Temporary Operating Budget for FY 2016 of \$387,563,743, of which \$354,970,257 is for the *Delivery of Legal Assistance*; \$2,408,419 is for the *Herbert S Garten Loan Repayment Assistance Program*; \$25,033,796 is for *Management and Grants Oversight*; and \$5,151,271 is for the *Office of Inspector General*.

Adopted by the Board of Directors
On July 18, 2015

John G. Levi
Chairman

Attest:

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

FY 2017 Budget Request

MEMORANDUM

TO: Finance Committee

FROM: James J. Sandman

DATE: July 13, 2015

SUBJECT: Management's Recommendation for LSC's FY 2017 Budget Request

LSC management recommends that the Finance Committee consider a budget request of **\$502.7 million** for FY 2017. This recommendation is \$15.8 million more than last year's request of \$486.9 million. \$15.7 million of the increase is for basic field grants, and \$100,000 is for the Office of Inspector General.

Our goal over the past several years has been to restore grantees' services to the level they were at before the recession began and the size of the population financially eligible for legal aid spiked. We have used changes in the size of the eligible population as a proxy for changes in the level of need for legal services. Our intention has been to restore funding per eligible person to the 2007 level in inflation-adjusted dollars.

We first adopted this approach three years ago in formulating our budget recommendation for FY 2014. We calculated then that we would need basic field funding of \$451.3 million to restore service to the 2007 level. Since then, we did not change that number, even though, because of inflation and projected increases in the size of the eligible population, our formula would have supported a request for higher basic field funding. Last year, we projected that basic field funding should be \$495.7 million for FY 2016 based on that formula. Our recommendation, however, was to continue to use the lower \$451.3 million basic field level because of pressure on the federal budget.

This year, we recommend continuing to use the same formula—restoring funding per eligible person to the 2007 level, adjusted for inflation—without any reductions. In light of the magnitude of the need for legal services, we cannot justify a fourth year of flat basic field funding. We recommend that we ask for the actual amount necessary to restore basic field funding per eligible person to the 2007 level in inflation-adjusted dollars—\$467 million for FY 2017. **Appendix 1** details the methodology used for our FY 2017 budget request. **Appendix 2** shows LSC's budget requests from FY 2010 to 2017.

The table below compares our request by budget category for FYs 2016 and 2017.

Budget Category	FY 2016 Request	FY 2017 Request	Change
Basic Field	\$451,300,000	\$467,000,000	\$15,700,000
TIG	\$5,000,000	\$5,000,000	\$0
LRAP	\$1,000,000	\$1,000,000	\$0
MGO	\$19,500,000	\$19,500,000	\$0
Pro Bono	\$5,000,000	\$5,000,000	\$0
OIG	\$5,100,000	\$5,200,000	\$100,000
Total	\$486,900,000	\$502,700,000	\$15,800,000

Our recommendation for an increased request is supported by the first two goals of LSC’s strategic plan: “to maximize the *availability*, quality, and effectiveness of the civil legal services that [our] grantees provide to eligible low-income individuals” and “to become a leading voice for civil legal services for poor Americans.” (Emphasis added.)

For FY 2016, the White House recommended \$452 million for LSC, an increase of \$22 million from its request for FY 2015. This was significant in light of the Office of Management and Budget’s recommendation that all federal agencies reduce their budgets by five percent for FY 2016. The White House request reflects the President’s strong support for legal services and the vital role that LSC and its grantees play in providing access to justice. The table below shows LSC’s current appropriation, the President’s recommendation last year, congressional action on LSC’s funding for FY 2016, and our recommendation for 2017.

Budget Category	FY 2015 Appropriation	FY 2016 President’s Ask	FY 2016 House Passed	FY 2016 Senate Approp. Committee	FY 2017 LSC Request
Basic Field	\$343,150,000	\$416,400,000	\$266,900,000	\$353,000,000	\$467,000,000
TIG	\$4,000,000	\$5,000,000	\$4,000,000	\$4,000,000	\$5,000,000
LRAP	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
MGO	\$18,500,000	\$19,500,000	\$19,000,000	\$18,500,000	\$19,500,000
Pro Bono	\$4,000,000	\$5,000,000	\$4,000,000	\$4,000,000	\$5,000,000
OIG	\$4,350,000	\$5,100,000	\$5,100,000	\$4,500,000	\$5,200,000
Total	\$375,000,000	\$452,000,000	\$300,000,000	\$385,000,000	\$502,700,000

As in previous years, LSC management recommends that more than 90% of the budget be allocated to basic field grants for FY 2017. Four percent or \$19.5 million is allocated for management and oversight, the same amount as we recommended last year. One percent is allocated for LSC’s Inspector General. Consistent with LSC’s appropriation request for FY 2016, our recommended FY 2017 request includes \$5 million for the Pro Bono Innovation Fund—the grant program proposed by the Pro Bono Task Force to encourage innovations in pro bono legal services. The budget also includes \$5 million for LSC’s Technology Initiative Grants (TIG) program and \$1 million for the Loan Repayment Assistance Program.

On June 15, members of the public presented their recommendations for LSC’s FY 2017 budget request to the Finance Committee. **Appendix 3** includes copies of the recommendations.

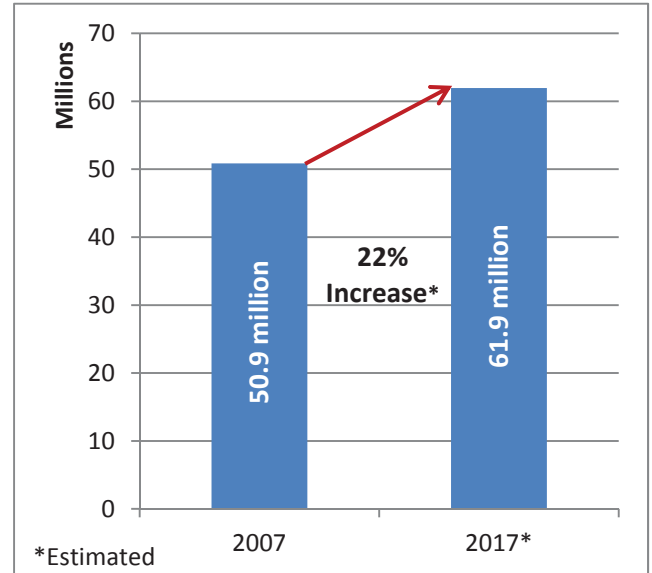
- The **National Legal Aid and Defender Association (NLADA)** recommends **\$580 million** for FY 2017, the same amount recommended last year. NLADA justified the recommendation by pointing to the enormity of the unmet legal needs of people living in poverty and the significant positive outcomes realized when civil legal aid is made available.
- The **Standing Committee on Legal Aid and Indigent Defendants (SCLAID)** of the American Bar Association recommends a budget within the range of **\$486.9 to \$494.2 million**. This number reflects LSC's FY 2016 budget request adjusted for inflation.
- The **Conference of Chief Justices and the Conference of State Court Administrators** jointly recommend "...a significant increase in LSC funding to fulfill our nation's promise of equal justice under law."
- The **Washington State Access to Justice Board** recommends a budget request of no less than \$500 million. At this level of funding, LSC's Washington grantee would receive a substantial funding increase that would allow restoration of lost capacity, and coverage of the increased costs of providing services, allowing our Washington grantee to serve thousands more Washingtonians in need of legal assistance to secure justice.
- The **Pennsylvania IOLTA Board** submitted a report of their 2012 economic benefits study. The study demonstrated an \$11 return for every dollar spent on legal aid.
- The **Mississippi Access to Justice Commission** expressed strong support for full and continued funding of Mississippi's LSC-funded legal services programs. "Without question, the potential for a reduction in the budgets to our LSC programs would have a devastating effect on thousands of children, elderly, veterans and families throughout Mississippi."
- The **Washington Council of Lawyers**, a voluntary bar association in the District of Columbia devoted to ensuring that the justice system serves everyone, expressed strong support for full and continued funding for LSC. "In our judgment, the levels of LSC funding are woefully inadequate for the current need. We believe LSC funding should be increased to meet the increasing demands for legal services."

The Justice Gap Remains Enormous

The gap between the number of people who need legal services and the resources available to meet their needs remains enormous. One in five Americans qualifies for services today. The most recent data from the Census Bureau show that the number of people eligible for LSC-funded services in 2013 was 63.6 million. This was only slightly lower than in 2012, when the number was the highest in LSC's history. Although we project that the eligible population will decrease slightly by 2017, the total number of people in need of services will remain very large, and significantly larger than the number before the recession began. **Appendix 4** shows the population eligible for LSC-funded legal aid from 2007 through 2017. In 2015, income eligibility LSC-funded legal aid —125% of the federal poverty guideline—is \$14,713 for an individual and \$30,313 for a family of four.

Based on the most recent information available from the Bureau of the Census and the Congressional Budget Office, we estimate that 62 million Americans, or nearly 20% of the population, will be financially eligible for services at LSC grantees in FY 2017, a 22% increase since 2007.¹

Year	Eligible Population	Percentage of Population	Percentage Change
2007	50,864,000	17.3%	--
2008	51,988,000	17.6%	2.2%
2009	56,430,000	18.9%	8.5%
2010	60,443,000	19.6%	7.1%
2011	63,324,000	20.3%	4.8%
2012	63,569,000	20.8%	0.4%
2013	63,558,000	20.6%	0.0%
2014*	63,351,000	20.4%	-0.3%
2015*	62,761,000	20.1%	-0.9%
2016*	62,192,000	19.8%	-0.9%
2017*	61,948,000	19.6%	-0.4%



LSC’s Justice Gap Reports in 2005 and 2009,² before the eligible population spiked, showed that even then LSC grantees were able to assist only 50% of those persons who sought legal assistance. In 2010, when LSC received its largest appropriation in absolute dollars, grantees provided services to 2.3 million people in all households served. Four years later, LSC grantees helped only 1.9 million people in all households served, a decline of 17%.

The slight improvement in the poverty rate masks a lagging economic recovery for those most in need. There was no meaningful change in the poverty rate for those 18-64 and 65 and above. The share of income going to the bottom 20% of households remained at an all-time low of 3.2%.³

¹ Source: U.S. Census Bureau, 2007-2013 American Community Survey 1-Year Estimates, Table S1701: Poverty Status in the Past 12 Months; Emily Monea and Isabel Sawhill, *An Update to “Simulating the Effect of the ‘Great Recession’ on Poverty,”* Brookings Institution, September 13, 2011, Figure A. U.S. Census Bureau 2014 National Population Projections: Summary Tables, Middle Series.

² “Documenting the Justice Gap In America The Current Unmet Civil Legal Needs of Low-Income Americans,” September 2005. An Updated Report of the Legal Services Corporation, September 2009.

³ Income and Poverty in the United States: 2013, Carmen DeNavas-Walt and Bernadette D. Proctor, September 2014. <http://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-249.pdf>
Poverty Fell and Health Coverage Improved in 2013, But Economic Recovery Is Slow to Reach Many, Arloc Sheman, Danilo Trisi and Matt Broaddus, September 22, 2014, Center on Budget and Policy Priorities <http://www.cbpp.org/sites/default/files/atoms/files/9-22-14pov.pdf>

While the overall poverty population remains near an all-time high, LSC funding for grantees has declined dramatically since 2010—in both absolute terms and inflation-adjusted dollars. LSC is currently funded at \$375 million, an 11% decrease from FY 2010. Over the same period, basic field funding has declined by 13%, from \$394.4 million to \$343.15 million. If LSC’s FY 1995 appropriation of \$400 million were adjusted to keep pace with inflation, it would be \$621 million today. **Appendix 5** shows LSC’s funding history from 1995 to 2014, both in absolute and inflation-adjusted dollars; **Appendix 6** shows historical data on grantees’ LSC and non-LSC funding; **Appendix 7** shows the sources of grantees’ non-LSC funding.

As the chart below shows, total grantee funding (LSC and non-LSC funding) per eligible person in 2014 declined by 13% in absolute dollars and 24% in inflation-adjusted dollars since 2007.

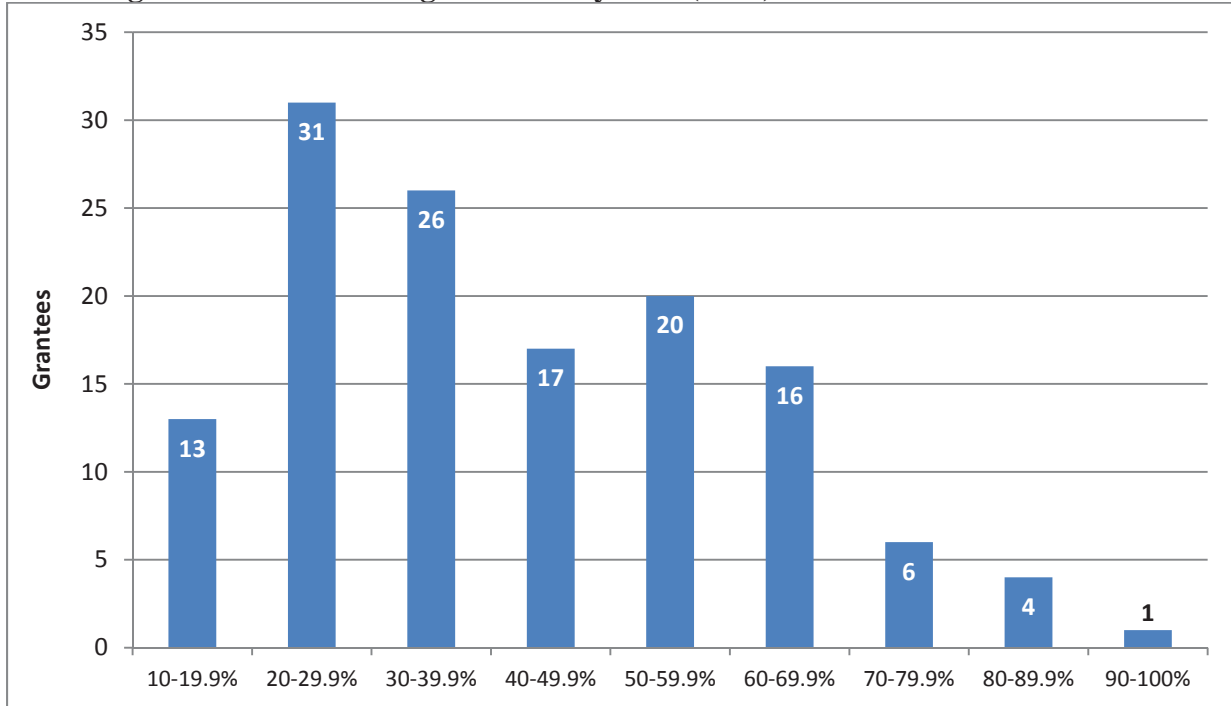
Year	LSC + Non-LSC Actual \$ /Eligible Person	Inflation-Adjusted \$ /Eligible Person ⁴
2007	\$16.62	\$18.98
2008	\$16.41	\$18.04
2009	\$16.05	\$17.71
2010	\$15.88	\$17.24
2011	\$14.75	\$15.52
2012	\$13.88	\$14.31
2013	\$13.52	\$13.74
2014	\$14.40	\$14.40

Non-LSC funding varies widely from jurisdiction to jurisdiction. And it is important to recognize that many sources of non-LSC funding are not fungible with LSC funding. Non-LSC funding is often restricted for specified purposes, with strict limits on the amount available for management and administration. LSC funding, in contrast, can be used to address the full range of locally identified needs and allows grantees to support robust management.

As the chart below shows, 47 of our 134 grantees depend on LSC for 50% or more of their funding. Twenty-seven grantees receive 60% or more of their funding from LSC and have been particularly hard-hit by reductions in LSC’s grants.

⁴ LSC and non-LSC funding adjusted for inflation in 2014 dollars: U.S. Department of Labor, Bureau of Labor Statistics, CPI Inflation Calculator, (www.bls.gov/data/inflation_calculator.htm). Eligible persons 2007-2013: U.S. Census Bureau, 2007-2013 American Community Survey 1-Year Estimates, Table S1701: Poverty Status in the Past 12 Months; U.S. Census Bureau 2013 National Population Projections: Summary Tables, Middle Series. LSC Projections for 2014 client eligible population using LSC estimates based on: Emily Monea and Isabel Sawhill, *An Update to “Simulating the Effect of the ‘Great Recession’ on Poverty,”* Brookings Institution, September 13, 2011, Figure A (www.brookings.edu/research/papers/2009/09/10-poverty-monea-sawhill). Unemployment: CBO, *CBO’s Baseline Economic Forecast - February 2015 Baseline Projections*, (www.cbo.gov/publication/43902). Total Population: U.S. Census, 2014 National Population Projections - Table 1; Poverty Population, U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements.

Percentage of Grantee Funding Provided by LSC (2014)



The Cost of Returning Funding to Pre-Recession Levels

Our FY 2017 budget recommendation reflects a goal of returning to the same level of service that LSC grantees provided in 2007—the last year before the recession began and the size of the population eligible for LSC-funded services began to increase dramatically. The table below shows LSC funding per eligible person from 2007 to 2015, adjusted for inflation.

Year	Inflation-Adjusted Basic Field Funding	Eligible Persons	\$/Eligible Person
2007	\$383,401,311	50,864,000	\$7.54
2008	\$370,937,519	51,988,000	\$7.13
2009	\$409,449,542	56,430,000	\$7.25
2010	\$435,190,755	60,443,000	\$7.20
2011	\$404,399,564	63,324,000	\$6.38
2012	\$338,218,910	63,569,000	\$5.32
2013	\$326,394,273	63,558,000	\$4.98
2014	\$340,567,650	63,351,000	\$5.12
2015	\$343,150,000	62,761,000	\$5.47

In 2007, basic field funding of \$383 million was \$7.54 per eligible person in inflation-adjusted dollars.⁵ Basic field funding per eligible person is now only \$5.47 in constant dollars. To return to FY 2007 funding per eligible person in FY 2017 in inflation adjusted dollars, basic field funding should be \$467 million.

Inadequate Funding Jeopardizes Access to Justice

Significant funding cuts have resulted in reduced staff as well as office and case closure levels from 2010 to 2014. There is a clear correlation between the number of cases closed by LSC grantees and available funding. In 2014, basic field grants to LSC grantees dropped by 15% from the high of \$394.4 million in 2010. Cases closed by grantees during the same time period decreased by nearly 19%. In 2014, grantees closed a total of 757,983 cases, down by 174,000 cases from 2010. **Appendices 8 and 9** show the total number of cases closed from 2008 to 2014 and compare the number of cases to grantee funding for the same time period. Although total cases closed dropped from 2010 to 2014, pro bono cases increased from 71,444 to 80,077 during the same time period. Pro bono cases now represent 10.7% of total cases closed by LSC grantees, the highest in LSC’s history. **Appendices 10 and 11** show the total number and percentage of pro bono cases closed from 2008 to 2014.

The following chart shows the relationship between grantee staffing levels and cases closed. In 2014, the number of cases closed by grantee staff (excluding private attorney involvement cases) was the lowest since 2008. The total of 660,818 cases closed in 2014 was a 17% reduction since 2008. Overall staffing levels in 2014 also represent a reduction for the same time period. **Appendix 12** show staffing at LSC grantees from 2011 to 2014.

Year	Attorneys	Paralegals	Support Staff	LSC Cases Closed (Excluding PAI)
2008	4426	1682	3365	795,987
2009	4505	1687	3327	816,703
2010	4679	1731	3453	824,785
2011	4508	1646	3284	797,162
2012	4226	1503	3032	710,264
2013	4192	1475	2911	662,262
2014	4318	1504	2891	660,818
% Change	-2.4%	-11%	-14%	-17%

⁵ Basic field funding adjusted for inflation in 2015 dollars: United States Department of Labor, Bureau of Labor Statistics, CPI Inflation Calculator (www.bls.gov/data/inflation_calculator.htm); Eligible persons 2007-2013: U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements, Table 6. People Below 125 Percent of Poverty Level and the Near Poor: 1959 to 2011 (for persons below 125% poverty 1994-2011). LSC Projections for 2014 client eligible populations using LSC estimates based on: Monea and Sawhill, *Simulating the Effect of the “Great Recession” on Poverty* (www.brookings.edu/research/papers/2009/09/10-poverty-monea-sawhill). Unemployment: CBO, *CBO’s Baseline Economic Forecast - February 2015 Baseline Projections*, (www.cbo.gov/publication/43902).; Total Population: US Census, 2014 National Population Projections - Table 1; Poverty Population, U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements.

Growing Problem of Pro Se Litigants

Inadequate funding for legal aid, combined with an increased poverty population, has increased the number of pro se litigants in the courts. While there are no national data on pro se litigants, state court chief justices and judges from across the country have reported to the LSC Board on the growing epidemic of pro se litigation in state courts. Examples include:

- 1.8 million unrepresented litigants in civil matters in New York courts in 2012.⁶
- 80% of litigants in family law cases are unrepresented in California and Massachusetts.⁷ According to a report by the Judicial Council of California, more than 4.3 million of California's court users are self-represented; 90% of defendants in unlawful detainer cases are self-represented.⁸
- 50-66% of litigants in family law cases in Texas are pro se.⁹
- 35% of civil cases in the Southern District of Iowa were filed by pro se litigants.¹⁰

A 2014 report by the Boston Bar Association¹¹ related judges' assessment of the effect that lack of representation has on the courts. The study included the following table that highlights the magnitude of the problem by case type in Massachusetts.

⁶ The Task Force to Expand Access to Civil Legal Services in New York, Report to the Chief Judge of the State of New York, State of New York Unified Court System, November 2014.

⁷ Statement of California Judge Laurie Zelon, LSC's Texas Judicial Panel: The Importance of Access to Justice to the Judiciary, Legal Services Corporation Board of Directors Meeting, Austin, TX, Jan. 24, 2014; Statement of Massachusetts Supreme Court Chief Justice Ralph Gants, Legal Services Corporation 40th Anniversary Conference: State Supreme Court Chief Justices/Judges, Washington D.C., Sept. 15, 2014

⁸ Judicial Council of California, *Report of the Task Force on Self-Represented Litigants and Statewide Action Plan for Serving Self-Represented Litigants* (February 2004), pg. 2.

⁹ Statement of Supreme Court of Texas Chief Justice Nathan Hecht, LSC's Texas Judicial Panel: The Importance of Access to Justice to the Judiciary, Legal Services Corporation Board of Directors Meeting, Austin, TX, Jan. 24, 2014.

¹⁰ Statement of Iowa Supreme Court Justice David Wiggins, Judicial Panel: The Importance of Access to Justice to the Judiciary, Legal Services Corporation Board of Directors Meeting, Des Moines, Iowa, July 21, 2014.

¹¹ "Investing in Justice: A Roadmap to Cost-Effective Funding of Civil Legal Aid in Massachusetts," Boston Bar Association Statewide Task Force to Expand Civil Legal Aid in Massachusetts, October 2014. <http://www.bostonbar.org/docs/default-document-library/statewide-task-force-to-expand-civil-legal-aid-in-ma---investing-in-justice.pdf>

Case Type	Percentage of Cases Where Petitioner is Self-Represented	Percentage of Cases Where Respondent is Self-Represented or Does Not Appear	Percentage of Cases Where At Least One Party is Self-Represented or Does Not Appear
Family	39%	91%	99%
Financial and housing	1%	92%	93%
Probate	52%	99%	99%

Similarly, a 2013 report from Arkansas addressed the growing problem of pro se litigants in the state’s courts.¹² More than 90% of the responding judges reported that cases with one or more self-represented parties were handled less efficiently than those with attorneys on both sides. Two-thirds of the responding judges believed that cases with self-represented litigants take longer than cases with attorneys to reach disposition. The most frequent comments from judges were that self-represented litigants expect judges to help them try their cases. Eighty percent of the judges report that self-representation has a negative impact on case outcomes. One judge reported, “there have been times [self-represented litigants] prevailed, but very, very seldom.”¹³

A 2013 report by the Conference of Chief Justices and the Conference of State Court Administrators recounted the negative effects on the quality and administration of justice when large numbers of unrepresented litigants inundate the courts. Large numbers of unrepresented litigants create financial and logistical burdens for courts because they take significantly more of the court’s time. When an unrepresented litigant does not understand standard procedures and paperwork, judges must spend more time on the bench explaining information commonly understood by lawyers, or eliciting facts that the party should have presented. Court clerks may have to answer more questions and provide additional assistance.¹⁴

More cases reach the courts as litigation (as opposed to being settled) when one or both parties are unrepresented. When one party in a case is represented by counsel and the other is not, delays and disruptions resulting from one party’s being unrepresented can increase the cost of counsel for the represented party. Delays can result when an unrepresented litigant does not know what materials will be required.¹⁵

Judges across the country agree that large numbers of unrepresented litigants:

- Clog the courts
- Take up the time of court personnel
- Cost opposing parties more in legal fees because of disruptions and delays

¹² “Services for Self-Represented Litigants in Arkansas,” A report to the Arkansas Access to Justice Commission, July 26, 2013.
<http://www.arkansasjustice.org/sites/default/files/file%20attachments/Arkansas%20Final%20Report%207-26-13.pdf>

¹³ *Id.*

¹⁴ “The Importance of Funding for the Legal Services Corporation from the Perspective of the Conference of Chief Justices and the Conference of State Court Administrators,” Conference of Chief Justices and the Conference of State Court Administrators, 2013.

¹⁵ *Id.* at page 4.

- Cause more cases to advance to litigation
- Result in cases being decided on technical errors rather than the legal merits of a case.¹⁶

Recent Economic Benefits Studies¹⁷

Our request for a significant increase in basic field funding has an additional justification: civil legal aid is a good investment of taxpayer dollars. Providing civil legal aid is one of the most effective ways to help Americans navigate the justice system while also promoting greater efficiency in the courts. A growing body of research demonstrates that investment in civil legal aid stimulates significant economic benefits for communities, for state and local governments, and for individuals. Studies in several states illustrate that civil legal aid grows economies, positively affecting the housing market, homeless shelter costs, foreclosure and eviction rates, incidence of domestic abuse, and employment.

In 2014, the following states released economic benefit studies highlighting the benefits resulting from making legal aid available.

Massachusetts

- For every \$1 spent representing families and individuals in housing court, the state saved \$2.69 on other services, such as emergency shelter, health care, foster care, and law enforcement.
- Providing legal services to survivors of domestic violence saved the state \$16 million.

New York

- Anti-eviction civil legal aid programs saved the state \$220 million in costs that would have been spent on shelters. In addition, another \$40 million was saved by providing brief representation in other housing matters.
- Providing legal services to survivors of domestic violence saved the state \$85 million in medical and mental health expenses and workplace productivity and wages lost.

North Carolina

- Preventing 488 foreclosures in 2012 saved more than \$11 million in home values.
- Assisting homeowners avoid evictions saved the state more than \$4 million that would otherwise have been spent on providing emergency shelter.

¹⁶ *Id.* at page 4.

¹⁷ The studies cited use a range of methodologies to calculate savings and benefits including shelter costs, domestic violence impacts, state services, and federal benefits. The variation in methodology makes comparing summary statistics, such as return on investment, difficult. LSC uses relevant portions of the studies that can be understood independently. The PA IOLTA Board testimony in Appendix 3 includes the study: “The Economic Impact of Outcomes Obtained for Legal Aid Clients Benefits Everyone in Pennsylvania” in its entirety.

- Providing legal services to survivors of domestic violence saved the more than \$1 million in medical costs alone.

Pennsylvania

- In 2011, the economic benefits generated by legal aid providers saved the state \$25 million that would have otherwise been spent on emergency shelters.
- Nearly 7,000 families received protection from abuse orders, saving the state \$23 million in medical expenses, counseling for affected children, and law enforcement resources.

Tennessee

- Civil legal aid saved Tennesseans \$1.3 million that would have been spent on emergency shelters.
- Providing legal services to survivors of domestic violence saved the state \$7.5 million in medical and mental health expenses, social services, law enforcement resources, workplace productivity and wages lost, and judicial system costs.
- Preventing foreclosure through legal aid saved residents and local governments an estimated \$33.8 million.

Virginia

- Providing legal services to survivors of domestic violence saved the state \$1.9 million in costs related to medical and mental health care, counseling for affected children, and law enforcement resources.
- Providing homelessness prevention efforts resulted in about \$1.2 million savings in emergency shelter costs. We helped 632 low-income families (with 1,704 family members) avoid the need for emergency shelter, saving an estimated \$12,790 per family.

Congressional Support for LSC Funding

Below is a summary of congressional action on LSC's funding for FYs 2015 and 2016.

FY 2015

When Congress was unable to reach agreement on appropriations bills by the start of FY 2015, Congress enacted a short-term Continuing Resolution (CR) that maintained FY 2014 funding levels. In February 2015, Congress passed an omnibus appropriations bill for FY 2015 that included \$375 million for LSC, an increase of \$10 million, or 2.7%, over FY 2014. LSC's FY 2015 funding split the difference between the amounts approved by the House and Senate

Commerce, Justice, Science, and Related Agencies (CJS) Appropriations Subcommittees. The FY 2015 appropriation increased funding for both the Pro Bono Innovation Fund and Technology Initiative Grants (TIG) to \$4 million each.

FY 2016

Both the House of Representatives and the Senate Appropriations Committees have taken action on the FY 2016 CJS appropriations bills. On June 3, the House of Representatives passed the FY 2016 CJS bill that includes \$300 million for LSC, a \$75 million cut from FY 2015 and a \$50 million decrease over last year's House-approved level. During debate on the House floor, three amendments were offered that would have affected LSC's funding. The first, offered by Judiciary Chair Robert Goodlatte (R-VA), would have nearly eliminated LSC by cutting \$270 million from the House Appropriations Committee recommendation, leaving \$30 million to wind down grants and continue pro bono efforts. The amendment was withdrawn after the House CJS Subcommittee Chair John Culberson (R-TX) raised a point of order. A second amendment, offered and subsequently withdrawn by Rep. Steve Cohen (D-TN), would have increased LSC funding by \$10 million over the Appropriations Committee recommendation.

The third amendment, offered by Rep. Robert Pittenger (R-NC), would have cut funds for LSC by an additional \$25 million, to \$275 million. The amendment failed on a bipartisan vote of 263-163.

On June 11, the Senate Appropriations Committee approved the FY 2016 CJS bill that includes \$385 million for LSC, an increase of \$10 million from FY 2015, but \$15 million less than the Committee approved last year. The Senate funding recommendation is \$85 million higher than the House-passed level for LSC.

At this time, it is unclear if the full Senate will consider the FY 2016 CJS bill before the end of the fiscal year on September 30. As a result of the funding caps in the House and Senate budget resolutions, Senate Democrats are unwilling to allow any appropriations bills subject to those caps to come to the Senate floor. The White House has threatened to veto any appropriations bills that follow the funding caps.

Conclusion

A near-record high client-eligible population, significant funding reductions compared to past years, and an enormous unmet need for civil legal services have made it impossible for LSC grantees to continue to do more with less. LSC grantees have had to reduce services, close fewer cases, and reduce staff. LSC needs a substantial increase from its current funding level to be able to support basic civil legal services for low-income Americans. We believe the need for civil legal services justifies an increase over LSC's appropriations request for FY 2016.

The following are explanations of the sections of the recommended budget for LSC in addition to basic field grants.

Pro Bono Innovation Fund

LSC management recommends requesting \$5 million for FY 2017—the same amount requested for the past three years, and the amount the President has requested for FY 2016. Congress appropriated \$2.5 million for the Pro Bono Innovation Fund (PBIF) for the first time in FY 2014. In FY 2015, Congress increased funding to \$4 million. There is considerable interest among Members of Congress in expanding and enhancing pro bono efforts.

For FY 2016, both the House of Representatives and the Senate Appropriations Committee have included level funding (\$4 million) for PBIF. Projects funded under this program will develop, test, and replicate innovative pro bono efforts that will enable LSC grant recipients to expand clients' access to high-quality legal assistance. The grant criteria require both innovation (new ideas or new applications of existing best practices) and replicability (likelihood that the innovation, if successful, could be implemented by other legal aid programs).

FY 2014 Grants

Last year, LSC awarded 11 PBIF grants from 79 applications. Grantees in 41 states, the District of Columbia, and Puerto Rico applied for these funds. More than \$15 million was requested, and the average project cost was \$196,000. The grantees matched PBIF dollars with an additional \$1.2 million in other funds and in-kind contributions to support their projects.

Highlights of the projects in 2014 include:

- Nine projects introducing new technology to enable rural and remote delivery of legal aid in hard-to-reach communities
- Nine projects focusing on statewide or regional service delivery to engage more lawyers to better serve special populations, including seniors and veterans
- Five projects implementing new technologies for pro bono lawyers, including the development of a virtual law firm platform, on-demand trainings, and online forms to streamline client services and volunteer management

FY 2015 Grants

The grant application and review process for FY 2015 is in process. LSC received letters of intent for 59 projects from 55 grantees in 40 states. The projects seek a total of \$12.2 million in funding. Forty applicants also applied for funding in 2014, and 15 were first-time applicants. After reviewing the initial submissions, LSC invited 25 full applications. These applicants have requested a total of \$6.2 million in funding with an average request of \$245,000. The review and selection process is scheduled to be completed in July 2015.

Technology Initiative Grants

In FY 2015, Congress increased funding for the Technology Initiative Grants (TIG) program by \$600,000, from \$3.4 million to \$4 million. For the past four years, the Board has approved a request of \$5 million. We recommend the same request for FY 2017.

Since its inception in 2000, TIG has funded more than 570 projects totaling more than \$46 million. The TIG program is a success story. With these grants, LSC grantees have built a foundation for better service delivery that includes statewide websites, enhanced capacity for intake, case management systems, and automated forms to support clients, staff, and pro bono efforts. With that foundation in place, LSC is poised to further expand access to justice through technology innovations.

In 2014, LSC awarded 39 grants in 22 states and U.S. territories to support a variety of technology initiatives, including user-friendly online tools for women veterans, mobile delivery of legal services for clients using text messaging, and video-conferencing technology that reaches low-income clients in rural areas. Mobile innovations continue to be a priority, and several projects include the development of mobile-compatible legal resources for the poor. Mobile devices are the fastest-growing form of access low-income persons have to the Internet.

This year's annual TIG conference included a record 290 participants, 70 more than last year. The TIG conference is the only national event focused exclusively on the use of technology in the legal aid community. It brings together LSC grantees and members of the technology community to explore effective uses of technology in legal aid and to encourage project ideas. All LSC recipients of technology grants are required to attend.

Over the past several years, LSC has offered scholarships to grantees that have never had a TIG, or have not had one for many years, to attend its annual TIG conference. This program has proven to be successful. LSC has enhanced these initiatives by replacing the TIG scholarships with a Technology Fellowship Program. The program builds on LSC's work to increase technology capacity in legal aid programs and provides increased training and mentoring to staff to implement technology projects. In developing the criteria for selecting fellows and recruiting fellowship applications, LSC has sought the assistance of leaders in the use of technology to support legal aid.

Management and Grants Oversight

Congress appropriated \$18.5 million for Management and Grants Oversight (MGO) for FY 2015, \$500,000 more than the previous year. For FY 2016, the House included \$19 million for MGO, an increase of \$500,000 from last year, while the Senate Appropriations Committee has included level funding for MGO. For the past five years, the Board has approved a request of \$19,500,000 for MGO. We recommend the same request for FY 2017.

The proposed MGO budget would allow LSC to continue to improve fiscal, compliance, and programmatic oversight of LSC grantees by making more visits to grantees and expanding training. We plan to continue projects to improve and upgrade our information technology systems, website functionality, and communications.

As detailed in the chart below, our proposed budget would allow LSC to increase staff in FY 2017.

**LSC Staffing By Department:
Comparison of FY 2015 and Estimated FY 2017 Staffing Levels**

Department	FY2015 Staffing*	FY2017 Staffing Estimates	Difference FY15 and FY17
EO	8	8	0
OLA	7	8	1
GRPA	7	7	0
HR	6	6	0
OFAS	11	11	0
OIT	8	8	0
OPP	28	30	2
OIM	5	5	0
OCE	28	32	4
Subtotal	108	115	7
OIG	30	30	0
Total	138	145	7

*Staffing levels projected as of 9-30-2015.

Herbert S. Garten Loan Repayment Assistance Program

Since 2005, LSC has requested \$1 million each year for the Herbert S. Garten Loan Repayment Assistance Program (LRAP) which Congress has fully funded. We recommend the same amount for FY 2017.

Started as a pilot program, LRAP has enabled LSC grantees to recruit and retain high-quality attorneys. Past evaluations of the program show that large law school loan debts for legal aid attorneys, coupled with low salaries, constitute major barriers for grantees in hiring and retaining lawyers. The evaluations found that the availability of LRAP mitigates the economic hardships confronting grantee attorneys and increases their ability and willingness to stay with legal aid organizations.

At current funding levels, LSC can provide loan repayment assistance to only half those who apply. In 2015, LSC received 147 new applications from attorneys at 70 grantee offices in 35 states, the District of Columbia and Micronesia. This represents an 18% increase from 2013.

Of the 147 new applications this year, 67 applicants, or 46%, were denied because of insufficient LRAP funding. Turning away nearly half of the applicants who need these grants impedes grantees' recruitment and retention efforts. The maximum grant allowed for each recipient is \$16,800.

According to the National Association for Law Placement (NALP), civil legal aid lawyers continue to be the lowest paid group in the legal profession, earning less than public defenders and other public interest lawyers. Nationwide,

Median Starting Salaries for Attorneys ¹⁸	
Category	Salary
Private Lawyers (<i>Firms of 251 or More Attorneys</i>)	\$135,000
Local Prosecutors	\$51,141
Public Defenders	\$50,400
Other Public Interest Lawyers	\$46,000
Civil Legal Aid Attorneys	\$44,636

entry-level legal aid lawyers earn a median salary of \$44,636, while attorneys in public service organizations earn \$46,000 and public defenders earn \$50,400. In contrast, the median salary for first-year lawyers at private firms with 50 or fewer attorneys is \$105,000, and higher for larger firms. The NALP’s findings are consistent with LSC’s salary surveys, which show that in 2014 starting salary for staff attorneys at LSC grantees were paid an average of less than \$45,000 a year and attorneys with 10-14 years of experience averaged less than \$65,000.¹⁹

Office of Inspector General

(This section was prepared by the OIG and included without change.)

Overview:

The Office of Inspector General (OIG) is a statutorily independent office within LSC that receives its funding through a separate line in the LSC appropriation. For FY 2017, the OIG is requesting \$5.2 million to continue its activities overseeing federal funds appropriated to LSC. The OIG contributes to LSC’s success by providing objective reports and analysis to decision-makers to enhance oversight and proper management and increase accountability, responsibility, and transparency in LSC and grant recipient operations.

The \$5.2 funding is critical to meet mission requirements and support a robust, high impact OIG in FY 2017.²⁰ The request will allow the OIG to maintain adequate staffing and training levels to continue audit, investigative, evaluation, and fraud prevention activities, to provide congressionally mandated oversight and to help to improve the performance of the LSC’s vital programs.

The request will fund the OIG to perform more work in the areas that the OIG has identified as significant LSC management challenges. Such work would include but not be limited to: further expansion of the OIG’s recent review of sub-recipient oversight; reviews of client trust funds and LSC and grant recipient information technology security; development of needed internal information management systems; and recruitment and retention of a high performance and highly skilled workforce. Overall, the OIG continues to be a positive benefit to LSC management’s policies and procedures for grant recipients and sub-recipients – helping to ensure

¹⁸ “Public Sector and Public Interest Attorney Salary,” Report by the National Association for Law Placement, June 2014.

¹⁹ Based on LSC Grant Activity Reports, 2014.

²⁰ This request comes at the end of a multi-year operational plan that spent down carryover funds in support of OIG operations while not increasing annual budget requests.

they are properly functioning as responsible stewards of taxpayer funds and reducing opportunities for fraud, waste and abuse.

Relative Size:

Proportionally, the OIG request is 1.0% (\$5.2 million/\$502.7 million) of the Management recommended total LSC request and 26.6% (\$5.2 million/\$19.5 million) of the Management and Grants Oversight (MGO) line. As seen in the chart the FY 2016 OIG request was the first substantial OIG budget request increase since FY 2009. The overall growth in the OIG request into FY 2017 is generally in line with the relative growth of LSC’s MGO from the FY 2009 budget to FY 2017 request level.

Comparatively, the LSC OIG appropriation is also in line with other OIGs in the Federal Inspector General community with entity budgets similar to that of LSC (\$250-\$600 million). The FY 2014 LSC OIG to entity budget ratio is 1.20% (\$4.35 million/\$360.65 million). This budget ratio is below the average ratio of 1.42%.

**OIG/MGO Funding Comparison
(FY 2009 to 2017)**

FY	OIG	MGO
09	\$4,200,000	\$16,000,000
10	\$4,200,000	\$17,000,000
11	\$4,192,000	\$16,966,000
12	\$4,200,000	\$17,000,000
13	\$3,902,000	\$15,792,000
14	\$4,350,000	\$18,000,000
15	\$4,350,000	\$18,500,000
16	\$5,100,000	\$19,500,000
17	\$5,200,000	\$19,500,000



Performance:

The requested increase of \$100,000 will enable the OIG to increase its already impressive record of recent accomplishments to help LSC effectuate positive change and ensure the integrity and accountability in LSC headquarters and in its grantee operations, for example in FY 2014:

- The OIG issued 88 formal recommendations for program and operations improvements to LSC and LSC grantees. The OIG issued 9 audit reports, including 7 audits of the adequacy of grantees’ financial internal controls over approximately \$20.6 million in LSC grant funds. Management decisions sustaining questioned costs referred by the OIG during FY 2014 amounted to more than \$259,000.
- The OIG closed 21 investigations in FY 2014. Investigations involved matters such as fraud and financial irregularities by grantee employees, the unauthorized outside practice of law, time and attendance abuse, and the improper use of LSC funds– including questionable personnel compensation. Cases arising from OIG investigations resulted in referrals for criminal action, federal debarment proceedings, sustained questioned costs

and restitution to grantees of misspent funds. The OIG also referred \$103,000 in investigative questioned costs to LSC management.

- In an effort to preclude fraud, waste and abuse, the OIG continued its proactive fraud prevention program by conducting 38 Fraud Awareness Briefings, 3 Fraud Vulnerability Assessments, 3 joint Fraud and Regulatory Vulnerability Assessments. The OIG also issued fraud alerts to the grantee community and published the first “Fraud Prevention Guide for LSC Grantees,” providing grantee employees and financial managers with key fraud indicators and concrete suggestions to help prevent fraud.
- For similar efforts, the OIG received the Council of Inspectors General on Integrity and Efficiency Award for Excellence for the OIG’s innovative regulatory vulnerability assessment program in 2013.

Since 1996, LSC's annual Congressional appropriations have directed that grantee compliance with legal requirements be monitored through the annual grantee audits conducted by independent public accountants (IPAs) under guidance of the OIG. The OIG reviewed grant recipient audit reports and referred significant fiscal and compliance findings to LSC management for corrective action. Further, as the OIG is tasked with ensuring the quality of audits of LSC and its grantees, the OIG instituted a Quality Control Review (QCR) program, designed to assess all grantee IPAs’ work over a 4 year program. This program has enabled the OIG to identify deficiencies in IPA work (and led to the debarment of two IPAs for faulty work), improve IPAs’ compliance with applicable standards and OIG guidance, and improve the overall effectiveness and quality of LSC grantee audits.

The OIG also recommended revisions and updates to LSC regulations, policies and practices to identify opportunities for improvements in LSC operations and policies including:

- Acquisition Management – Where oversight and monitoring are vital to ensuring effective contracting and the safeguarding taxpayer dollars, the OIG has produced a series of recommendations and reviews. These included an original audit of consultant contracts (2009), a sole source contracting review (2013), procurement training recommendations (2013), multiple rounds of comments suggesting numerous revisions to LSC’s procurement and contracting policies and procedures (2014), and a follow-on audit of LSC’s consultant contracts (2014).
- Grants Management – The OIG contributed to LSC grants oversight beyond its investigations and audits by commenting on regulatory changes to LSC’s private attorney involvement (PAI) rule and identifying ways to ensure compliance and avoid interpretive difficulties. Additionally, the OIG recommended that LSC management collect and analyze more comprehensive compensation data for grantees’ key employees in order to improve fiscal oversight and the effective and efficient use of grant funds.
- Human Capital Management – The OIG responded to LSC’s requests for comments regarding the development of numerous important LSC policies, including those involving ethics and conduct, conflicts of interest, whistleblowers, and equal employment opportunity. Further, the OIG helped improve the Corporation’s personnel recruitment

efforts by recommending LSC establish a permanent business relationship with the Office of Personnel Management to utilize its USAJOBS.gov website.

- Information Technology (IT) – The OIG performed the first risk assessment of LSC’s IT systems based on the National Institute of Standards and Technology standards, identifying significant deficiencies and technical vulnerabilities. The OIG also provided substantive comments in the development of LSC’s Electronic Systems Usage policies.

These and other OIG achievements are reported in the Semiannual Reports to Congress (<https://www.oig.lsc.gov/products/sar>) released through the Board. The statutorily required semiannual reports are the six month performance report cards of OIG activities. Separately, the IG annually submits a performance report to the Governance and Performance Review Committee.

Operational Improvements:

In order to ensure operational efficiencies, the OIG has updated its Strategic Plan for 2015-2019 identifying two goals to:

- Promote LSC effectiveness by delivering high value OIG products that identify areas for improvement and communicate those to stakeholders,
- Advance excellence in OIG performance by effectively managing and leveraging our human resources and information systems.

To implement the new Strategic Plan’s goals, objectives and strategies the OIG updated its FY2015 work plan, to include planned activities and performance goals.

The audit unit reorganized in FY 2014 and hired skilled former government and non-government audit professionals. This resulted in a consistent increase in the production of OIG grantee audits.

The investigations unit issued an internal report on LSC sub-grant oversight and LSC management responded by beginning to address significant gaps in sub-grant oversight identified by the OIG.

The OIG launched a new, more user-friendly website to allow for greater transparency into the OIG and its products; and the office continues development of internal information system to better support OIG goals going forward.

At the same time, expenditures in FY 2015 are down by over \$200,000. The OIG has managed to reduce expenditures, for example, by delaying filling open positions. The OIG has finished a recompete of the QCR contract which will lead to future lower (saving \$1,100 per review) and more scalable contract expenditures.

OIG Budget History:

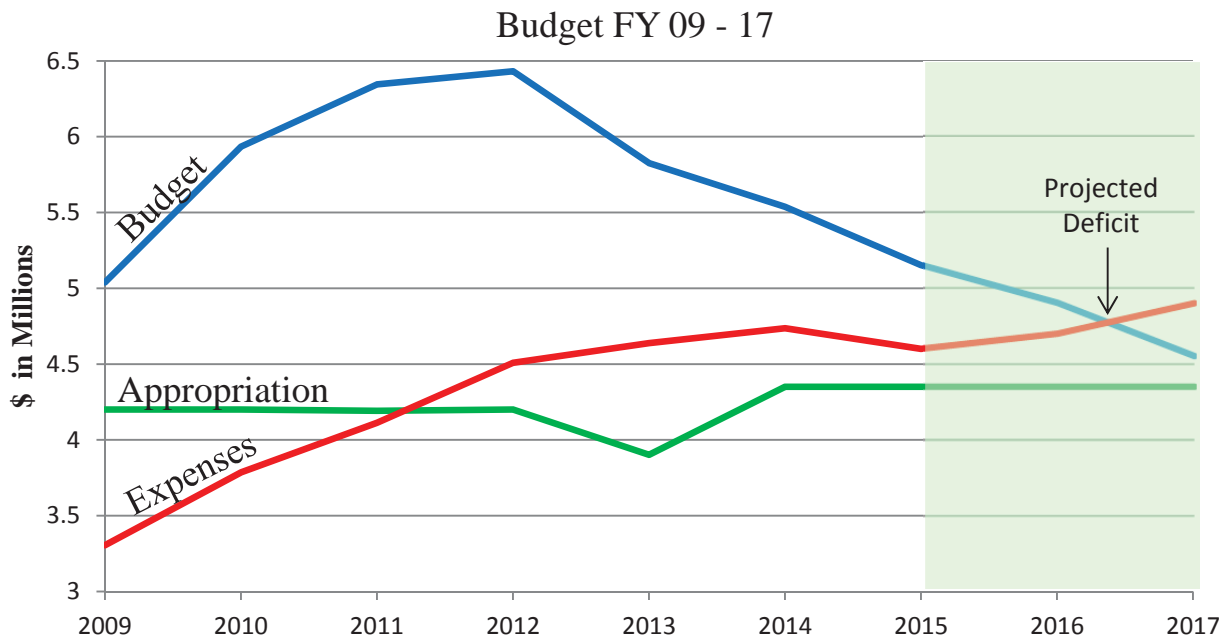
As displayed in the accompanying graphic, the OIG has been exercising a multiyear operational plan to reduce carryover in which expenses (shown in red) have generally risen while

appropriations (green line) were relatively flat. During FY 2011 OIG expenditures became greater than appropriations. The resulting effect in subsequent years has been a considerable decrease in the OIG budget (blue line) and carryover (the space between the blue and the red lines).

Currently, in FY 2015, the OIG is operating at a reduced annualized rate of \$4.6 million with an appropriation of \$4.35 million. The OIG projects carryover to decrease by another \$250,000 to \$552,000 (or 10.7% of budget) by the end of FY 2015.

The FY 2016 OIG funding outlook is uncertain. The House of Representatives approved \$5.1 million for the OIG in FY 2016, while the Senate Appropriations Committee approved \$4.5 million. There is also a possibility for the passage of continuing resolution funding at the FY 2015 appropriation level of \$4.35 million. The three scenarios offer a wide range of variation and create the need for flexibility in future OIG funding and planning.

Under the OIG worst-case scenario of continuing resolution funding of \$4.35 million for each FY 2016 and 2017, the OIG is projecting to be in a deficit position of approximately -\$300,000 by the end of FY 2017, supporting the need for the OIG FY 2017 request level of \$5.2 million.



Note: The shaded portion is a projection based on potential continuing resolution funding of \$4.35 million for FY16 and 17.

FY 2017 Planned Activities:

In FY 2017, guided by the new Strategic Plan for 2015 – 2019 goals, objectives and strategies, the OIG will use its continual risk assessments and annual work planning process to determine the assignment of available OIG resources. The OIG will perform its statutory requirements – including fraud prevention and detection, promoting LSC and grant recipient economy and efficiency, and oversight of the grantee audit process. The OIG will allocate priority to reviews in the following areas of OIG identified LSC management challenge areas of:

- Performance management and accountability,
- Grants management and procurement,
- Governance and control systems,
- Human capital management, and
- Information technology management and security.

Resources will also be used to respond to requests from the Congress, the Board of Directors, LSC management and other interested parties, as well as, advance improvements in internal OIG operations (including management, personnel and information systems).

A major component of the FY 2017 budget request is funding the OIG's operation of the LSC audit program. The OIG will continue to objectively audit LSC and grantee operations and review all LSC grant recipients' annual audits, including financial statements, internal controls, and compliance with mandated restrictions and prohibitions. The OIG refers significant audit findings to LSC Management for resolution and tracks corrective actions. The OIG continues to fund and oversee the annual audit of LSC's financial statements.

The OIG conducts investigations of criminal and civil fraud committed against LSC and its grant recipients, and operates a national fraud, waste and abuse reporting hotline. The OIG conducts compliance investigations, administrative inquiries, fraud vulnerability assessments, and fraud prevention briefings.

Further, the OIG will continue to improve effectiveness and efficiency in grants management, administration, and operation of LSC and its grantees through its reviews and advisories and will provide objective reviews on significant legislative, regulatory, management and policy initiatives affecting LSC.

If fully funded, the OIG will continue its comprehensive audit quality control program to ensure the quality of the IPAs' work and drill down further to continue to reviews grant recipient and sub-recipient oversight. The OIG will continue its IT security vulnerability reviews of LSC and grant recipient operations. The OIG plans to assess grantee client trust fund programs to assure accountability of client funds. Internally, the OIG will continue to promote effective operations, by further developing information management systems that facilitate the efficient production and timely delivery of OIG work, sustaining a secure and reliable IT environment, and ensuring our skilled employees meet professional standards through continuing professional education and training.

Request Summary:

For FY 2017, the Office of Inspector General is requesting \$5,200,000 or \$100,000 more than the FY 2016 Board adopted request. This level would allow the OIG to perform statutorily mandated functions and continue robust oversight of LSC programs and operations.

The request will support 30 OIG full-time positions,²¹ across the executive, audit, legal, investigations and management and evaluation units, and to recruit and retain in highly skilled workforce by ensuring the LSC OIG is a competitive OIG employer in the DC Metropolitan area.²² It will fund necessary travel, professional training, IT hardware and software and general overhead. Approximately 44% of the budget is for audit activities, 23% for investigations, 15% for management and evaluation support, 10% for legal counsel and 8% for executive leadership.²³

The request includes \$60,000 to satisfy foreseeable OIG professional training requirements required to maintain the OIG professional credentials for FY 2016. The OIG also anticipates contributing \$15,000 to support the operations of the Council of the Inspectors General on Integrity and Efficiency.

The submitted budget request is necessary for the LSC OIG to adequately perform the legislative missions required by the Inspector General Act, as amended, and to provide objective, relevant, and timely reporting to the Congress and LSC on core management challenges and oversight issues, thereby increasing public confidence in the proper expenditure of limited LSC funds. This funding amount is critical to ensure OIG appropriations are in line with expenses, thereby maintaining stability in OIG planning, workforce and operations.

Funding below this level would significantly impact the OIG's ability to fulfill its mission and may require adjustments and possible eliminations in operational elements including: the depth and the breadth of OIG's oversight performance; decreases in travel (critical to the performance of OIG audits and investigations); significant cost cutting in programs, including the QCR and IT security reviews, and significant cost cutting in OIG IT infrastructure and support.

The OIG greatly appreciates the continuing support of the LSC Board as it carries out its mandated mission.

²¹ The major budget components are personnel - total compensation & benefits (83.3%), consulting (8%), travel (5.4%), and other (3.3%).

²² To recruit and retain skilled OIG staff the Office has entered into a contract for a compensation review and we expect compensation costs to increase as no across the board or performance-based salary increases have taken place in LSC since January of 2010.

²³ Allocation of funds include: staff compensation & benefits, contract support, travel and training expenses and overhead.

Appendix 1

Methodology for FY 2017 Budget Projection

The updated projection for basic field funding using dollars per eligible person and projected eligible populations is \$467 million. This is the amount necessary to restore basic field funding per eligible person to the same level it was at in 2007, before the recession began and the size of the eligible population spiked, adjusted for inflation. This is 5.8% less than the \$495.7 million projected last year. LSC's FY 2016 budget request included only \$451.3 million for basic field funding within the \$495.7 million projection. The methodology described below is essentially the same used last year, with a minor modification explained below.

Poverty Population: The poverty projections in the budget recommendation are almost 8% lower than last year. The primary reasons for the change are the decline in the actual eligible population from 2012 to 2013, and a significant decline in the unemployment rate not previously forecast by the Congressional Budget Office or the Federal Reserve. The growth of the total population also slowed slightly contributing to the decline in the projected eligible population.

Year	Unemployment Rate	Poverty Rate	125% Poverty	Total Population	125 % Poverty Population	Percent Eligible Population Change	FY 2016 125% Estimate	Percent from FY 2016 Projection
2012	8.1	15.9	20.8	306,086,063	63,569,291	--	63,569,000	--
2013	7.4	15.8	20.6	308,196,783	63,558,165	-0.02%	65,474,000	-2.93%
2014	6.2	15.7	20.4	310,292,521	63,350,670	-0.33%	66,488,000	-4.72%
2015	5.5	15.4	20.1	312,402,510	62,761,248	-0.93%	67,001,000	-6.33%
2016	5.4	15.1	19.8	314,526,847	62,191,730	-0.91%	67,359,000	-7.67%
2017	5.3	14.9	19.6	316,665,630	61,947,872	-0.39%	--	--

Funding per Eligible Person: The projected funding calculation is based on returning funding per eligible person to pre-recession funding levels. The inflation-adjusted basic field funding per eligible person multiplied by the projected eligible population results in the projected amount of basic field funding required for FY2017 to return to 2007 basic field funding levels.

This year a minor complication arose in the standard method using the Bureau of Labor Statistics (BLS) Consumer Price Index for inflation. BLS currently calculates deflation for 2015, which is not consistent with CBO or the Federal Reserve. Both CBO and the

Federal Reserve project approximately 1.5% inflation for 2015. The chart below shows the results of using the CBO and Federal Reserve numbers.

Year	LSC + Non-LSC Actual \$ / Eligible Person	Inflation-Adjusted \$ / Eligible Person	Basic Field Funding / Eligible Person	FY2016 Inflation Adjusted	FY2017 Inflation Adjusted
2007	\$16.62	\$18.98	\$6.50	\$7.43	\$7.54
2008	\$16.41	\$18.04	\$6.39	\$7.03	\$7.13
2009	\$16.05	\$17.71	\$6.47	\$7.15	\$7.25
2010	\$15.88	\$17.24	\$6.50	\$7.10	\$7.20
2011	\$14.75	\$15.52	\$5.97	\$6.29	\$6.38
2012	\$13.88	\$14.31	\$5.08	\$5.24	\$5.32
2013	\$13.52	\$13.74	\$4.98	\$4.91	\$4.98
2014	\$14.40	\$14.40	\$5.27	\$5.05	\$5.12

Source-- Eligible persons 2007-2013: U.S. Census Bureau, 2007-2013 American Community Survey 1-Year Estimates, Table S1701: Poverty Status in the Past 12 Months; Emily Monea and Isabel Sawhill, *An Update to "Simulating the Effect of the 'Great Recession' on Poverty"*, Brookings Institution, September 13, 2011, Figure A; U.S. Census Bureau 2012 National Population Projections: Summary Tables, Middle Series; LSC Projections for 2014 client eligible population using LSC estimates based on: Monea and Sawhill, *Simulating the Effect of the "Great Recession" on Poverty* (www.brookings.edu/research/papers/2009/09/10-poverty-monea-sawhill). Unemployment: CBO, *CBO's Baseline Economic Forecast - February 2015 Baseline Projections*, (www.cbo.gov/publication/43902). Total Population: U.S. Census, 2014 National Population Projections - Table 1; Poverty Population, U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements.

Appendix 2 LSC's Budget Requests 2010-2017

Budget Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Basic								
Field	\$410,400,000	\$484,900,000	\$484,900,000	\$440,300,000	\$451,300,000	\$451,300,000	\$451,300,000	\$467,000,000
TIG	\$3,400,000	\$6,800,000	\$6,800,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
LRAP	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
MGO	\$17,000,000	\$17,000,000	\$19,500,000	\$19,500,000	\$19,500,000	\$19,500,000	\$19,500,000	\$19,500,000
Pro Bono	-	-	-	-	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
OIG	\$3,200,000	\$4,350,000	\$4,350,000	\$4,200,000	\$4,200,000	\$4,200,000	\$5,100,000	\$5,200,000
Total	\$485,100,000	\$516,660,000	\$516,660,000	\$470,000,000	\$486,000,000	\$486,000,000	\$486,900,000	\$502,700,000

Appendix 3

**Public Comments Regarding LSC's
FY 2017 Appropriations Request**



MEMORANDUM

To: Robert Grey; Chair, LSC Finance Committee;
John Levi; Chair, Board of Directors;
Jim Sandman, President

From: Steven Eppler-Epstein; Chair, NLADA Civil Policy Group
Bob Gillett; Chair, Resources Committee
Don Saunders; Vice President, Civil Legal Services

Date: June 10, 2015

Re: NLADA Recommendation for FY 2017 LSC Funding Request

NLADA appreciates the invitation from President Sandman and the board of directors to provide input as LSC begins consideration of its congressional funding request for Fiscal Year 2017. On behalf of NLADA's leadership and the many civil legal aid programs across the nation that we represent, we urge LSC to continue the aggressive budget advocacy it has pursued with Congress and OMB throughout the tenure of this board.

The FY 2016 request of \$486.9 million again indicates LSC's understanding of the enormity of the need for additional federal support for access to the civil justice system for all Americans, regardless of financial means. The request sent a strong signal to your grantees and the clients they serve of your commitment to equal justice in the United States and your understanding of the vast and overwhelming challenges your grantees face in responding to the legal needs of over 60 million people living below the poverty level.

NLADA urges LSC to seek an appropriation of at least **\$580 million for FY 2017**. This figure is similar to our FY 2016 recommendation, as the minimal cost of living increase and slight decrease in the poverty rate over the last year does not suggest an alteration. The landscape has not changed significantly with the \$10 million increase provided by Congress for FY 2015. Our justifications for the recommendation continue to be based upon the enormity of the unmet legal need among people living in poverty and the significant positive outcomes realized when civil legal aid is available.

Addressing the Justice Gap

As we and many others have consistently indicated, the actual need for federal support for our civil justice system is much greater than the amount we recommend to you for FY 2017. The \$580 million figure is consistent with our past recommendations for measured, reasonable growth of federal support for civil legal aid that would close the 55% turn-away rate of applicants with meritorious claims reported in LSC's 2009 report *Documenting the Justice Gap in America*. Since that report was released, the financial situation facing legal aid providers in the country has rapidly deteriorated, while the population of people living in poverty has grown significantly as a result of the recession. A 2014 study in

Massachusetts found that 64% of eligible clients had to be turned away in that state. The true need is probably much greater, as these figures include only applicants who identified their problems as legal in nature and were able to find their way to a legal aid office.

We are acutely aware that LSC must present its FY 2017 request in an intensely competitive environment for very limited discretionary federal funding. That competition is reflected in the \$75 million (20%) cut recently adopted by the House of Representatives in its FY 2016 Commerce, Justice and Science appropriations bill. Yet, as the leadership of LSC has eloquently pointed out over the last year in support of its current request of \$486.9 million, justice and fairness are not optional values in our country. As the leading voice articulating the critical need for federal support for civil justice, you must continue to assert that our democracy's promise of equal justice remains a paramount priority of our nation, particularly in light of the enormous challenges facing your grantees.

Basic field funding for LSC grantees remains the block upon which the civil justice system in the United States is built. Grantees are able to implement new technologies, pro bono innovations, and other delivery techniques as part of their efforts to meet the legal needs of more than 60 million potential clients, who often are faced with potentially devastating problems. Many applicants require the direct assistance of a lawyer or paraprofessional, but capacity remains extraordinarily limited in all parts of the country. However, these challenges are not spread equally throughout the nation. Federal support is particularly critical on the Indian reservations, in the Deep South and Rocky Mountain regions, and for politically disfavored populations in need of justice. In a country founded on principles of equality and justice under the law, the quality of the justice system should not depend on where one lives.

The declining support at the federal level for LSC over the last 34 years is extraordinary and deeply troubling. LSC funding has fallen by 300% since 1981, while the number of eligible clients has grown by 50% over the same period of time. The impact of this declining support is seen in staff recruitment, morale and, most importantly, the capacity of programs to meet the needs of the poor facing legal needs essential to their lives. Many legal aid offices have closed and thousands of positions have been eliminated. At risk is the very notion of equal access to justice.

LSC has been a leader--not just in our field, but in the entire profession--in considering how to make scarce dollars go further in closing the Justice Gap. The Technology Innovations Grants program and the Technology Summit have both served to open up many avenues to serving more clients through technologies appropriate to both the subject matter of their case and their capacity to take advantage of available applications.

LSC grantees, with LSC's ample assistance, have responded to funding challenges with innovative new delivery systems. Courts and many legal aid programs have developed ways to help the exploding number of self-represented litigants understand the law, process and court procedures. They have worked hard in many states to expand the quality and impact of state-based access to justice commissions aimed at bringing a wide array of stakeholders to the table to support the delivery of quality, effective civil legal assistance.

The stagnation of funding, however, continues to be exacerbated by the failure of non-LSC revenue sources to keep up with the growing justice gap. While the most recent data compiled by the American Bar Association shows a slight increase in state legislative support and private fundraising, the steep decline in federal support, coupled with the drastic IOLTA losses resulting from the recession, has led to a continuing crisis in our justice system, as often articulated by the LSC board chair.

Indeed, the nation's justice gap would be far greater except for the fact that the original idea of funding a minimum legal aid infrastructure through LSC at the federal level has indeed led to significant, though disparate, growth in other revenue sources that add to the numbers of LSC-grantee attorneys in the field. However, there can be no mistake that a fundamental commitment of adequate resources at the **federal level** is the critical building block upon which the development of these other revenue streams within state justice communities has been constructed.

An investment in LSC ensures fairness in our justice system and results in significant social and economic returns for both clients and society

Your grantees serve as a critical and unique resource to help low-income people and their families escape the shackles of poverty and become self-sufficient members of society. Federal investment in legal aid empowers low-income people to take control of their lives and vastly increases the health and vitality of the communities in which they live.

The breadth of matters handled by LSC-grantees that have a profound impact in addressing serious human need is extraordinary. Every day legal aid lawyers in the United States assist people by:

- Providing a homeless veteran with the opportunity to obtain housing or find gainful employment;
- Giving children access to appropriate special education when necessary;
- Protecting homeowners from illegal evictions or foreclosures;
- Assuring that domestic violence survivors live in homes free of violence;
- Increasing household income by helping those who have lost their jobs access unemployment insurance, food stamps, and other needed public assistance;
- Protecting families and the elderly from unscrupulous contractors or debt collectors;
- Helping formerly incarcerated persons to qualify for employment or housing; or
- Helping individuals with disabilities gain to access Supplemental Security Income (SSI), medical insurance and/or care.

Legal aid offices are often the only provider of a full range of legal services to low income individuals, families and vulnerable populations in the communities that they serve. In addition to representation in individual cases, legal aid is part of a network of agencies providing services to the community's most vulnerable members. Many community organizations such as homeless shelters, domestic violence shelters, veteran organizations, housing counselors, child protective service agencies, case managers, and others rely on legal aid to help with legal barriers and emergencies to achieve positive outcomes for low income families.

As we have pointed out in prior commentary, a growing body of research documents the substantial positive outcomes generated by civil legal aid. Studies have been commissioned across the nation demonstrating the positive economic and social results generated by effective civil representation by legal aid programs. A compendium of much of that research can be viewed on NLADA's research website at: www.legalaidresearch.org

Two of the most recent of these studies provided more clear evidence of the value of investing in civil legal aid.

A March 2015 study in Alabama analyzed the potential economic impact and social return on investment in civil legal aid in family law, housing, public benefits, consumer protection, health care, and other community issues. The number of cases, direct value of services, and long-term outcome value were studied. The social return on investment was 1,554%. In other words, for every \$1 invested in Alabama legal aid during the year, the citizens of Alabama received \$15.54 of immediate and long-term financial benefits.

In New Mexico, a 2014 study reviewed the services provided by eight civil legal aid programs. The social return on investment was 356%. For every \$1 invested in New Mexico Legal Aid during the year, the citizens of New Mexico received \$3.56 of immediate and long-term consequential financial benefits.

Studies such as these clearly show that the federal investment in grantees of LSC is multiplied many times over in making low-income Americans more secure and providing opportunities to move out of the conditions of poverty negatively affecting themselves and their families.

SPECIFIC BUDGETARY ISSUES

There are several specific issues that NLADA would like to recommend with respect to various lines within the FY 2017 request.

Because of the overwhelming need for basic field services (including agricultural worker and Native American grants) we believe that the great majority of LSC funding should be granted to programs to provide those services to clients rather than be earmarked for any special projects. Local control over priorities and expenditures has been an enduring principle that has brought great strength, flexibility and efficiency to the legal aid system over the past thirty-nine years. We urge you to continue to honor this principle as a general rule as you proceed in your administration of LSC.

However, we ask that funds be specifically allocated for three continuing LSC priorities 1) dedicated funding for agricultural worker representation; 2) continuation of the Herbert S. Garten Loan Repayment Assistance Program; and 3) Technology Initiative Grants.

- **Dedicated Agricultural Worker Funding.** We have been very involved in providing input to LSC management as it develops a recommendation for updating the data used to allocate funding for agricultural worker funding. NLADA strongly believes in the vital importance and necessity of continuing these grants and updating the data sources necessary to distribute them more appropriately under current agricultural realities. We very much appreciate the work of LSC management in developing a new system of allocation and look forward to continuing to provide input into the process until it reaches conclusion.
- **Herbert S. Garten Loan Repayment Assistance Program (LRAP).** NLADA remains committed to finding ways to assist legal aid lawyers in meeting the often staggering law school debt they face. We think that the reports to date of the Garten LRAP program indicate that it can play an important role in retaining high quality lawyers in LSC grantee programs. Additionally, you are aware that Congress has chosen to discontinue funding for the Civil Legal Assistance Attorney LRAP program and it appears unlikely that such funding will be forthcoming in the immediate future. The future of the 10-year loan forgiveness component of the College Cost Reduction and Affordability Act program has also come under recent scrutiny and may be subject to challenge in the 114th Congress. Therefore, we urge you to seek funding of at least **\$1 million** for loan

repayment assistance for FY 2017.

- **Technology Initiative Grants.** NLADA has worked in partnership with LSC and its grantees in helping the civil legal assistance community make great strides in using technological innovation to expand the reach and quality of legal services. The LSC Technology Initiative Grants (TIG) have played a vital role in helping states and local programs to improve their ability to use technology to better serve their clients and to develop a national infrastructure necessary to support state and local efforts. Therefore, we strongly support the continuation of the Technology Initiative Grant program. We recommend that the FY 2017 appropriation request contain at least **\$4 million** for TIG.

As we have suggested in prior years' memoranda, we also remain concerned about certain specific areas related to delivery that remain in need of study by LSC:

- **Native American Special Grants.** NLADA continues to request that LSC study methods to address the significant disparities in funding for Native American programs and to help develop strategies to improve the delivery of services to Native Americans.
- **Training and Other Assistance for Substantive Advocacy.** We remain concerned about the need for training, professional development and advocacy support within the legal aid community. In today's environment of shrinking budgets, these issues are often neglected. Failure to invest in professional growth and expertise is both a short term mistake and a long term threat to the entire vitality of the system. NLADA would like to engage in discussions with LSC about how it can work with the field to reinforce the importance of training and support and strengthen the capacity of the current system to meet these needs.
- **Pro Bono Innovations Fund.** Pro bono remains a critical component of the delivery system for civil legal assistance for the poor. We applaud the leadership on the issue shown by LSC, the Pro Bono Task Force and congressional leaders supportive of pro bono. NLADA supports the concept behind the Pro Bono Innovations Fund line and expects that significant creative thinking will be generated by the Fund, similar to that generated over the years by the Technology Initiatives Grant program. We recommend that LSC evaluate the best practices in pro bono innovation generated by the fund and give consideration over time to building the innovative component into the already-existing 12.5% of basic field funding already dedicated to supporting pro bono initiatives.

NLADA sincerely appreciates the commitment that every member of the LSC Board of Directors and staff has shown for advancing federal support for LSC. We recognize and commend your work with the Congress and the White House during the entirety of your time in office. We stand willing to support your efforts in any way we can.

Chair

Lisa C. Wood
Foley Hoag LLP
Seaport World Trade Ctr West
155 Seaport Boulevard
Boston, MA 02210-2600
LWood@foleyhoag.com

Members

Jacquelynne Bowman
Boston, MA

Teresa Enriquez
Miami, FL

Maureen Essex
Baltimore, MD

Danny Greenberg
New York, NY

Stephen Hanlon
St. Louis, MO

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Hon. Thomas Kilbride
Rock Island, IL

Hon. Jon Levy
Portland, ME

Drucilla Stender Ramey
San Francisco, CA

Board of Governors Liaison

David Bienvenu
New Orleans, LA

Committee Counsel

Terry Brooks
312-988-5747
terry.brooks@americanbar.org

Associate Counsel

Bev Groudine
312-988-5771
bev.groudine@americanbar.org

MEMORANDUM

To: Finance Committee, Board of Directors, Legal Services Corporation

From: Lisa Wood, Chair, ABA Standing Committee on Legal Aid and Indigent Defendants

Date: June 8, 2015

Re: ABA Recommendation for FY 2017 LSC Budget Request

This memorandum sets forth the recommendation of the Standing Committee on Legal Aid and Indigent Defendants (SCLAID), on behalf of the American Bar Association, regarding the Legal Services Corporation's budget request for FY 2017. We appreciate the opportunity to submit this recommendation, and look forward to working with LSC to obtain adequate funding for the important work of the Corporation and its grantees. For the reasons set forth below, we urge that LSC seek an appropriation in the range of \$486.9 to \$494.2 million.

We urge that LSC seek an amount for FY2017 that adjusts for inflation the amount sought by LSC in FY2016. LSC made a well-reasoned request for FY2016 of \$486.9 million. There are several approaches to calculating the impact of inflation, and those methods yield results which vary slightly. We therefore propose a range within which we believe an LSC budget request for FY2017 would be appropriate.

We believe that it is important that LSC not retreat from the principled positions it has taken over the past several years. We understand that the Congressional environment has changed since 2014. At the same time, all relevant indicators point to an ongoing, overwhelming deficit in the availability of equal justice.

LSC Funding Lags Far Behind Inflation

In 2014, we recognized the fortieth anniversary of the creation of the Legal Services Corporation. If the appropriation for LSC provided in 1976 (the first year that funding was separately appropriated) had simply been adjusted for inflation through 2015, using the inflation calculator offered by the Bureau of Labor Statistics, LSC would be receiving \$486.3 million today. Few, if any, comparable federal expenditures have fallen so far behind. This is especially true when one considers that 92% of LSC funding flows directly to local programs providing help to desperate individual Americans. LSC is a model of an efficient government program, providing a unique and necessary service.

Eligible Client Population Remains at a High Level

The economic recovery continues to leave many Americans behind. The Census Bureau reported in 2014 that, as in 2013, nearly 30% of the U.S. population is financially eligible for LSC services. Research has demonstrated that approximately 50% of low-income households face legal needs at any point in time. Research has also shown that about half of those households will have more than one legal problem. This means that LSC will face ongoing high demand for legal help as people suffer problems with employment, housing and income maintenance.

Supplemental Sources of Funding are Important, but Cannot Substitute for LSC Funds

Federal funding available through LSC provides the foundation for the nation's civil legal aid delivery system. LSC is the only source that provides funding to every state and jurisdiction, based on a formula that allows for a baseline measure of justice for every state; every community nationwide benefits from the funding provided by LSC.

LSC funding catalyzes the development of other funding sources. Board and staff leaders of legal aid programs, recognizing the inadequacy of LSC funds to meet the critical legal needs of poor people, work diligently to increase local, state, and other federal resources to supplement their LSC funds. While such sources will never be able to substitute for LSC funding, state legislators, attorneys, and other private and public funders across the nation recognize the importance of legal aid and have stepped up to at least partially fill the gap.

In 2013 (the most recent year for which data is available), funding nationwide for civil legal aid from sources other than LSC increased by approximately 3 percent. However, the most important funding increase during the 2013 year was an increase in LSC funding of 7.5%.

Legislatures in 47 states and Puerto Rico either provide funding directly through appropriations or court filing fees or authorize local jurisdictions to do so. State legislative funding decreased during the recent economic crisis faced by almost every state legislature, but increased in 2012 by 7% and again in 2013 by 8%. As economic conditions in states improve, state legislators are demonstrating that legal aid is a very important service to the residents of their communities.

The board and staff of legal aid programs also continue to work hard to increase revenue from private sources, and these sources have increased in recent years. For example, private donations from the legal community increased by 6% from 2012 to 2013 and foundation support increased by 3.5%.

With the leadership of the organized bar, IOLTA programs have been established in every state, the District of Columbia, the Virgin Islands and Puerto Rico, and in many years had been second only to LSC in the amount of revenue generated for legal aid programs. However, falling interest rates and the reduction in legal business and therefore in the principal balances in lawyer trust accounts have caused overall IOLTA grants to legal aid nationwide to plunge by 68% since 2008, when those grants were at their height. The decline in aggregate IOLTA grants to legal aid from 2012 to 2013 was 13%. These decreases tempered the gains described above.

It is important to note that an aggregate increase in overall funding masks a serious problem of disparities from state to state. Relying more and more on state and local funding means that programs in states with greater resources – e.g. where state governments have recovered more quickly from the recent economic crisis, where there are more attorneys and/or private foundations per capita – are better able to cope with the inadequate funding from LSC.

Pro Bono Contributions Continue, But Meet Small Proportion of Need

The ABA continues to work closely with LSC to buttress and expand pro bono efforts by private lawyers, and in particular to foster more pro bono service to poor individuals with routine legal matters. We are optimistic that expanded LSC Pro Bono Innovation grants will stimulate additional creative approaches to engaging more lawyers in providing such service. All who work within the delivery system, however, recognize that pro bono provides only a supplement that cannot replace the network of LSC-funded staff legal aid offices, and that a robust pro bono system is dependent on the infrastructure provided by LSC-funded programs. LSC funding provides the institutional structure for intake and placement of pro bono cases, and the staffed legal aid offices provide pro bono attorneys with access to expert legal advice as they assume responsibility for work in unfamiliar areas of law. Continuation of a vibrant pro bono system depends upon LSC receiving adequate funding.

Federal Investment in Legal Aid Produces Important Returns on Investment

The funding that Congress provides through the Legal Services Corporation helps to build strong communities by producing important economic benefits that far exceed the amounts invested. A number of states have conducted sound, objective, research demonstrating that for every dollar spent on legal aid, significant additional savings result to the state and community.

For example, the Boston Bar Association published a report in October 2014 describing the results of research by independent economic consultants into benefits obtained through legal aid services in the state. One consultant, the Analysis Group (Economic, Financial and Strategy Consultants) found that the monetary benefits of representing eligible beneficiaries in eviction and foreclosure proceedings far outweigh the costs of providing these services; for every \$1 invested, the Commonwealth stands to save \$2.69 on the costs associated with the provision of other state services, such as emergency shelter, health care, foster care, and law enforcement. Another independent consulting firm, Alvarez & Marshall (Global Forensic and Dispute Services) found that for every dollar invested in civil legal aid for victims of intimate partner violence, the state will save a dollar and the federal government will save another dollar.

Similarly, a report issued by the Tennessee Bar Association in March 2015 showed that cost savings to communities statewide through provision of civil legal aid totaled \$42.6 million through avoidance of emergency shelter costs, prevention of costs resulting from foreclosure and prevention of domestic violence. A 2013 report by Community Services Analysts LLC determined that, in Arizona, civil legal services to address matters involving loss of home due to foreclosure, evictions, landlord/tenant problems, sub-standard housing conditions, lockouts and utility shut-offs resulted in \$1.1 million in immediate financial community benefits and over \$10 million in long-term consequential financial benefits. Civil legal services in matters involving domestic violence, child abuse or child snatching, and elderly clients facing loss of housing or

income resulted in \$3.3 million in immediate direct financial community benefits and another \$3.6 million in long-term consequential financial benefits.

It is clear that the funding provided to LSC is significantly magnified, impacting communities and constituents across the nation in ways that far exceed the modest investment.

LSC Should Continue Efforts to Attract and Retain Legal Aid Lawyers

LSC also provides an important foundation and support for other critical aspects of the delivery system. This includes support for attracting and especially retaining high-quality lawyers to/in legal services careers. The ABA has joined with LSC and many state bar foundations and educational institutions in focusing attention on the impact of educational debt on the ability of young lawyers to enter and remain in public service. It is especially important that, after investing significant resources in training new legal aid lawyers, every effort be made to retain the expertise that has been created so that a return on that investment can be produced. Federal funding for loan repayment assistance is no longer available through other government programs for civil legal services lawyers. We therefore urge that LSC continue to request at least \$1 million in funds for its program providing loan repayment assistance for selected lawyers in LSC-funded programs.

LSC Should Continue to Build a Strong Technological Infrastructure

Similarly, we endorse the continuation of the “Technology Initiative Grants” (TIG) program, enabling the civil legal assistance community to move forward with improving and expanding the technological infrastructure for serving clients, reaching into rural communities, etc. We urge the Board to include within its FY2017 budget request an amount that will permit continued development of a strong technological infrastructure within the legal services community.

Conclusion

As the LSC Board prepares its 2017 budget request to the Congress, we urge the Corporation to advocate for an increase in federal support for legal services for the poor. We believe that seeking a FY2017 appropriation that adjusts the amount requested in FY2016 for inflation is reasonable in light of the above, and that this would bring LSC a step closer to fulfilling its role in promoting equal access to justice. The American Bar Association will continue to work closely with LSC to vigorously support increased funding for LSC.

Conference of Chief Justices Conference of State Court Administrators

Government Relations Office
111 2nd Street, NE
Washington, DC 20002
(866) 941-0229
FAX: (202) 544-0978

CCJ PRESIDENT
Hon. Jim Hannah
Chief Justice
Supreme Court of Arkansas
Justice Building
625 Marshall Street
Little Rock AR 72201
(501) 682-6873
FAX (501) 683-4006

June 8, 2015

COSCA PRESIDENT
Mr. David K. Boyd
State Court Administrator
Iowa Judicial Branch Building
111 East Court Avenue
Des Moines, IA 50319
(515) 281-5241
FAX (515) 242-0014

Mr. David Richardson
Treasurer, Legal Services Corporation
3333 K Street, NW 3rd Floor
Washington, DC 20007-3522

Dear Mr. Richardson:

We write on behalf of the Conference of Chief Justices and the Conference of State Court Administrators in response to a recent notice that the LSC Board will be meeting this month to determine the fiscal year 2017 LSC budget request to Congress.

The CCJ was founded in 1949 to provide an opportunity for the highest judicial officers of the states to meet and discuss matters of importance in improving the administration of justice, rules and methods of procedure, and the organization and operation of state courts and judicial systems. For decades the Conference has made recommendations to bring about improvements in such matters. The CCJ membership consists of the highest judicial officers of the fifty states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the territories of American Samoa, Guam and the Virgin Islands.

The COSCA was founded in 1955 to assist state court administrators in the development of more just, effective, and efficient system of justice by providing a strong network for the exchange of information and methods to improve the operations of state courts. Like the CCJ, the COSCA has made many recommendations to bring about improvements in court organization and operations. Its membership consists of the top state court administrator in the states and territories noted above.

As you know, in 2013, the Conferences released a data-rich policy paper entitled, "[The Importance of Funding for the Legal Services Corporation from the Perspective of the Conference of Chief Justices and the Conference of State Court Administrators.](#)" Our research makes clear that the large number of unrepresented citizens overwhelming the nation's courts has negative consequences not only for them, but also for the effectiveness and efficiency of courts striving to serve these and other segments of the community who need their disputes resolved. More staff time is required to assist unrepresented parties. In the absence of a fair presentation of relevant facts, court procedures are slowed, backlogs of other court cases occur, and judges confront the challenge of maintaining their impartiality while preventing injustice. Clearly frontline judges are telling us that the adversarial foundation of our justice system is all too often losing its effectiveness when citizens are deprived of legal counsel.

Mr. David Richardson

Page 2

June 8, 2015

In addition to these facts on the ground, we are mindful of the severe cuts to LSC's budget being contemplated in the Congress. If these dire actions come to fruition, the justice gap suffered by LSC grantees and their clients will get even wider.

Consequently we ask that you support a significant increase in LSC funding lest we further compromise our nation's promise of "equal justice under law."

I thank you for your anticipated cooperation.

Sincerely yours,



Honorable Jim Hannah
President
Conference of Chief Justices



David K. Boyd
President
Conference of State Court Administrators



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Geoffrey G. Revelle, Chair-Elect

Andrew N. Sachs

STAFF

Terra Nevitt

Access to Justice Manager

(206) 727-8282

terran@wsba.org



THE ALLIANCE
for Equal Justice

SUPPORTER

June 10, 2015

Mr. David Richardson, Treasurer
Legal Services Corporation
3333 K Street NW, 3rd Floor
Washington, DC 20007

Re: LSC Budget Request for Fiscal Year 2017

Dear Mr. Richardson:

We write on behalf of the Washington State Access to Justice Board in response to the request for written comment regarding the FY 2017 LSC budget proposal. We appreciate being included in this process, and we are always happy to provide LSC with our feedback. The Access to Justice Board strongly supports LSC's continued efforts to improve access to our nation's justice system for low-income families and individuals. Thank you for your work.

Below, you will find the information you requested – data regarding the need for LSC-funded services, knowledge of non-LSC funding for legal aid, and any other data-supported observations.

The Need in Washington State

Similar to what we see on a national level, there are currently more people than ever living in poverty in Washington State: 1.25 million people live at or below 125% of the federal poverty level and more than 2 million people, representing one-third of our state's population, live at or below 200% of poverty. Additionally, Washington's unemployment rate is higher than the national average, and Washington has one of the highest foreclosure rates in the country. Unfortunately, Washington's legal aid system is overburdened and overwhelmed. According to the 2003 *Civil Legal Needs Study*, we know that over 70% of low-income Washingtonians experience at least one civil legal problem each year. And, the need for legal aid services continues to rise as funding for services decreases. Currently, there is only one legal aid attorney for every 15,000 eligible low-income Washingtonians; whereas the aspirational level of "minimum access" to the civil justice system is one attorney for every 5,000 low-income residents. Civil legal aid services are more critical than ever.

Non-LSC Funding in Washington State

Federal and state funding comprises approximately 80% of the Northwest Justice Project's (NJP) annual budget, with state funding accounting for roughly 55%. Stagnating and fluctuating state and federal funding have

resulted in NJP losing 20 field attorneys since 2009. In an attempt to compensate for a reduction in state and federal funding, NJP has relied on short-term, non-renewable fellowships and other grants, but this is not a sustainable solution. An increase in LSC is vital to serve low-income Washingtonians, because federal funding provides NJP, which is the foundation of the legal aid network in Washington, with stability to best meet the needs of clients through system-wide centralized intake and screening, an extensive public website, and extended representation in high priority cases.

In Washington State, the Legal Foundation of Washington (LFW) administers the state's IOLTA funds, which since 2009 have dropped from \$7 million annually to less than \$2 million. LFW also organizes and manages a collaborative statewide private fundraising effort known as the Campaign for Equal Justice. In 2014, the Campaign for Equal Justice raised over \$1.5 million, which LFW uses to support 17 standalone volunteer attorney programs and six staffed specialized legal aid providers in Washington State. These organizations, along with NJP, are part of a statewide network of legal aid providers, funders, and supporters known as the Alliance for Equal Justice. Through communication, partnerships, and statewide planning coordinated by the Access to Justice Board, the Alliance works to provide the best possible, most efficient services to people living in poverty in Washington. While the elaborate network and collaborative private fundraising efforts of the Alliance have been and are successful, there is no question that our state continues to lack sufficient funding to meet the legal aid needs of our poorest residents.

Other Data-Supported Observations

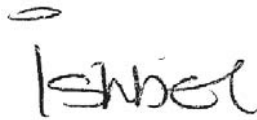
In 2003, the Washington State Supreme Court commissioned the landmark *Civil Legal Needs Study* to research the types of civil legal problems experienced by Washington's low-income population. Using the data from that 2003 study, the Washington State Supreme Court's Task Force on Civil Equal Justice Funding (Task Force) concluded that Washington needed an annual increase of \$28 million to meet the civil legal needs of low-income people who recognize that their problem is of a legal nature and seek help. Of this total, the Task Force concluded \$18 million should be the State's share, and the remaining \$10 million should come from federal grants and charitable contributions. These conclusions, however, are over 10 years old and the extent of poverty along with the need for legal aid has increased greatly since that time.

The Washington State Supreme Court commissioned a *Civil Legal Needs Study Update* that was completed in 2014. While some of the findings are consistent with those of the 2003 study, there are changes in the types and quantity of civil legal problems that poor Washingtonians face. The official findings of the *Civil Legal Needs Study Update* will not be released until September of this year, and Washington's Office of Civil Legal Aid (OCLA) has requested that we keep this findings confidential until then. However, it is our understanding that OCLA intends to share the results of the *Update* with LSC prior to its September release.

Given the information that we have outlined above, we recommend that the Legal Services Corporation propose a budget of no less than \$500,000,000 – a slight increase from your FY 2016 proposal. At this level of funding, NJP would receive a substantial grant increase that would allow them to restore lost capacity, adequately cover the increase costs of providing services, and, most importantly, serve thousands more Washingtonians in need of legal assistance to help secure justice. This level of funding is a step in the right direction of closing the justice gap in both Washington State and nationally. While we recognize the challenging federal budget situation, we urge the Legal Services Corporation to continue to educate Congress about the threat to families, communities and to the integrity of the rule of law when whole segments of our population cannot secure meaningful access to justice. We will continue to support you in this effort, working with our state's Congressional delegation on these critical issues.

Thank you again for all of your work, and please reach out with any questions.

Sincerely,



Ishbel Dickens, Chair
Washington State Access to Justice Board



Michael J. Pellicciotti, Chair
Equal Justice Coalition

cc: Access to Justice Board
James J. Sandman, President, LSC



SUPREME COURT OF PENNSYLVANIA
PENNSYLVANIA INTEREST ON
LAWYERS TRUST ACCOUNT BOARD

May 21, 2015


James J. Sandman
President
Legal Services Corporation
3333 K Street, NW 3rd Floor
Washington, D.C. 20007-3522

Dear Mr. Sandman,

In response to your letter dated May 13, 2015 inviting IOLTA Directors to provide testimony or written comments to support LSC's budget request for Fiscal Year 2017, I enclose a report of an economic benefits study commissioned by the Pennsylvania IOLTA Board in 2012. The study revealed an \$11 return for every dollar spent on the provision of legal aid. My colleagues in other states have told me that this study has been very helpful to them in garnering support and funding for legal aid.

Thank you for inviting the IOLTA community to assist LSC in this way. We are proud to work in partnership with you. If I can be of further assistance, please do not hesitate to contact me.

Sincerely,


Stephanie S. Libhart
Executive Director

Enclosure

Pennsylvania Judicial Center
601 Commonwealth Ave., Ste. 2400
PO Box 62445, Harrisburg, PA 17106-2445
717/238-2001 • 888/PA-IOLTA (724-6582) • 717/238-2003 FAX
paiolta@pacourts.us • www.paiolta.org

Administering Pennsylvania's Interest On Lawyers Trust Account (IOLTA) Program



The Economic Impact of Outcomes Obtained for Legal Aid Clients Benefits Everyone in Pennsylvania

In 2011¹, \$53.6 Million Invested in Pennsylvania's Civil Legal Services Yielded \$594 Million in Income and Savings for Residents and Communities and Supported 2,643 Jobs.

The total economic impact of civil legal assistance in 2011 to Pennsylvania's low-income individuals and families was \$594 million, representing a greater than *eleven-fold* return on the investment of \$53.6 million from all funding sources.²

The Unmet Need for Legal Aid Costs the State Money

Legal Aid lacks the funds to meet all the need. As a result, the state's economy loses tens of millions each year because unrepresented Pennsylvanians are unable to assert their right to obtain federal benefits, such as federal disability and federal Medicaid payments. The state and local governments then must step into the breach, spending funds from Pennsylvania taxpayers to combat homelessness, domestic violence, and poverty, while forgoing the eleven-fold economic return on investment that legal aid funding provides.

The 2011 Economic Impacts Include:

- **\$546 million in direct economic benefits for Pennsylvania's local communities.**³

Each federal dollar coming into Pennsylvania as the result of Legal Aid's work circulates 1.86 times through local economies. The payoff is more sales for local businesses and more jobs for Pennsylvania workers. In 2011, the impacts were:

 - **\$118 million** in Social Security benefits and Supplemental Security Income attained for low-income residents;
 - **\$59 million** in the federal share of Medicaid benefits attained for low-income and disabled residents;
 - **\$14 million** in federal grant funds received from the Legal Services Corporation; and
 - **\$355 million** for communities via the economic multiplier effect (1.86 times \$191 million in total federal funds above).
 - **2,643 jobs** for Pennsylvania workers, with every million dollars in federal funds brought in supporting 13.84 jobs.⁴
- **\$48 million in additional cost savings**⁵ **for Pennsylvania taxpayers and communities.**

These savings include:

 - **\$25 million** in savings in emergency shelter costs. During 2011, a total of 1,715 low-income Pennsylvania families successfully avoided the need for emergency shelter thanks to assistance by Legal Aid advocates. Studies show an average cost savings of \$14,794 per family. In the five-year period 2007-11, Legal Aid helped 7,534 families avoid the need for emergency shelter and saved \$111 million in emergency shelter costs.
 - **\$23 million** in savings in costs related to domestic abuse. Legal Aid advocates protected 6,658 Pennsylvania families from domestic violence during 2011. Studies indicate an average savings of \$3,462 per family in the costs of medical care for injured victims, targeted education and counseling services for affected children, and law enforcement resources. In the five-year period 2007-11, Legal Aid protected 31,550 families and saved \$109 million.
- **Additional Benefits** (*not quantified*):
 - **Savings** linked to crime prevention and reduction in law enforcement assistance.
 - **Savings** realized by keeping children in school whose attendance would otherwise have been interrupted by homelessness and/or domestic abuse.
 - **Revenue** for Pennsylvania hospitals and other health care providers from Medicaid reimbursements for services they would otherwise have to write off.
 - **Efficiencies** in Pennsylvania courts due to Legal Aid's assistance to clients and self-represented litigants through materials and trainings on how to follow court procedures.
 - **Additional tax revenue** from jobs preserved in Pennsylvania as a result of Legal Aid employment cases.

¹ All years refer to fiscal years ending in the stated year.

² A total of \$53.6 million from "all funding sources" included \$15.5 million in local efforts and direct IOLTA grants; \$13.8 million in federal funds; \$11 million in state Access to Justice Act (AJA) filing fee funds; \$6.1 million in state block grants (Social Services and other), disability project funds, and special allocation funding; \$3 million from the state general fund; \$2.5 million from other sources; and \$1.8 million from IOLTA.

³ Based on application of U.S. Department of Commerce "Regional Economic Input-Output Modeling System," and on the assumption that clients immediately spend most of the benefits received. For further information, see this link > <http://www.bea.gov/regional/rims/>

⁴ Ibid.

⁵ For more information on calculations, assumptions and data sources, visit http://www.paiolta.org/Grants/Grants_ReportsINDEX.htm



SUPREME COURT OF PENNSYLVANIA
 PENNSYLVANIA INTEREST ON
 LAWYERS TRUST ACCOUNT BOARD

**APPENDIX: Computations for the Fact Sheet,
 “The Economic Impact of Outcomes Obtained for
 Legal Aid Clients Benefits Everyone in Pennsylvania”**

April 11, 2012

1. Headline: “In 2011, \$53.6 Million Invested in Pennsylvania’s Civil Legal Services Yielded \$594 Million in Income and Savings for Residents and Communities and Supported 2,643 Jobs.”

- **\$53.6 million invested in Pennsylvania’s civil legal services.** This is the total funding received by Pennsylvania legal aid providers during Fiscal Year 2011. This total was compiled by PA IOLTA, based on its records as the fiduciary for IOLTA and state Access to Justice Act (AJA) funds.
- **\$594 million in income and savings.** This is the sum of economic impacts attributable to Pennsylvania legal aid programs during FY 2011. The figure is comprised of two components:
 - **\$546 million** in direct economic activity stimulated by federal benefits. See “2” below.
 - **\$48 million** in cost savings produced by prevention of domestic violence and homelessness by legal assistance See “7” below.
- **2,643 jobs for Pennsylvania workers,** with every million dollars in federal funds brought in supporting 13.84 jobs See “6” below.

2. \$546 million in direct economic activity was stimulated by federal benefits achieved by Legal Aid.

This figure is the sum of:

- **\$118 million** in Social Security and Supplemental Security Income benefits received by legal aid clients in FY 2011 See “3” below.
- **\$59 million** in the federal share of Medicaid benefits attained for low-income and disabled clients in FY 2011..... See “4” below.
- **\$14 million** in federal grant funds received from the Legal Services Corporation in FY 2011 See “5” below.
- **\$355 million** in “economic multiplier effect – the economic activity generated as a result of the federal benefits being immediately spent by legal aid clients and subsequently circulated through the local and state economies, creating **2,643 jobs** for Pennsylvania workers See “6” below.

Continued on next page...

Pennsylvania Judicial Center
 601 Commonwealth Ave., Ste. 2400
 PO Box 62445, Harrisburg, PA 17106-2445
 717/238-2001 • 888/PA-IOLTA (724-6582) • 717/238-2003 FAX
 paiolta@pacourts.us • www.paiolta.org

Administering Pennsylvania’s Interest On Lawyers Trust Account (IOLTA) Program

3. \$118 million in Social Security and Supplemental Security Income benefits was received by legal aid clients in FY 2011.

a. Overview of method used to derive this figure. The \$118-million figure was estimated using a financial model developed by *The Resource for Great Programs, Inc.* The model is based on a regression analysis of data from 15 general civil legal aid organizations in New York State and Virginia,¹ which collectively close more than 200,000 cases per year.²

The multipliers derived from the NY-VA outcomes model and used as assumptions in our analysis consisted of the following:

¹ In Pennsylvania, outcome reporting is not required by the principal state funders, or by LSC, the federal funder. Five Pennsylvania legal aid programs collect outcomes data voluntarily for their own internal purposes. Based on interviews with the directors of the five programs, we judged the sample of programs to be too small, and our knowledge about the reliability of the PA data too incomplete, for application in our analysis. Accordingly, we applied the model (see below for details) derived from the 15-program sample of New York and Virginia programs, where outcomes reporting has been in place on a mandatory basis for over a decade and a half.

The Resource has maintained the reporting systems in the two states since assisting the state funders in design and implementation of their outcomes reporting systems in 1993 (NY) and 1997 (VA). Based on our experience with this data, we are confident that it provides a good measure of outcomes actually being achieved by legal aid programs in those states – and legal aid programs generally – for the following reasons.

In these two states, the statewide legal aid funders require their grantees to maintain data collection systems and report aggregated statistics on outcomes received by clients for all cases completed each year, including dollar awards. The outcomes are recorded in the data collection system by the advocate at the time the case is completed. Because it is mandatory as a condition of funding, and because the program leaders at the local level find the outcomes data to be useful for their internal purposes, the consistency of reporting is high.

The estimation model was derived by The Resource using a standard linear regression methodology that produces equations for estimating the average value of independent variables such as the total back awards achieved from legal representation in SSD/SSI “extended representation” cases closed by a legal aid program in a sampled year. Each program is treated as an observation. The number of SSD/SSI cases closed during the period is the independent variable; the total SSD/SSI back awards achieved for clients of the program is the dependent variable. The slope of the regression line is the average back award per extended representation case. This method is used to derive the average values of the multipliers listed above. In our most recent analysis using 2010 data, the R-squared parameter, a measure of the degree of correlation between the independent and dependent variables, ranged from 0.88 to 0.90. (A perfect correlation is 1.00).

In applying this model, we applied the average figures based on the sample of cases in New York and Virginia as benchmarks for the outcomes of legal aid cases.

Figures on the yearly output of SSD/SSI cases closed by extended representation were compiled from the statewide legal services database maintained by the Pennsylvania Legal Aid Network (PLAN). Each program reports quarterly to PLAN on all cases handled and completed during the quarter, including the numbers of cases attributed to each funding source.

²This sample of programs and cases can be regarded as representative of “general” (but not specialized) civil legal aid practice in the “Lower 48” states.

In other jurisdictions, such as Alaska or Hawaii, adjustments would be needed to account for circumstances that differ substantially from those of the sampling of programs from which the model was derived. For example, in Alaska or Hawaii, special factors would need to be taken into account such as the unique geographies, client demographics, legal case distributions, court and administrative agency rules and other factors that affect the outcomes achieved by legal aid organizations. For application to Pennsylvania, we assume that such adjustments are not necessary, inasmuch as the circumstances of legal aid practice and the costs of doing business are generally comparable to New York and Virginia from which the outcomes data used in our model were produced.

- An average of **92 percent** of all Social Security Disability (SSD) or Supplemental Security Income (SSI) cases closed by legal aid programs through “extended representation” are successful in achieving dollar benefits for their clients. (“Extended representation” cases consist of cases that are closed by the following “major reasons:” negotiated settlement, court decision or administrative agency decision.)
- The **average back award** achieved in successful SSD or SSI cases is **\$10,008** per “extended representation” case.³
- The **average monthly benefit** achieved in SSD or SSI cases is **\$485 per month** per successful “extended representation case.

In our analysis of the outcomes of Pennsylvania legal aid programs, we applied the above multipliers to the numbers of SSD/SSI extended representation cases completed in fiscal years 2003 through 2011 by Pennsylvania legal aid programs.

The computation had two components – the total of *SSD/SSI back awards* received by clients, and the cumulative total of *monthly SSD/SSI benefits* received by clients as a result of successful SSD/SSI cases completed by legal assistance during the period covered by this analysis.

a. Total revenue from back awards. In FY 2011, Pennsylvania legal aid programs closed 1,991 “extended representation” cases. Application of the “92 percent” success rate derived from the regression model (see above) produces the result that 1,838 of these 1,991 cases produced SSD/SSI dollar benefits for their clients. With each successful case producing an average \$10,008 back award for its client (see above), the total received by clients in FY 2011 is \$10,008 times 1,838, or **\$18.4 million**.

b. Total revenue from monthly benefit awards. According to the Social Security Administration, the average duration of benefits from a SSD case is **9.7 years**, and the average for an SSI case is **10.5 years**.⁴ For our analysis, we used a conservative figure of nine years’ average duration for SSD or SSI cases. That assumption means that each of the successful SSD/SSI cases completed by legal aid programs since 2003 continued to produce monthly benefits in FY 2011.⁵

Continued on next page...

³ All figures in the report were adjusted for inflation to reflect 2011 dollars.

⁴ Rupp, Kalman and Charles G. Scott, “Trends in the Characteristics of DI and SSI Disability Awardees and Duration of Program Participation,” Social Security Bulletin, Spring 1996, page 3.

⁵ For this analysis, we assumed that in its first year each cohort of cases produced, on average, six payments of \$485 each, and in each subsequent year 12 payments at \$485 each (in 2011 dollars). Thus, the successful cases completed in FY 2011 produced, on average, 6 payments; the remaining cohorts of cases, FY 2003 through FY 2010, produced 12 payments in FY 2011.

With this assumption, and applying the average benefit amount indicated by the regression model (\$485 per month) to the number of extended SSD/SSI legal aid cases completed in each fiscal year from 2003 through 2011, the computations shown in Exhibit 1 below were made. Each column in the table indicates the total benefit payments received in FY 2011 one “cohort” of legal aid clients whose cases were completed in the indicated year. The “Total” column at right indicates that the sum of monthly benefits received by legal aid clients in FY 2011 was **\$99.6 million**.

Exhibit 1
Computation of Total Federal Revenue in FY 2011
from SSD/SSI Monthly Benefits Received
by Pennsylvania Legal Aid Clients⁶

Cohort (Year in which Case Closed) >>	Annual Revenue Produced in FY 2011 by Each "Cohort" of Cases (In 2011 Dollars)									Total in FY 2011
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
SSD and SSI Cases Closed in Year >>	2,410	2,410	2,040	2,136	2,489	2,219	2,006	1,829	1,991	
Success Rate (from Model)	92%	92%	92%	92%	92%	92%	92%	92%	92%	
Successful SSD/SSI Cases	2,225	2,225	1,883	1,972	2,298	2,048	1,852	1,688	1,838	
Average Monthly Benefit	\$ 485	\$ 485	\$ 485	\$ 485	\$ 485	\$ 485	\$ 485	\$ 485	\$ 485	
Assumed Duration of Benefits (Months) >>	12	12	12	12	12	12	12	12	6	
Total Benefits:	\$12,949,500	\$12,949,500	\$10,959,060	\$11,477,040	\$13,374,360	\$11,919,360	\$10,778,640	\$9,824,160	\$5,348,580	\$99,580,200

c. Total of back awards and cumulative monthly benefits. Adding the results of computations “a” and “b” above, we get \$18.4 million plus \$99.6 million, or **\$118 million** (rounded to the nearest \$1 million).

4. \$59 million is the federal share of Medicaid benefits attained for low-income and disabled Pennsylvania residents.

Recipients of SSD and SSI are automatically eligible for Medicaid coverage. Accordingly, an important benefit produced by the success of Pennsylvania legal aid programs in SSD/SSI cases (see above) is health care for thousands of low-income families – and millions of dollars in federal revenue flowing into the state as a consequence of the Federal Medical Assistance Percentage (FMAP).

The key facts used in our analysis of the economic impacts of these Medicaid benefits were as follows:

- **Recipients of SSD and SSI are automatically eligible for Medicaid coverage.** Therefore, each SSD/SSI case that was successful in producing dollar benefits (as indicated in Exhibit 1), also produced Medicaid benefits.
- **The annual Medicaid reimbursement per enrollee is state specific and varies from year to year.** Statistics are compiled on a state-by-state basis by and available from, the Centers for Medicare & Medicaid Services (CMS). For Pennsylvania, these figures ranged between **\$5,400** (in 2006) to **\$6,900** (in 2005).⁷
- The average “federal share” of Medicaid payments – the Federal Medical Assistance Percentage (FMAP) – for Pennsylvania from 2003 through 2011

⁶ The figures in this table have been rounded for display.

⁷ The figures we used in the analysis were obtained from the CMS.gov website. All figures were adjusted to constant 2011 dollars.

was **57.13 percent**.⁸ Thus, each dollar in Medicaid reimbursements made on behalf of legal aid clients during that period represented a flow of 57 cents in federal revenue into the state.

Exhibit 2 below summarizes the computations used to estimate the total Medicaid benefits and the federal share. From Exhibit 1, the estimated number of successful cases that produced SSD/SSI eligibility – and thus Medicaid eligibility – is shown for each of the nine years from FY 2003 through FY 2011.⁹ The total federal share computed in this manner was **\$59 million** (rounded to the nearest \$1 million).

Exhibit 2
Computation of Federal Share of
Medicaid Payments Received in FY 2011¹⁰

Successful SSD/SSI Cases (See Exhibit 1) >>	Annual Revenue Produced by Each "Cohort" of Cases, By Year (In 2011 Dollars)									Total in FY 2011
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
	2,225	2225	1883	1972	2298	2048	1852	1688	1838	
Average Annual Benefit	\$ 6,710	\$ 6,527	\$ 6,886	\$ 5,434	\$ 6,013	\$ 6,119	\$ 6,141	\$ 6,335	\$ 6,335	
Total Revenue in Year (# Cases x Benefit/Case) >>	\$ 14,929,750	\$ 14,522,575	\$ 12,966,338	\$ 10,715,848	\$ 13,817,874	\$ 12,531,712	\$ 11,373,132	\$ 10,693,480	\$ 5,821,865	\$ 107,372,574
Federal Share in PA >>	56.16%	57.00%	53.84%	55.05%	54.39%	54.08%	54.52%	54.81%	55.64%	
Total Federal Share	\$ 8,384,500	\$ 8,277,900	\$ 6,981,100	\$ 5,899,100	\$ 7,515,500	\$ 6,777,100	\$ 6,200,600	\$ 5,861,100	\$ 3,239,300	\$59,136,200

5. \$14 million in federal grant funds flowed into Pennsylvania legal aid programs from the Legal Services Corporation.

The FY 2011 total funding received by the eight LSC-funded legal aid programs in Pennsylvania was \$13.81 million. Rounded to the nearest \$1 million, this amounted to **\$14 million**.

6. \$355 million was produced for local communities through the “economic multiplier effect.”

This figure was derived as follows:

- **\$191 million** in direct federal revenue (\$118 million in SSD/SSI payments, \$59 million from the federal share of Medicaid payments, and \$14 million in LSC funds) flowed into Pennsylvania as a result of the operations of legal aid programs in the state. (See above.)
- **Each dollar circulates 1.86 times in the state and local economies before leaving the state.** We applied the U.S. Department of Commerce Input-Output Model¹¹ to compute the economic multiplier impact of the expenditures of the federal funds resulting from the

⁸ Source: Congressional Research Service, “Medicaid: The Federal Medical Assistance Percentage (FMAP), Table 3.1, page 14.

⁹ See Exhibit 1 and accompanying explanation for details about determination of the numbers of successful SSD/SSI cases produced by Legal Aid. We assume that the amount of federal Medicaid payments flowing into Pennsylvania each year per Medicaid-eligible legal aid client was equal to the average expenditure per Medicaid enrollee in the state for each year.

¹⁰ The figures in this table have been rounded for display.

¹¹ For details on this methodology, visit the web site of the US Department of Commerce, Bureau of Economic Analysis at: <http://www.bea.gov/regional/rims/>. For its application in a Legal Aid context, see Hardin, Jane, “Disability Advocacy Projects: Programs That Assist Low-Income Clients and Ease State Government Fiscal Problems,” *26 Clearinghouse Review*, 776 (1992-1993).

operations of legal aid programs. This model indicates that \$1.86 in economic activity is produced from each federal dollar spent within the state.

- \$191 million times 1.86 equals **\$355 million** in total economic activity.
- **The payoff is more sales for local businesses and 2,643 jobs for Pennsylvania workers.** The U.S. Department of Commerce Input-Output Model indicates that 13.84 jobs are produced for each million federal dollars coming into low-income households in Pennsylvania. Multiplication of 13.84 by 191 (millions in federal revenue) produces the result that legal assistance supported 2,643 jobs for working Pennsylvanians in FY 2011.

7. **An additional \$48 million in cost savings was achieved for Pennsylvania taxpayers and communities.**

This figure was comprised of two components, as follows.

- **\$23 million** savings through prevention of domestic violence, protecting 6,658 families in FY 2011; and
- **\$25 million** savings in emergency shelter costs through prevention of eviction and foreclosure for 1,715 low-income Pennsylvania families in FY 2011.

a. Savings in costs related to domestic abuse: \$23 million. This figure was estimated as follows.

- Pennsylvania legal aid programs completed **10,073** Protection from Abuse (PFA) cases in 2011.¹²
- Based on outcomes data from the NY-VA regression model, **66.1 percent** of all PFA cases completed by legal aid programs are successful in enabling clients to avoid domestic violence.¹³ By multiplying 10,073 cases times 66.1 percent, we get the result that 6,658 clients and their families were protected from domestic violence.
- Based on available studies, a conservative estimate of the average savings from preventing one domestic assault per victim is \$3,462.¹⁴
- The total savings is: (6,658 cases) times \$3,462 savings per client = **\$23 million** (rounded to the nearest \$1 million). See the “2011” column in Exhibit 1 on the next page for the details of this computation.

Continued on next page...

¹² Figures on the output of Protection from Abuse cases were compiled from the statewide legal services database maintained by the Pennsylvania Legal Aid Network (PLAN).

¹³ Please see Footnote 1 for details on the financial models used in this analysis.

¹⁴ Source: "Increasing Access to Restraining Orders for Low-Income Victims of Domestic Violence: A Cost-Benefit Analysis of the Proposed Domestic Abuse Grant Program," L. Elwart, et. al., (December 2006), page 13. This 2006 study indicated the cost due to each incident of domestic violence was \$3,201. In 2011 dollars, this is equivalent to \$3,462. This figure is very conservative because it only includes readily quantifiable costs such as medical care for injured victims, special education and counseling for affected children, police resources, and prison for perpetrators. It does not include costs that are equally real but more difficult to quantify, such as the value of time lost from school and work or the long-term costs of trauma on children and adults caused by exposure to domestic abuse.

- “In the five-year period 2007-11, Legal Aid protected 31,550 families and saved \$109 million.” The same data sources and multipliers were applied as described above for each of the five years ending in 2011 then summed to derive the total. Exhibit 3 below shows the details of this computation.

Exhibit 3
Five-Year Results of Legal Aid
Domestic Violence Cases, FY 2007-2011

<i>Results of Legal Aid Domestic Violence Cases, By Fiscal Year</i>						<i>Five-Year Total</i>
	<i>2011</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	
Total PFA Cases	10,073	9,640	9,365	9,672	8,980	47,730
Percent of the above for which DV was avoided	66.1%	66.1%	66.1%	66.1%	66.1%	
Cases for which families obtained protection from DV	6,658	6,372	6,190	6,393	5,936	31,550
Average cost to taxpayers per homeless family:	\$3,462	\$3,462	\$3,462	\$3,462	\$3,462	
Estimated Cost Savings (in Millions):	\$23.1	\$22.1	\$21.4	\$22.1	\$20.6	\$109.2
Average # People per Family Case who Escaped Domestic Violence:	1.81	1.81	1.81	1.81	1.81	
Estimated total # People who obtained protection from domestic violence	18,232	17,448	16,951	17,506	16,254	86,391

b. Savings in emergency shelter cost: \$25 million. This figure was estimated as follows.

- Pennsylvania legal aid programs completed **22,174** “Housing” cases in FY 2011.¹⁵
- Based on outcomes data from the NY-VA regression model, eviction is avoided or delayed or foreclosure is avoided, in **18.7 percent** of all legal aid Housing cases.¹⁶
- Applying the “18.7 percent” benchmark to the 18,558 Housing cases, we estimate that **4,147** low-income households avoided eviction or foreclosure as a result of the legal assistance they received.
- A 2010 analysis in New York State indicates that **41 percent** of households that are removed from their homes through eviction or foreclosure ultimately require emergency shelter.¹⁷ (The other 59 percent are able to find shelter elsewhere – for example, by moving in with family or friends or into rental housing they are able to secure.)

¹⁵ Figures on the output of Housing cases were compiled from the statewide legal services database maintained by the Pennsylvania Legal Aid Network (PLAN).

¹⁶ Please see Footnote 1 for details on the financial models used in this analysis.

¹⁷ Weighted average for New York State, derived in 2011 by *The Resource for Great Programs, Inc.* from data compiled for New York State by Geeta Singh, Ph.D., Cornerstone Research, summarized in PowerPoint presentation, “*Testimony at Chief Judge’s Hearing on Civil Legal Services*” (New York), September 26, 2011, Slide 7. *The Resource* collaborated with Dr. Singh in her research. She documented the percentages in each region of the state – for example, in New York City it was 43.4 percent; in suburban New York it averaged 13.6 percent; and in Upstate New York it averaged 32.1 percent. We applied the New York weighted average of 41 percent to Pennsylvania, on the premise that the costs of emergency shelter would be similar considering the proximity of these

- Applying the “41 percent” benchmark to the 3,470 avoided eviction or foreclosure cases, we estimate that **1,715** low-income households avoided the need for emergency shelter through legal assistance.
- Based again on the 2010 New York analysis, a conservative estimate of the average cost of emergency housing for a homeless family/household is **\$14,794**.¹⁸
- The total savings is: (1,715 households avoided the need for emergency shelter) x (\$14,794 savings per household) = **\$25 million** (rounded to the nearest \$1 million). See the “2011” column in Exhibit 4, below, for the details of this computation.
- **“In the five-year period 2007-11, Legal Aid helped 7,534 families avoid homelessness and saved \$111 million in emergency shelter costs.”** The same data sources and multipliers were applied as described above for each of the five fiscal years ending in 2011 then summed to derive the five-year total. Exhibit 4 below shows the details of this computation.

Exhibit 4
Five-Year Results of Legal Aid
Eviction Defense and Foreclosure Prevention Cases, FY 2007-2011

	Results of Legal Aid Housing Cases, By Fiscal Year					Five-Year Total
	2011	2010	2009	2008	2007	
Total Number of Housing Cases	22,174	21,456	19,035	18,442	16,297	97,404
Assumption: Percentage of the above for which eviction or foreclosure was avoided	18.7%	18.7%	18.7%	18.7%	18.7%	18.7%
# Cases in which family avoided homelessness:	4,147	4,012	3,560	3,449	3,048	18,215
Assumption: Percentage of the above for which emergency shelter would have been needed:	41%	41%	41%	41%	41%	41%
# Cases in which family would have needed emergency shelter:	1,715	1,660	1,472	1,426	1,261	7,534
Average cost of emergency shelter:	\$14,794	\$14,794	\$14,794	\$14,794	\$14,794	
D. Estimated Cost Savings for (\$Millions)*	\$25.37	\$24.55	\$21.78	\$21.10	\$18.65	\$111.46
Average # People per Housing Case who Avoided Eviction, Obtained Additional Time or Avoided Foreclosure:	2.67	2.67	2.67	2.67	2.67	2.67
Estimated total # People who avoided need for emergency shelter	4,584	4,435	3,935	3,812	3,369	20,135

###

two states and the similarities in their urban/suburban/rural composition, poverty population demographics and housing markets.

¹⁸ We assumed the same weighted average cost for Pennsylvania as determined for New York State by Dr. Singh – see previous footnote. We believe this figure of \$14,794 is conservative, reflecting the lower range of estimates derived around the U.S. For example, a 2012 Massachusetts analysis determined that 2,017 families in family shelters cost the state an average of \$25,155 apiece and 812 families in hotels/motels cost an average of \$10,480 apiece. See Massachusetts Legal Assistance Corporation, “*Civil Legal Aid Yields Economic Benefits to Clients and to the Commonwealth*,” January 2012, Footnote 31. Studies in other states have produced figures in a comparable range between \$14,000 and \$40,000 per family.

MISSISSIPPI
Access to Justice
COMMISSION

JUSTICE *for* ALL

June 9, 2014

VIA EMAIL

David Richardson
Treasurer
Legal Services Corporation
3333 K. Street, NW 3rd Floor
Washington, DC 20007-33522

Re: FY 2017 Budget Comments

Dear Mr. Richardson:

We are writing to inform you of the Mississippi Access to Justice Commission's (the Commission) strong support for full and continued funding of Mississippi's Legal Services Programs, the Mississippi Center for Legal Services Corporation (MCLSC) and North Mississippi Rural Legal Services (NMRLS). Both MCLSC and NMRLS have been *ex-officio* members of our Commission since its founding in 2006. As the Co-Chairs of the Commission, we are familiar with the invaluable service these programs provide to the state's most vulnerable residents.


Mississippi, being one of the poorest in the nation, has a tremendous need for the services provided through the LSC. As you may well know, Mississippi is ranked last in the nation in terms of funding from all sources for civil legal aid to the poor. There are 688,000+ Mississippians who qualify financially for the services provided through the LSC and less than 30 federally-funded legal services staff attorneys for the entire state. Even with the help of the private bar and organized efforts such as the Mississippi Volunteer Lawyers Project, many are turned away because of the lack of adequate resources. Without question, the potential for a reduction in the budgets to our LSC programs would have a devastating effect on thousands of children, elderly, veterans and families throughout Mississippi.

We are so grateful for the support the LSC has provided to people of Mississippi. If the Commission can ever be of assistance to you, please do not hesitate to contact us.

Sincerely yours,



Honorable Denise S. Owens
Co-Chair



H. Rodger Wilder
Co-Chair



WASHINGTON COUNCIL OF LAWYERS

Promoting Public Interest and Pro Bono Service

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EXECUTIVE DIRECTOR

Nancy A. Lopez

June 9, 2015

By Email

Mr. David Richardson
Treasurer
Legal Services Corporation
3333 K Street, N.W.
Washington, DC 20007
david.richardson@lsc.gov

Re: *Comments on Legal Services Corporation FY 2017 budget request*

Dear Mr. Richardson:

As the Legal Services Corporation prepares its budget request for the 2017 fiscal year, Washington Council of Lawyers writes to highlight the need for increased funding to address the escalating demands on over-burdened and under-resourced civil legal services.

Washington Council of Lawyers is a nonprofit organization committed to the spirit and practice of law in the public interest. Founded in 1971, Washington Council of Lawyers is the area's only voluntary bar association dedicated exclusively to promoting pro bono and public interest law. Our members represent every sector of the Washington legal community: lawyers and pro bono coordinators from large and small law firms and law schools; lawyers from public interest groups, government agencies and congressional offices; and law students and members of law-related professions. We share a common concern for the well-being of our community and the integrity of our civil and constitutional rights.

As LSC celebrates its 40th anniversary, the unmet legal needs of those who are poor and marginalized are staggering. In just the last 5 years, LSC has seen its funding decline 18.65%. In our judgment, the levels of LSC funding are woefully inadequate for the current need. We believe LSC funding should be increased to meet the increasing demands for legal services. In particular, we support LSC in seeking more funding for three critical programs: Field Grants, Technology Initiative Grants, and Pro Bono Innovation Grants.

Field Grants. The Field Grants provide essential core funding to the basic field programs that most effectively and efficiently provide high-quality legal representation to eligible clients. LSC's Field Grants anchor LSC funding;

they promote justice and facilitate real impacts on client lives. Without adequate funding for basic field programs, LSC cannot fulfill its mission of providing access to justice for our nation's low-income population.

Technology Initiative Grants & Pro Bono Innovation Grants. Since 2000, the Technology Initiative Grant program has funded more than 570 legal technology projects, allowing LSC grantees to expand the delivery of legal aid services through statewide websites, better case management systems, and other innovative methods. (See LSC Fiscal Year Budget Request 2016, <http://www.lsc.gov/media/press-releases/lsc-fiscal-year-2016-budget-request-sent-congress>).

On January 17, 2014, the President of the United States signed P.L. 113-76, the Consolidated Appropriations Act of 2014, which included \$2.5 million for LSC to establish a new grant making program called the Pro Bono Innovation Fund. On December 16, 2014, the Consolidated and Further Continuing Appropriations Act, 2015, Public Law 113-235 increased LSC's appropriation for the Pro Bono Innovation Fund to \$4 million. This program has enabled LSC to engage more lawyers in pro bono service and address gaps in legal service and persistent challenges in pro bono delivery systems. (See 2014 Pro Bono Innovation Fund Grantees, <http://grants.lsc.gov/apply-for-funding/pro-bono-innovation-fund/2014-pro-bono-innovation-fund-grantees>).

The Technology Initiative Grant program and Pro Bono Innovation Grants demonstrate LSC's capacity to react quickly to issues that threaten access to justice by finding ways to help make legal service providers more effective and make better use of legal services funding. Expansion of the Technology Initiative Grant and Pro Bono Innovation Fund programs will bring the benefits of these improvements to even more people.

* * *

LSC grantees are dedicated legal professionals who struggle to fulfill their critical mission in a climate of increased need and decreased funding. We urge the Administration and Congress to carefully consider the FY 2017 LSC budget request to ensure that legal services offices do not fall further behind in their ability to meet the critical demand for civil legal services for those who are poor.

Thank you for your consideration of our comments.

Sincerely yours,

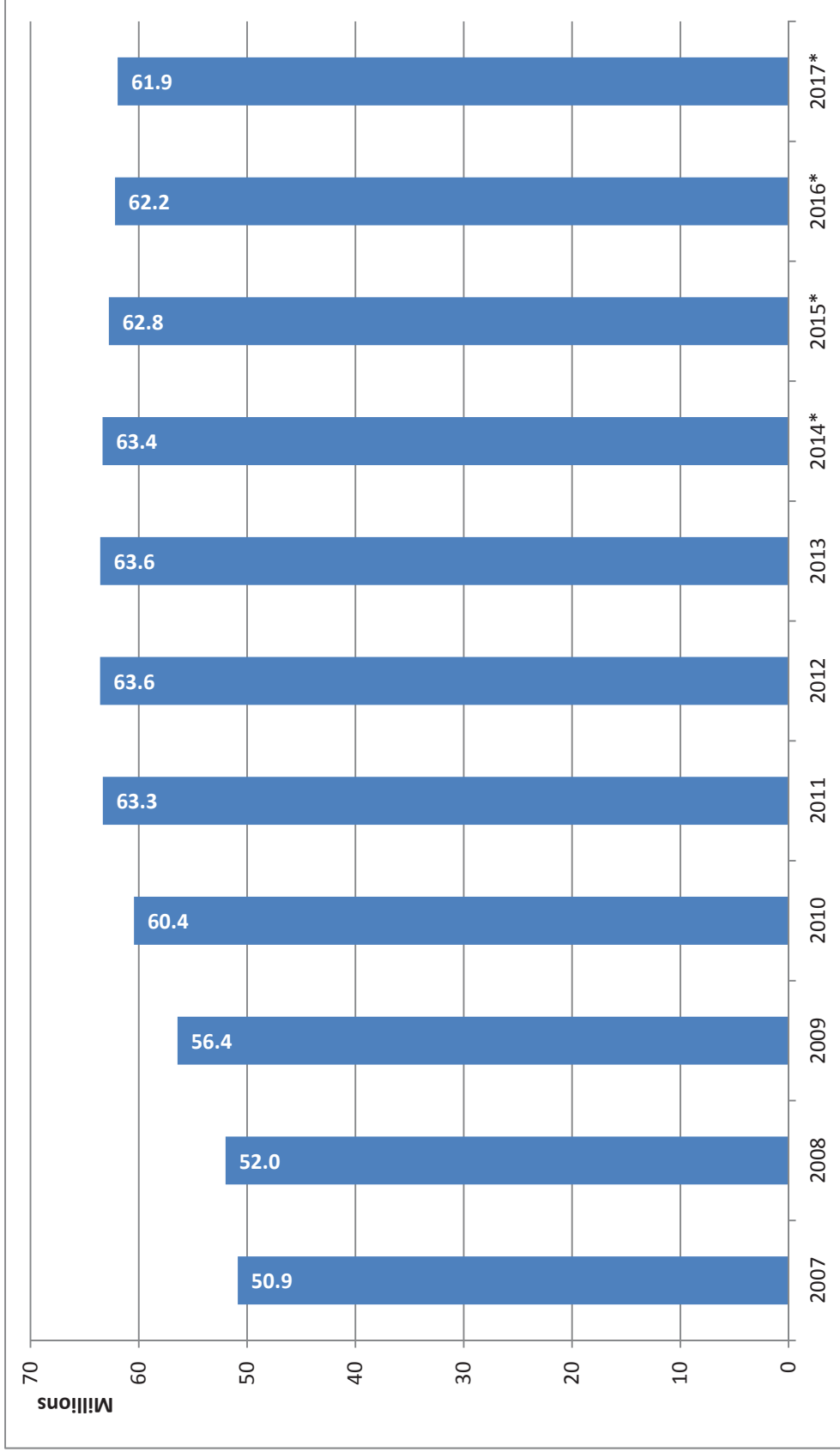


Paul S. Lee
President
Washington Council of Lawyers

Appendix 4

Americans Eligible for LSC-Funded Legal Aid

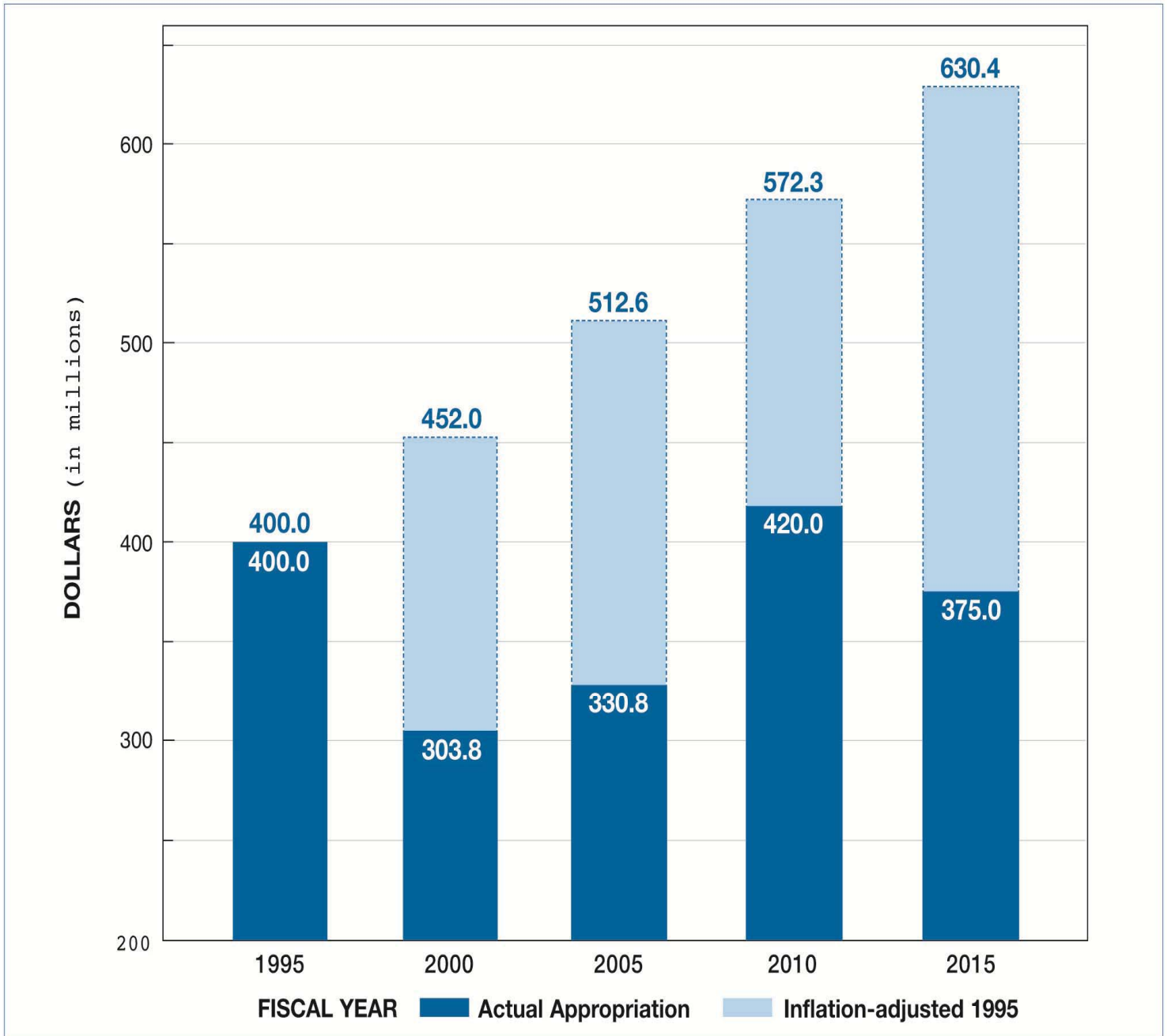
Defined as those living below 125% of the federal poverty level



*Projections.
 U.S. Census Bureau, 2007-2013 American Community Survey 1-Year Estimates, Table S1701: Poverty Status in the Past 12 Months; Emily Monea and Isabel Sawhill, *An Update to "Simulating the Effect of the 'Great Recession' on Poverty,"* Brookings Institution, September 13, 2011, Figure A; U.S. Census Bureau 2014 National Population Projections: Summary Tables, Middle Series.

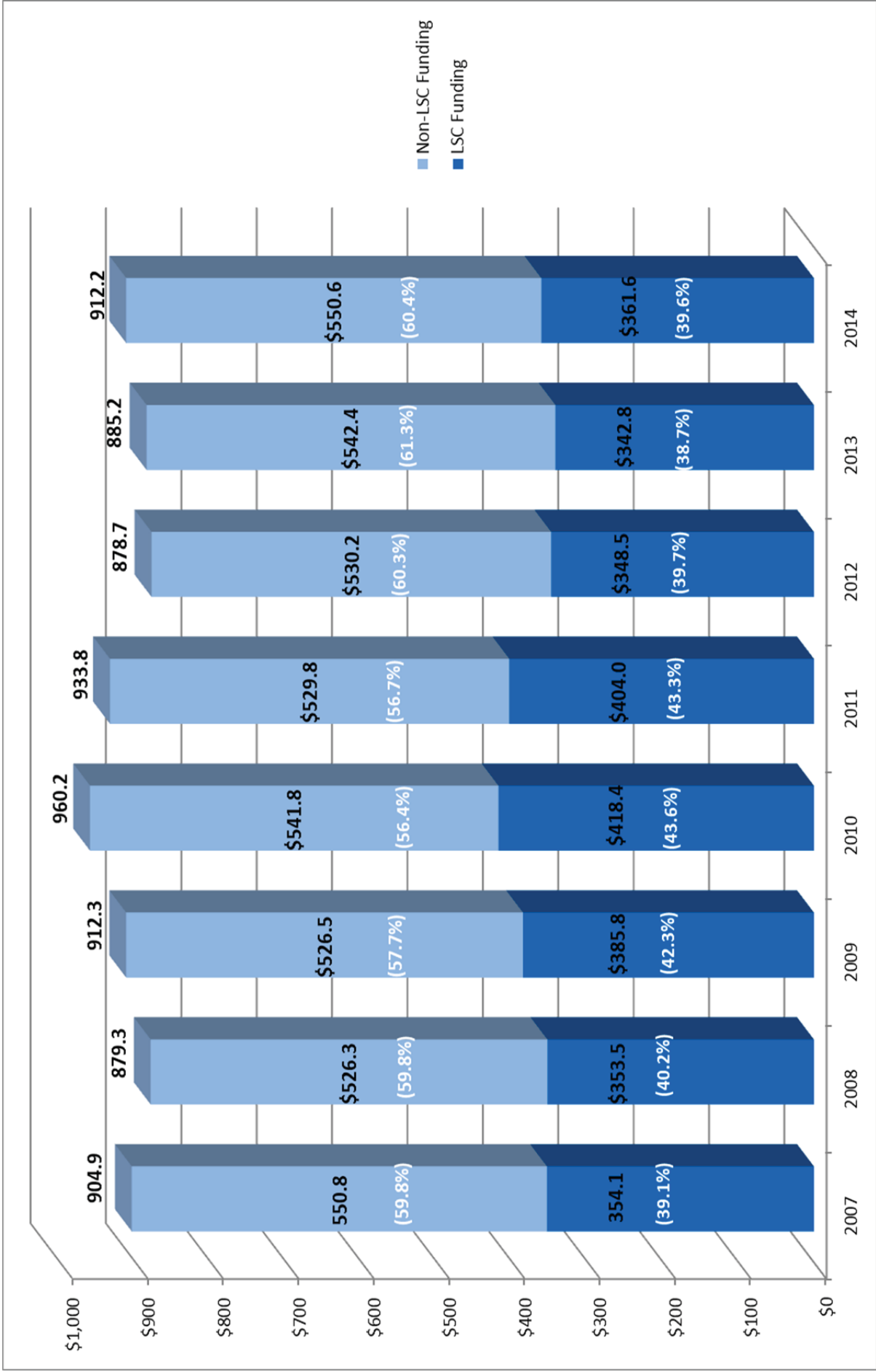
Appendix 5

LSC Appropriations Compared to 1995 Appropriation, Adjusted for Inflation



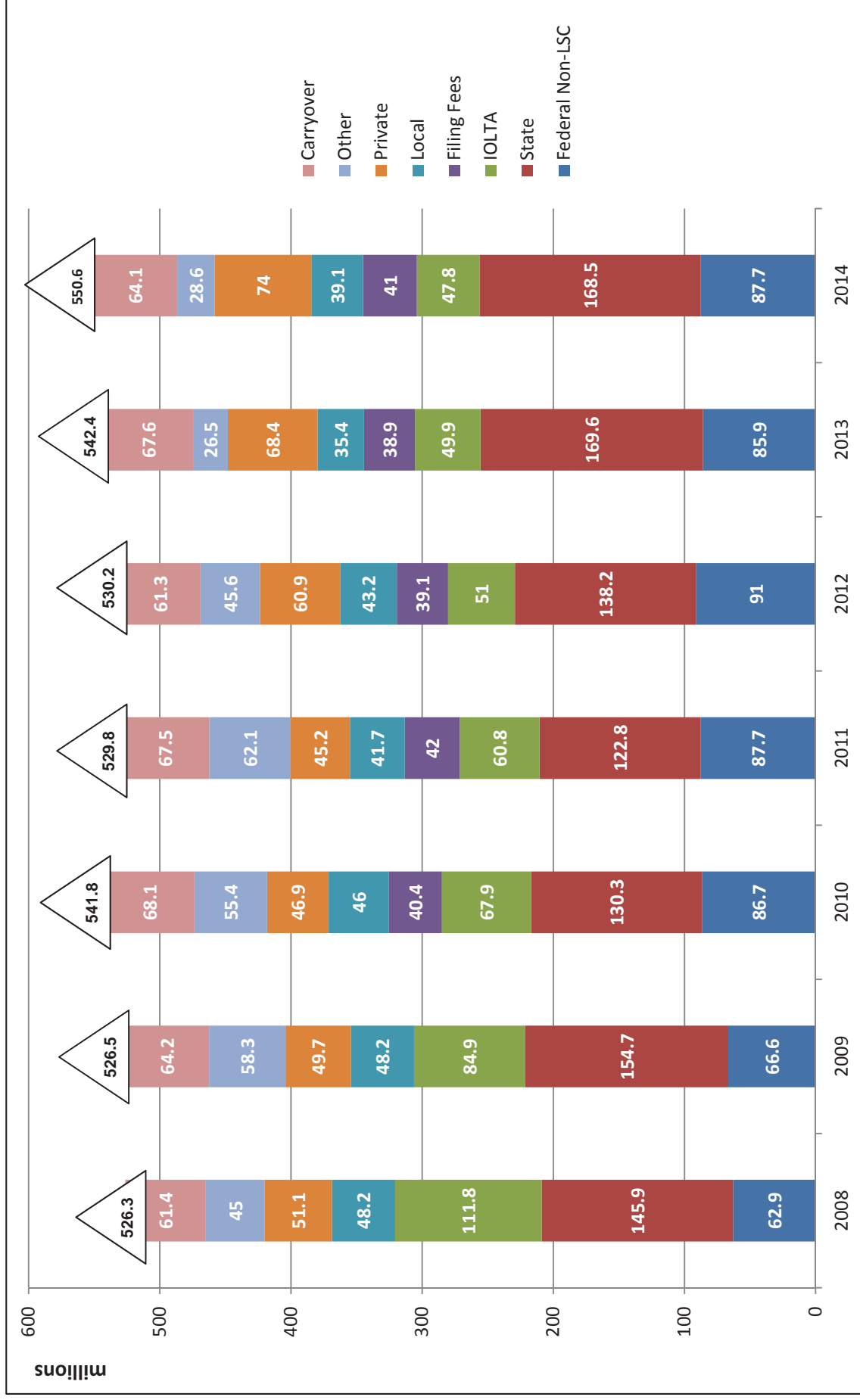
Note: The inflation-adjusted figures in this graph were derived using the Consumer Price Index (CPI) Inflation Calculator on the Bureau of Labor Statistics website (www.bls.gov/data/inflation_calculator.htm) June 17, 2015.

Appendix 6 Funding Sources 2007-2014

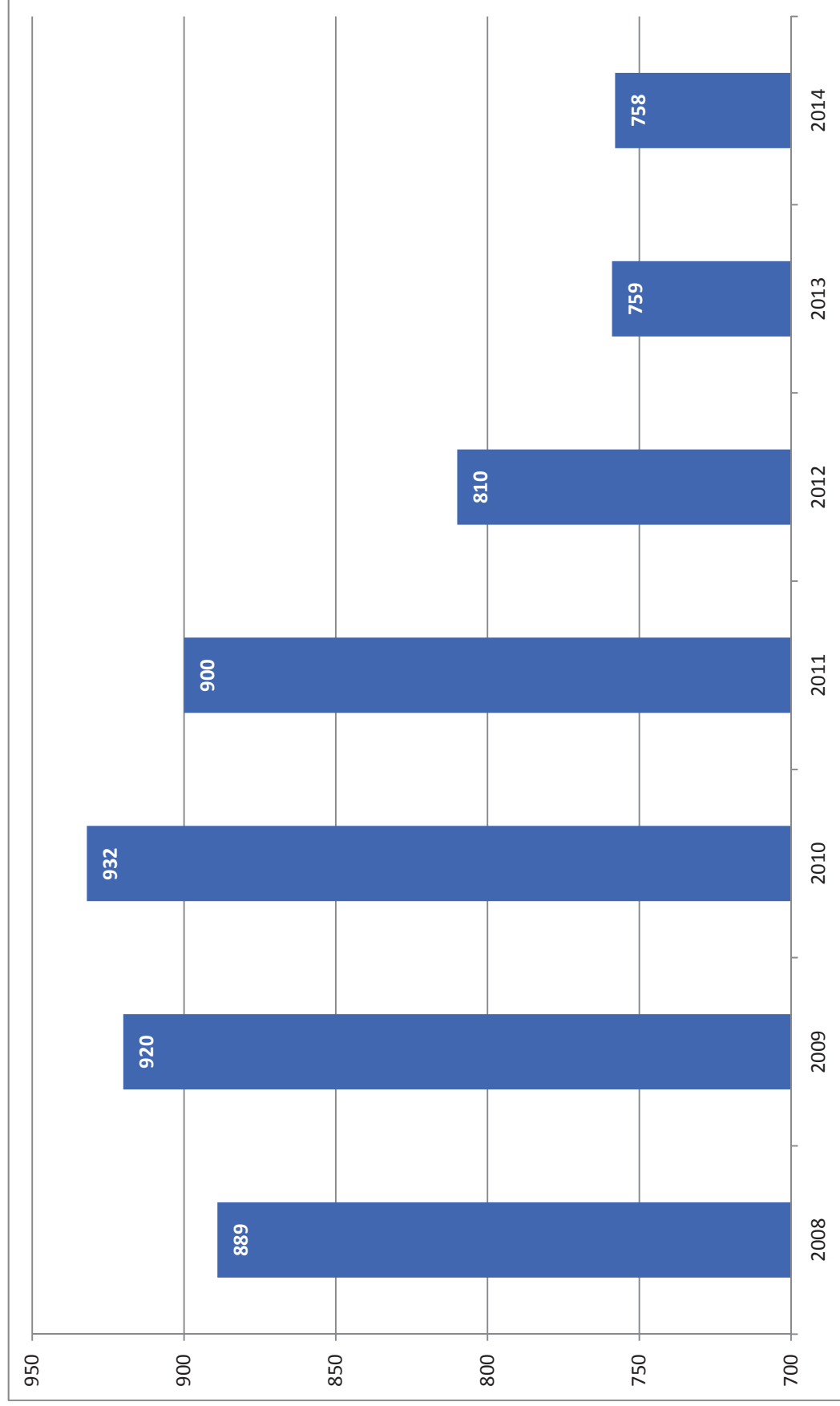


*Includes Basic Field and other LSC grants, carryover funds and derivative income.

Appendix 7 Sources of Non-LSC Funding, 2008-2014



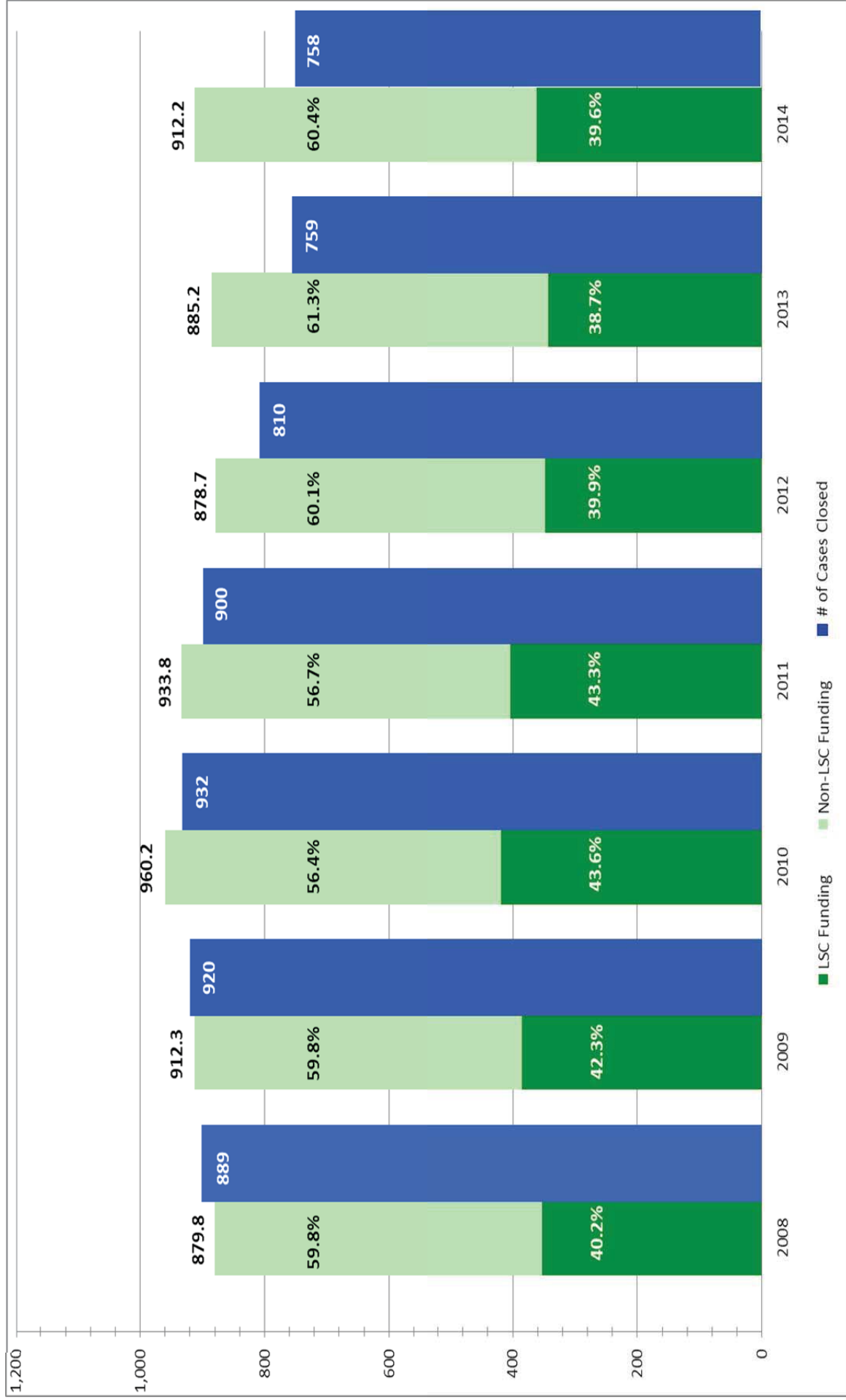
Appendix 8
Cases Closed, 2008-2013
(in thousands)



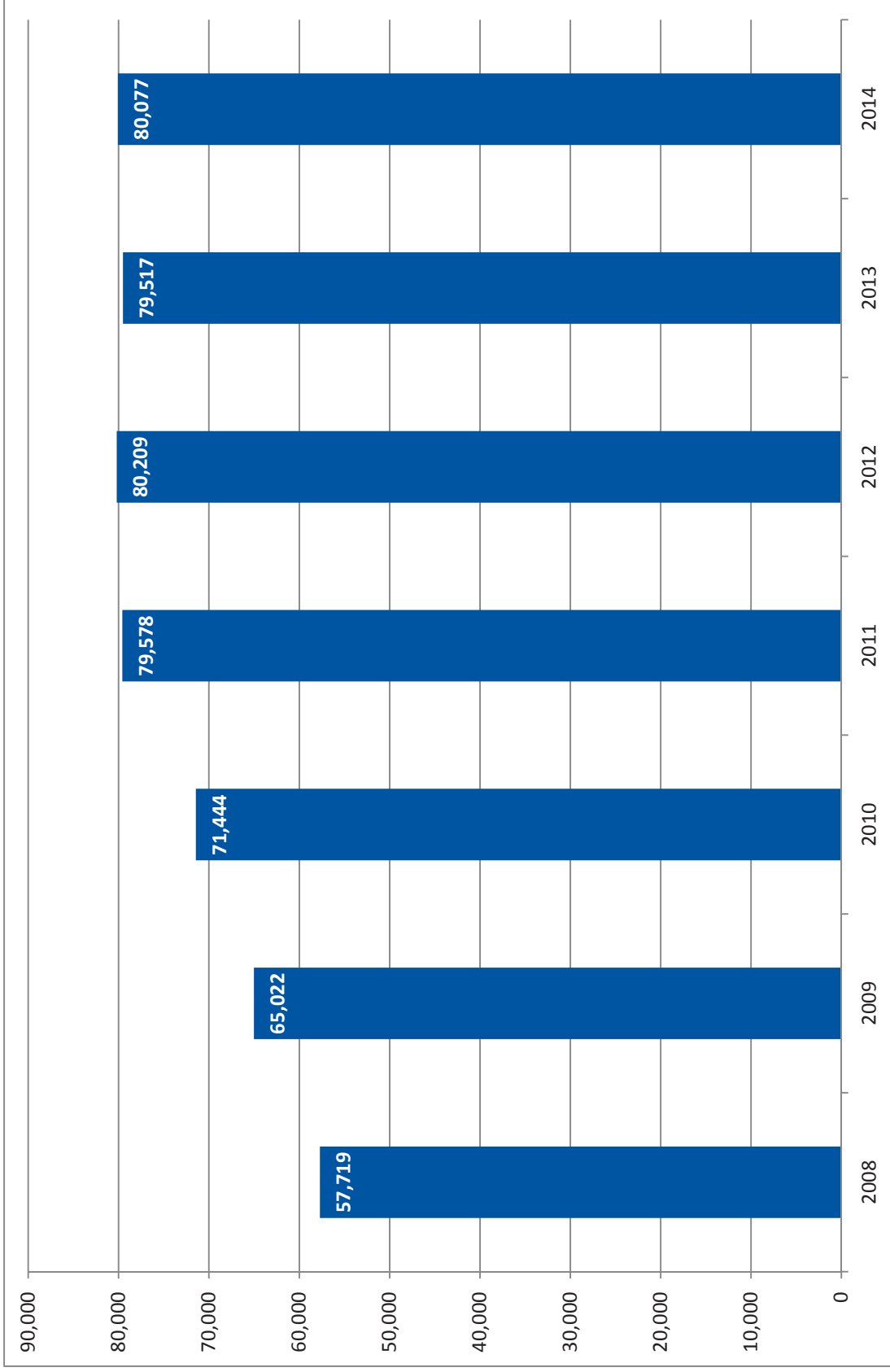
Appendix 9

Cases Closed Compared to Grantee Funding, 2008-2014

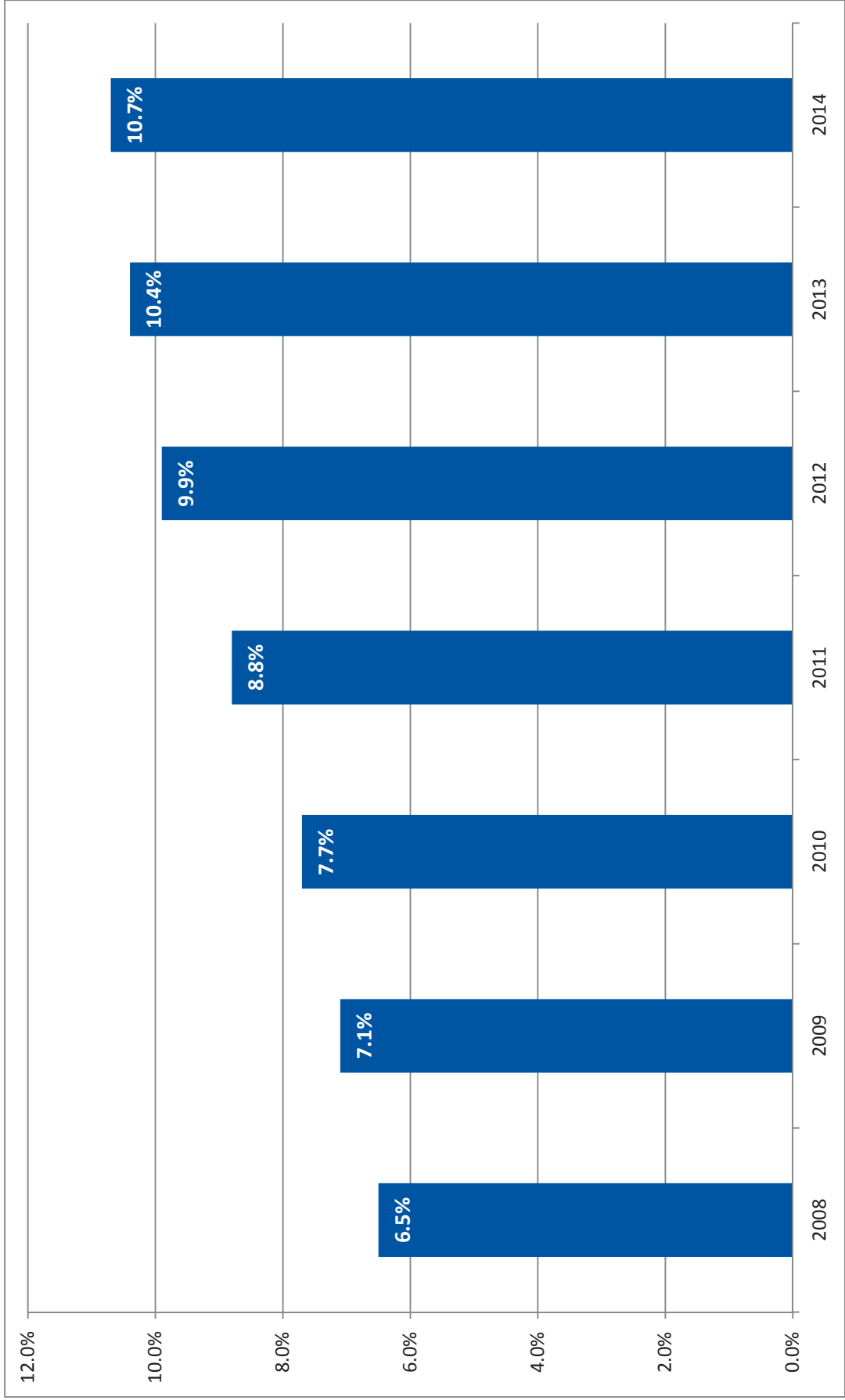
(Cases Closed in Thousands, Funding in Millions)



Appendix 10 Pro Bono Cases, 2008-2014



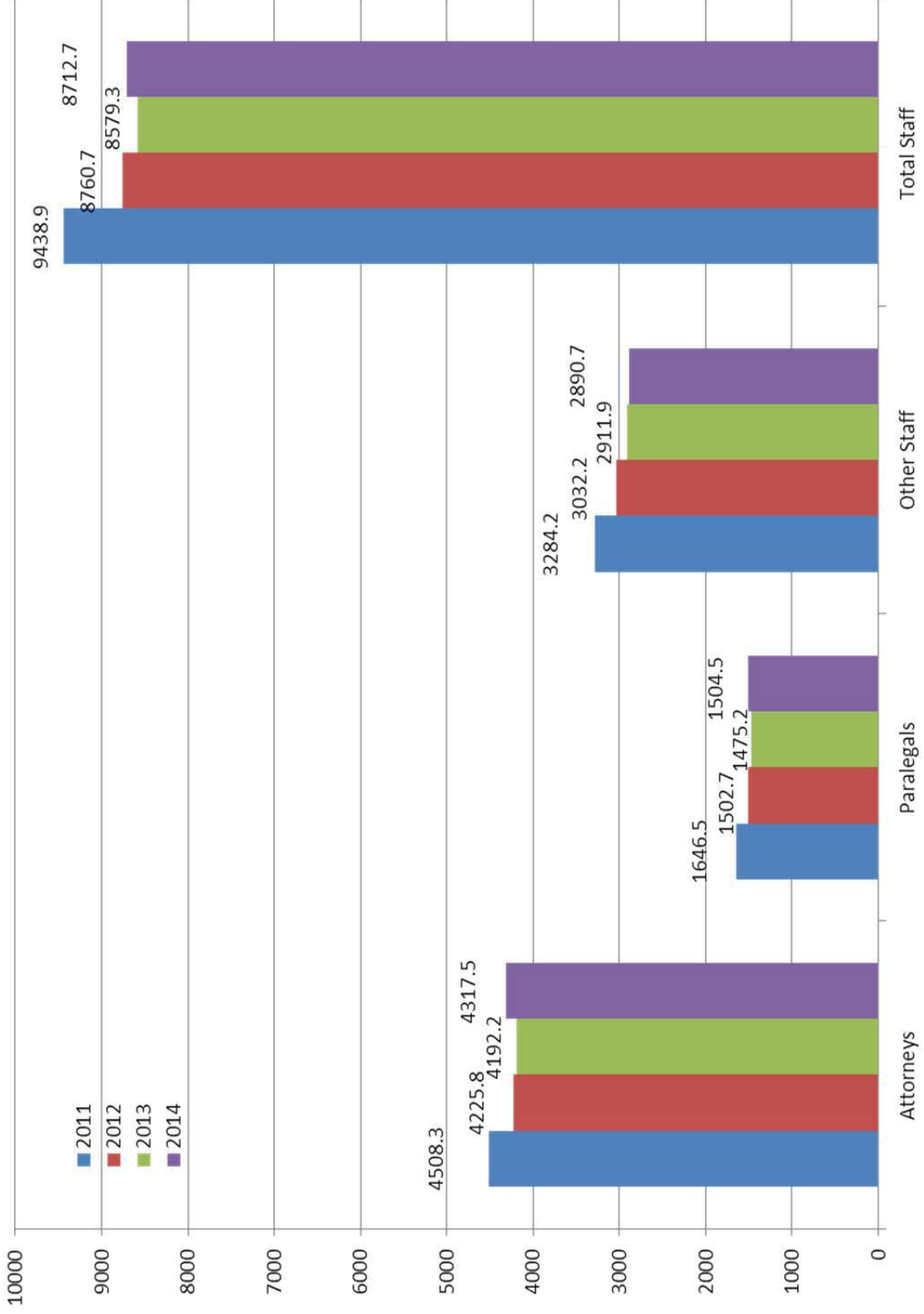
Appendix 11
**Pro Bono Cases as a Percentage of Cases Closed,
2008-2014**



Appendix 12

Staffing in Full-Time Equivalents, 2011-2014

(as of 12/31/14)





BOARD OF DIRECTORS

RESOLUTION

**ADOPTING LSC’S APPROPRIATION REQUEST FOR
FISCAL YEAR 2017**

WHEREAS, the Board of Directors (“Board”) of the Legal Services Corporation (“LSC” or “Corporation”) has received and carefully considered information regarding the Corporation’s Fiscal Year (“FY”) 2017 appropriation request;

WHEREAS, the Board has determined that LSC is a program in vital need of additional funding to provide for the legal services needs of people in poverty:

NOW, THEREFORE, BE IT RESOLVED that the Corporation will request of Congress an appropriation of \$502,700,000 for FY 2017 to be allocated as follows:

- a. \$467,000,000 for Basic Field;
- b. \$5,000,000 for Technology Initiative Grants;
- c. \$1,000,000 for Loan Repayment Assistance Program;
- d. \$19,500,000 for Management & Grants Oversight;
- e. \$5,000,000 for Pro Bono Innovation Fund; and
- f. \$5,200,000 for the Office of Inspector General.

**Adopted by the Board of Directors
On July 18, 2015**

John G. Levi
Chairman

Attest:

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

Governance and Performance Review Committee

Agenda

GOVERNANCE AND PERFORMANCE REVIEW COMMITTEE

July 16, 2015

Agenda

OPEN SESSION

1. Approval of agenda
2. Approval of minutes of the Committee's Open Session meeting of April 13, 2015
3. Report on GAO inquiry
 - Carol Bergman, Director of Government Relations & Public Affairs
4. Report on foundation grants and LSC's research agenda
 - Jim Sandman, President
5. Consider and act on other business
6. Public comment
7. Consider and act on motion to adjourn meeting

CLOSED SESSION

8. Approval of minutes of the committee's Closed Session meeting on April 13, 2015
9. Development Report
10. Consider and act on prospective funders
 - Jim Sandman, President
11. Consider and act on motion to adjourn meeting

**Draft Minutes of the April 13, 2015
Open Session Meeting**

**Legal Services Corporation
Meeting of the Governance and Performance Review Committee**

Open Session

Monday, April 13, 2015

DRAFT

Committee Chair Martha L. Minow convened an open session meeting of the Legal Services Corporation's ("LSC") Governance and Performance Review Committee ("the Committee") at 11:14 a.m. on Monday, April 13, 2015. The meeting was held at the F. William McCalpin Conference Center, Legal Services Corporation Headquarters, 3333 K Street, NW, Washington, DC 20007.

The following Board Members were present:

Martha L. Minow, Chair
Charles N.W. Keckler
Julie A. Reiskin
John G. Levi, *ex officio*

Other Board members present:

Harry J. F. Korrell III
Laurie Mikva
Victor B. Maddox
Father Pius Pietrzyk, O.P.
Gloria Valencia-Weber

Also attending were:

James J. Sandman	President
Rebecca Fertig Cohen	Special Assistant to the President
Lynn Jennings	Vice President for Grants Management
Ronald S. Flagg	Vice President for Legal Affairs, General Counsel and Corporate Secretary
Mark Freedman	Senior Assistant General Counsel, Office of Legal Affairs,
Stefanie Davis	Assistant General Counsel, Office of Legal Affairs,
Peter Karalis	Graduate Law Fellow, Office of Legal Affairs
Sarah Anderson	Graduate Law Fellow, Office of Legal Affairs
Wendy Rhein	Chief Development Officer
Patrick Mallory	Grants Management/Legislative Fellow
David L. Richardson	Comptroller and Treasurer, Office of Financial & Administrative Services
Traci Higgins	Director, Office of Human Resources

Minutes: April 13, 2015 – DRAFT Open Session Meeting of the Governance and Performance Review Committee
Page 1 of 3

Carol A. Bergman	Director, Office of Government Relations and Public Affairs
Treefa Aziz	Office of Government Relations and Public Affairs
Wendy Long	Office of Government Relations and Public Affairs
Jeffrey E. Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel, Office of the Inspector General
John Seeba	Assistant Inspector General for Audit, Office of the Inspector General, by telephone
David 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
Magali Khalkho	Director of Management Operations, Office of the Inspector General
Daniel Sheahan	Program Evaluation Analyst, Office of the Inspector General
Lora Rath	Director, Office of Compliance & Enforcement
Sheila Mashhadishafie	Program Counsel, Office of Compliance & Enforcement
William Carl Isler	Program Counsel, Office of Compliance & Enforcement
Janet LaBella	Director, Office of Program Performance
Evora Thomas	Program Counsel, Office of Program Performance
Frank Strickland	Non-Director Member, Institutional Advancement Committee
Herbert Garten	Non-Director Member, Institutional Advancement Committee
Thomas Smegal	Non-Director Member, Institutional Advancement Committee
Robert E. Henley, Jr.	Non-Director Member, Finance Committee
Robin C. Murphy	National Legal Aid and Defenders Association (NLADA)
Dominique Martin	Law99.com

The following summarizes actions taken by, and presentations made to, the Board:

Committee Chair Minow called the open session meeting to order.

MOTION

Mr. Keckler moved to approve the agenda. Ms. Reiskin seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Mr. Keckler moved to approve the minutes of the Committee's meetings of January 22, 2015. Ms. Reiskin seconded the motion.

VOTE

The motion passed by voice vote.

Ms. Bergman reported on the GAO inquiry regarding low income individuals, families, and communities. Ms. Bergman answered Committee members' questions.

President Sandman gave a report on the Public Welfare Foundation, Midwest Disaster Preparedness and LSC's research agenda. President Sandman answered Committee members' questions.

President Sandman reported on the evaluations of LSC Comptroller, Vice President for Grants Management, and Vice President for Legal Affairs. President Sandman answered Committee members' questions.

Mr. Flagg briefed the Committee on the completion of organizing the sources of authority governing LSC Board actions. He answered questions from the Committee. Committee Chair Minow thanked Mr. Karalis for his work on the project.

There was no other business to consider.

Committee Chair Minow solicited public comment and received none.

MOTION

Mr. Levi moved to adjourn the meeting. President Sandman seconded the motion.

VOTE

The motion passed by voice vote.

The Committee meeting adjourned to Closed Session at 11:50 a.m.

Delivery of Legal Services Committee

Agenda

DELIVERY OF LEGAL SERVICES COMMITTEE

July 17, 2015

Agenda

Open Session

1. Approval of Agenda
2. Approval of minutes of the Committee's meeting on April 13, 2015
3. Panel presentation and Committee discussion on Providing legal services to Native American communities
 - **Chris Allery**, Supervising Attorney, Anishinabe Legal Services
 - **Dorothy Alther**, Executive Director, California Indian Legal Services
 - **Ed Reinhardt**, Senior Attorney, Legal Services of North Dakota
 - **Sylvia Struss**, Administrative Director, DNA - People's Legal Services
 - **Colline Wahkinney-Keely**, Executive Director, Oklahoma Indian Legal Services
 - **Janet LaBella**, Director, Office of Program Performance, Legal Services Corporation, (Moderator)
4. Public comment
5. Consider and act on other business
6. Consider and act on motion to adjourn the meeting

**Draft Minutes of the April 13, 2015
Open Session Meeting**

**Legal Services Corporation
Meeting of the
Delivery of Legal Services Committee**

Open Session

Monday, April 13, 2015

DRAFT

Co-Chair Father Pius Pietrzyk convened an open session meeting of the Legal Services Corporation's ("LSC") Delivery of Legal Services Committee ("the Committee") at 9:34 a.m. on Monday, April 13, 2015. The meeting was held at the F. William McCalpin Conference Center, Legal Services Corporation Headquarters, 3333 K Street, NW, Washington, DC 20007.

The following Committee members were present:

Father Pius Pietrzyk, Co-Chair
Gloria Valencia-Weber, Co-Chair
Victor Maddox
Julie A. Reiskin
John G. Levi, *ex officio*

Other Board members present:

Charles N.W. Keckler
Harry J.F. Korrell, III
Laurie Mikva
Martha Minow

Also attending were:

James J. Sandman	President
Rebecca Fertig Cohen	Special Assistant to the President
Lynn Jennings	Vice President for Grants Management
Patrick Malloy	Grants Management, Legislative Fellow
Ronald S. Flagg	Vice President for Legal Affairs, General Counsel & Corporate Secretary
Carol Bergman	Director, Office of Government Relations and Public Affairs
Marcos Navarro	Office of Government Relations and Public Affairs
Jeffrey Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel (OIG)
John Seeba	Assistant Inspector General for Audit (OIG)

David Maddox	Assistant Inspector General for Management and Evaluation (OIG)
Daniel O'Rourke	Assistant Inspector General for Investigations (OIG)
Magali Khalkho	Director of Management Operations (OIG)
Roxanne Caruso	Office of Inspector General (OIG)
Lora M. Rath	Director, Office of Compliance and Enforcement (OCE)
Shelia Mashhadishafie	Program Counsel (OCE)
Janet LaBella	Director, Office of Program Performance (OPP)
Evora Thomas	Program Counsel (OPP)
John Eidleman	Senior Program Counsel (OPP)
Nancy Glickman	Program Counsel (OPP)
Jane Ribadeneyra	Program Analyst (OPP)
Justin Howell	Executive Intern
Traci Higgins	Director, Office of Human Resources
Eric Jones	Network Engineer, Office of Information Technology
Herbert S. Garten	Non-Director Member, Institutional Advancement Committee
Thomas Smegal	Non-Director Member, Institutional Advancement Committee
Frank S. Strickland	Non-Director Member, Institutional Advancement Committee
Don Saunders	National Legal Aid and Defenders Association (NLADA)

The following summarizes actions taken by, and presentations made to, the Committee:

Committee Co-Chairman Father Pius called the meeting to order.

MOTION

Ms. Reiskin moved to approve the agenda. Professor Valencia- Weber seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Professor Valencia-Weber moved to approve the minutes of the Committee's meeting of January 23, 2015. Mr. Maddox seconded the motion.

VOTE

The motion passed by voice vote.

Committee Co-Chairman Father Pius made a brief statement outlining the role of oversight by board members and the Delivery of Legal Services Committee.

Ms. Jennings and Ms. LaBella gave a presentation on grantee oversight by the Office Program Performance. Ms. Jennings and Ms. LaBella answered the Committee members' questions.

Committee Co-Chair Father Pius invited public comment and receive none.

There was no new business to consider.

MOTION

Committee Co-Chair Valencia-Weber moved to adjourn the meeting. Mr. Maddox seconded the motion.

VOTE

The motion passed by voice vote.

The Committee meeting adjourned at 10:53 a.m.

Panel Presentation:
**Providing Legal Services to Native
American Communities**
Panelist Biographies

Delivery of Legal Services Committee

July 17, 2015

Providing Legal Services to Native American Communities

Chris Allery, Co-Executive Director, Anishinabe Legal Services

Chris Allery is the Co-Executive Director at Anishinabe Legal Services (ALS) and has been with ALS since 2005. Chris graduated from the University of North Dakota School of Law in 1999 and is a former judicial law clerk. He is a licensed attorney in the State of Minnesota, as well as the tribal courts of White Earth, Leech Lake, Red Lake, Mille Lacs, and Bois Forte. Chris is the current tribal prosecutor for the Bois Forte Band of Chippewa. He also works with clients in civil commitment cases, individuals with Indian Law issues, oversees the estate planning services offered by ALS, and supervises all legal staff in addition to other casework as needed. Chris serves on the board of directors for Upstream TV.

Dorothy Alther, Executive Director, California Indian Legal Services

Dorothy Alther has been an attorney with California Legal Services (CILS) since 1989, and has practiced Indian law since 1985. Ms. Alther was in the Bishop CILS Office until she relocated to the Escondido Office in 2003. Her current work focuses on tribal issues including environmental law, housing law, tribal ordinance development; she serves as legal counsel for several tribes and tribal entities and has worked on tribal court and law enforcement development and a variety of other tribal matters. Ms. Alther has been a trainer on Public Law 280, the Indian Child Welfare Act, housing law, civil and criminal jurisdiction in Indian Country, tribal law enforcement, Tribal Law and Order Act, the Violence Against Women Act, and cultural resource protection. Dorothy is a member of the Oglala Sioux Tribe, and graduated from University of South Dakota and earned her J.D. from Northeastern University. Ms. Alther served as Managing Attorney at DNA's People's Legal Services in Crownpoint, New Mexico prior to coming to CILS and has acted as Tribal Attorney for the Suquamish Tribe in Washington. Ms. Alther is also the recipient of the national 2010 Pierce Hickerson Award which is granted to distinguished Indian legal services attorneys. She also received the "Outstanding Achievement in California Indian Law" award from the California Indian Lawyers Association in 2014. Ms. Alther was made the Executive Director of CILS in July 2013.

Ed Reinhardt, Senior Attorney, Legal Services of North Dakota

Ed Reinhardt is a Senior Attorney with Legal Services of North Dakota. He has a Bachelor of Science from the University of Nevada, Reno, and a Juris Doctor from the University of North Dakota. He supervises LSND's Native American offices, which provide legal services to clients on the Three Affiliated Tribes, Turtle Mountain Band of Chippewa, and Spirit Lake Sioux reservations.

Sylvia J. Struss, Administrative Director, DNA - People's Legal Services (DNA)

Sylvia J. Struss has worked at DNA-People's Legal Services for the past 19 years, 7 of them on the Navajo Reservation as Managing Attorney in Chinle, Arizona. She's a graduate of Northeastern School of Law and Harvard University, and is licensed in the Arizona and Navajo Nation courts. She interned at DNA in Mexican Hat, Utah, at Legal Aid of the Florida Keys, and at Oklahoma Indian Legal Services. Sylvia currently works in the Flagstaff DNA office, as DNA's Administrative Director, and supervising its Volunteer Lawyer Project. Sylvia has worked on all kinds of cases, but primarily domestic violence and family law in Navajo Nation courts.

Colline Wahkinney-Keely, Executive Director, Oklahoma Indian Legal Services

Colline Wahkinney-Keely is a member of the Comanche Tribe of Oklahoma and has served as Executive Director of Oklahoma Indian Legal Services since 2001. She began her legal career as an OILS staff attorney in 1989. Ms. Keely's area of expertise is in Oklahoma Indian land titles, Indian estate planning and the Indian Child Welfare Act. She has served as Chair of the Oklahoma Bar Association Indian Law section; an office of the Oklahoma Indian Bar Association and currently serves on the steering committee of the National Association of Indian Legal Services. Colline is a graduate of the University Of Oklahoma College Of Law, served in the U.S. Navy as a hospital corpsman and is the great-great granddaughter of Comanche Chief Quanah Parker.

Institutional Advancement Committee

Institutional Advancement Committee

Agenda

INSTITUTIONAL ADVANCEMENT COMMITTEE

July 17, 2015

Agenda

OPEN SESSION

1. Approval of agenda
2. Approval of the minutes of the Committee's open session meeting on
April 14, 2015
3. Development activities update
4. Discussion of Protocol for the Allocation of Private Funds
5. Public comment
6. Consider and act on other business
7. Adjourn open session

CLOSED SESSION

1. Consider and act on Agenda
2. Approval of minutes of the Committee's closed session meeting April 14,
2015
3. Development report
4. Consider and act on prospective donors
5. Adjourn closed session

Institutional Advancement Committee
Draft Minutes of the April 13, 2015
Open Session Meeting

**Legal Services Corporation
Meeting of the Institutional Advancement Committee**

Open Session

Monday, April 13, 2015

DRAFT

Chairman John G. Levi convened an open session meeting of the Legal Services Corporation's ("LSC") Institutional Advancement Committee ("the Committee") at 2:42 p.m. on Monday, April 13, 2015. The meeting was held at the F. William McCalpin Conference Center, Legal Services Corporation Headquarters, 3333 K Street, NW, Washington, DC 20007.

The following Committee members were present:

John G. Levi, Chairman
Charles N. W. Keckler
Martha L. Minow
Father Pius Pietrzyk
Herbert S. Garten, (Non-Director Member)
Frank B. Strickland (Non-Director Member)

Other Board members present:

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

Also attending were:

James J. Sandman	President
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
David Richardson	Comptroller/Treasurer, Office of Financial and Administrative Services
Lynn Jennings	Vice President for Grants Management
Carol Bergman	Director, Office of Government Relations and Public Affairs (GRPA)
Carl Rauscher	Director of Media Relations, Office of Government Relations and Public Affairs (GRPA)

Ashley Mathews	Communications Manager, Office of Government Relations and Public Affairs (GRPA)
Lora M. Rath	Director, Office of Compliance and Enforcement (OCE)
Robin C. Murphy Terry Brooks	National Legal Aid and Defenders Association (NLADA) American Bar Association Standing Committee on Legal Aid and Indigent Defendants (SCLAID)
Dominique Martin	Law99.com

The following summarizes actions taken by, and presentations made to, the Committee:

Chairman Levi called the meeting to order.

MOTION

Dean Minow moved to approve the agenda. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Dean Minow moved to approve the minutes of the Committee's meeting of January 22, 2015. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

Ms. Rhein gave an updated report on development activities. She answered Committee members' questions.

MOTION

Father Pius moved to approve the resolution reregistering the Minnesota Charitable Organization Annual Form. Mr. Keckler seconded the motion.

VOTE

The motion passed by voice vote.

Chairman Levi invited public comment and received none. There was no new business to consider.

MOTION

Dean Minow moved to authorize an executive session of the Committee meeting. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

The Committee continued its meeting in close session at 2:49p.m.

Protocol for the Allocation of Private Funds

**Protocol for the Allocation
of
Private Contributions of Funds to LSC**

(for inclusion in the LSC Accounting and Administrative Manuals)

1. Protocol and Purposes

This Protocol (“Protocol”) governs the procedure for the allocation of private contributions of funds to the Legal Services Corporation (“LSC” or “Corporation”).

The purpose of this Protocol is to provide guidance to LSC’s Board of Directors (“Board”), members of the Institutional Advancement Committee (“Committee”), staff, and other stakeholders concerning the allocation of private contributions of funds to LSC. This Protocol does not address the acceptance and use of private contributions of funds, which are set forth in the *Protocol for the Acceptance and Use of Private Contributions of Funds*. LSC’s Board reserves the right to revise or revoke this Protocol at any time and to make exceptions. Any changes or exceptions to this Protocol must be approved by the Board in writing. This Protocol, and any changes or exceptions to it, will be made available on the LSC website at www.lsc.gov.

2. Definitions

Initiator: A Director, member of a Board committee, officer, or LSC employee who submits a request to allocate Private Funds toward a proposed project or program. LSC employees must submit requests through the LSC President, who has full discretion whether or not to approve submission of the proposal for consideration through the process in Section 3.

Private Funds: Financial contributions received by LSC from a private source. Private Funds include, but are not limited to, financial contributions, solicited or unsolicited, designated or non-designated, made by a third party in the form of a gift and/or a grant. For purposes of this Protocol, designated funds are funds that are restricted by the donor for a designated purpose or time period. Non-designated funds are funds given to LSC by a third party to use toward projects or programs that will advance LSC’s mission of providing financial support for civil legal aid to persons financially unable to afford such assistance. Private Funds do not include in-kind contributions of goods or services or funds appropriated to LSC by the federal government. Private Funds may not be used for any purpose prohibited by the Legal Services Corporation Act or Title V of Public Law 104-134, 110 Stat. 1321, 1321-50 (1996) (LSC FY 1996 appropriation) as incorporated by reference in Title V of Public Law 105-119, 111 Stat. 2440, 2510 (LSC FY 1998 appropriation), to the extent incorporated in LSC’s appropriation at the time of the expenditure.

3. Procedure for the Allocation of Private Funds

Before any Private Funds subject to this Protocol are allocated to a project or program, the allocation must be approved through the following process:

A. An Initiator submits in writing via email to the Chief Development Officer a detailed description of the proposed project or program, estimated budget, and timeline for completion. If the Initiator seeks to launch a project or program from the *Legal Services Corporation at 40: A Campaign for Justice* case statement (“Case Statement”), the Initiator will submit in writing to the Chief Development Officer a request to launch the specific Case Statement project or program and the Chief Development Officer will draft the corresponding budget and proposed timeline, if needed.

B. Upon receipt of the written proposal, the Chief Development Officer will forward the proposal to the General Counsel to assess the proposal for potential legal issues. If the General Counsel determines there are no legal issues, the Chief Development Officer will forward the proposal to the President for his or her recommendation. If the proposal presents a legal issue, the General Counsel will advise the Chief Development Officer of any such issue(s) and the Chief Development Officer, in collaboration with the Office of Legal Affairs and, if appropriate, the Initiator, will attempt to resolve those legal issues before the proposal is evaluated further. Upon successful resolution of any legal issue(s), the Chief Development Officer will forward the proposal to the President for his or her recommendation. If the legal issues cannot be resolved, the proposal will not be evaluated further and the Chief Development Officer will communicate the denial to the Initiator.

C. Upon the President’s recommendation, the Chief Development Officer will submit the proposal to the Chair of the Institutional Advancement Committee, who will present the proposal to the full Committee for review.

D. If the Committee recommends to the Board that LSC allocate the Private Funds to the proposal, the Board will vote on the recommendation.

E. Upon Board approval, the President will identify the offices and staff members that will be responsible for implementing, monitoring, and reporting on the project or program.

F. If the Committee, President, or Board, as appropriate, determines that LSC will not pursue the project proposal, the Chief Development Officer will communicate the reason for the decision to the Initiator.

G. The Chief Development Officer will retain documentation related to all project proposals consistent with LSC’s Records Management Policy.

4. Accounting for Use Private Funds

Any Private Funds allocated to an approved project or program shall be accounted for and reported as receipts and disbursements separate and distinct from federal funds.

5. Use of Private Funds

In the event that Private Funds are to be used to pay for expenses for which federal funds may not be used, such Private Funds must be received and their use approved pursuant to this Protocol prior to any such expense being incurred. Furthermore, under no circumstance will LSC use federal funds to pay for any such expense at any time—regardless of whether Private Funds would be available to reimburse the federal funds account.

6. Reporting

Once the allocation of Private Funds has been approved pursuant to this Protocol, the Chief Development Officer will be responsible for reporting on the project or program to the appropriate donor(s) and will provide the Committee all reporting documents shared with any such donor(s).

**Institutional Advancement Committee
Communication Subcommittee**

Agenda

**COMMUNICATIONS SUBCOMMITTEE OF THE INSTITUTIONAL
ADVANCEMENT COMMITTEE**

July 18, 2015

Agenda

1. Approval of agenda
2. LSC communications updates
3. Public comment
4. Consider and act on other business

Board of Directors

Agenda

BOARD OF DIRECTORS

July 18, 2015

Agenda

OPEN SESSION

1. Pledge of Allegiance
2. Approval of agenda
3. Approval of Minutes of the Board's Open Session meeting of April 14, 2015
4. Approval of Minutes of the Board's Open Session telephonic meeting of May 22, 2015
5. Chairman's Report
6. Members' Reports
7. President's Report
8. Inspector General's Report
9. Consider and act on the report of the Finance Committee
10. Consider and act on the report of the Audit Committee
11. Consider and act on the report of the Operations & Regulations Committee
12. Consider and act on the report of the Governance & Performance Review Committee
13. Consider and act on the report of the Institutional Advancement Committee

14. Consider and act on the report of the Delivery of Legal Services Committee
15. Consider and act on process for updating the 2012 -2016 LSC Strategic Plan
16. Report on implementation of the Pro Bono Task Force Report and the Pro Bono Innovation Fund
17. Public comment
18. Consider and act on other business
19. Consider and act on whether to authorize an executive session of the Board to address items listed below under Closed Session

CLOSED SESSION

20. Approval of Minutes of the Board's Closed Session meeting of April 14, 2015
21. Briefing by Management
22. Briefing by the Inspector General
23. Consider and act on General Counsel's report on potential and pending litigation involving LSC
24. Consider and act on list of prospective funders
25. Consider and act on motion to adjourn meeting

**Draft Minutes of the April 14, 2015
Open Session Meeting**

**Legal Services Corporation
Meeting of the Board of Directors**

Open Session

Tuesday, April 14, 2015

DRAFT

Chairman John G. Levi convened an open session meeting of the Legal Services Corporation's ("LSC") Board of Directors at 9:07 a.m. on Tuesday, April 14, 2015. The meeting was held at the F. William McCalpin Conference Center, Legal Services Corporation Headquarters, 3333 K Street, NW, Washington, DC 20007.

The following Board members were present:

John G. Levi, Chairman
Martha L. Minow, Vice Chair
Robert J. Grey, Jr.
Charles N.W. Keckler
Harry J. F. Korrell, III
Victor B. Maddox
Laurie Mikva
Father Pius Pietrzyk, O. P.
Julie A. Reiskin
Gloria Valencia-Weber
James J. Sandman, *ex officio*

Also attending were:

Rebecca Fertig Cohen	Special Assistant to the President
Lynn Jennings	Vice President for Grants Management
Patrick Malloy	Grants Management/Legislative Fellow
Justin Howell	Intern, Executive Office
David Richardson	Comptroller and Treasurer, Office of Financial and Administrative Services (OFAS)
Ronald S. Flagg	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
Stefanie Davis	Assistant General Counsel, Office of Legal Affairs
Mark Freedman	Senior General Counsel, Office of Legal Affairs
Sarah Anderson	Graduate Law Fellow, Office of Legal Affairs
Peter Karalis	Graduate Law Fellow, Office of Legal Affairs
Wendy Rhein	Chief Development Officer
Jeffrey Schanz	Inspector General

John Seeba	Assistant Inspector General for Audit, Office of the Inspector General (OIG)
David Maddox	Assistant Inspector General for Management and Evaluation, Office of the Inspector General (OIG)
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel, Office of the Inspector General (OIG)
Daniel O'Rourke	Assistant Inspector General for Investigations, Office of the Inspector General (OIG)
Joel Gallay	Special Counsel to the Inspector General, Office of the Inspector General (OIG)
Magali Khalkho	Director of Management Operations, Office of the Inspector General (OIG)
Roxanne Caruso	Director of Audit Operations, Office of the Inspector General
Carol A. Bergman	Director, Office of Government Relations and Public Affairs (GRPA)
Wendy Long	Executive Assistant, Office of Government Relations and Public Affairs (GRPA)
Lora M. Rath	Director, Office of Compliance and Enforcement (OCE)
Shila Mashhadishafie	Program Counsel, Office of Compliance and Enforcement (OCE)
Janet LaBella	Director, Office of Program Performance (OPP)
Evora Thomas	Program Counsel, Office of Program Performance (OPP)
Lisa Buffalo	Administrative Assistant, Office of Program Performance (OPP)
Eric Jones	Network Engineer, Office of Information Technology (OIT)
Diane Rouse	Office of Information Management (OIM)
Jean Edwards	Office of Information Management (OIM)
Hulett Askew	Friends of Legal Services Corporation (FOLSC)
Alex Forger	Friends of Legal Services Corporation (FOLSC)
Herbert Garten	Non-Director Member, Institutional Advancement Committee
Frank Strickland	Non-Director Member, Institutional Advancement Committee
Thomas Smegal	Non-Director Member, Institutional Advancement Committee
Don Saunders	National Legal Aid and Defenders Association (NLADA)
Robin C. Murphy	National Legal Aid and Defenders Association (NLADA)
Terry Brooks	American Bar Association Standing Committee on Legal Aid and Indigent Defendants (SCLAID)
Bev Groudine	American Bar Association Commission on ILOTA/SCLAID
Dominique Martin	Law99.com

The following summarizes actions taken by, and presentations made to, the Board:

Chairman Levi acknowledged the current Board's fifth anniversary and congratulated Board members. Chairman Levi called the meeting to order. The Pledge of Allegiance was recited.

MOTION

Dean Minow moved to approve the agenda. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Dean Minow moved to approve the minutes of January 24, 2015. Ms. Reiskin seconded the motion.

VOTE

The motion passed by voice vote.

Chairman Levi gave the Chairman's Report. He thanked everyone for their participation in the Supreme Court reception held on Monday evening. Chairman Levi reported LSC's strategic plan ends in 2016, and he has asked Father Pius and Professor Gloria Valencia-Weber to chair the revision of LSC's strategic plan.

During members' reports, Professor Valencia-Weber reported on April 9th she spoke at the Federal Bar Association meeting on Indian Law; she was also a panelist on the Tribal Court Judges and Tribal Court Prosecutors panel. Professor Valencia-Weber plans to give a quick overview at the July 2015 Board meeting. Ms. Reiskin reported that she attended the Medical Legal Partnership summit, and found the seminar given by Kate Marple, very informative. Ms. Reiskin would like the Board to hear Ms. Marple's presentation. Chairman Levi agreed Ms. Reiskin should go ahead and make arrangements for the presentation.

President Sandman gave the President's Report, which included (1) LSC's communication strategy; (2) business process improvements; (3) developments involving the Department of Justice's Legal Aid Interagency Roundtable; (4) 2015 Pro Bono Innovation Fund grants; (5) best practices in technology baselines for grantees; (6) and activities of grantees for 2014. He answered Board members questions.

Inspector General Schanz and Mr. Maddox gave the Inspector General's Report. Inspector General Schanz briefed the Committee on the new proposed legislation: Inspector General Empowerment Act that provides testimonial evidence for Inspector Generals. He also discussed quarterly reports required by Congress, grant assurances, and his attendance at the annual meeting of the General Accounting Office (GAO). Mr. Maddox discussed the OIG's strategic plan for 2015 – 2019. Both answered Board members questions.

Mr. Grey gave the report for the Finance Committee.

MOTION

Mr. Grey moved to adopt the resolution on the consolidated operating budget for fiscal year 2015.

VOTE

The motion passed by voice vote.

Mr. Maddox gave the report for the Audit Committee. There were no action items.

Mr. Keckler gave the Operations and Regulations Committee report.

MOTION

Mr. Keckler moved to approve publication for comment of the Notice of Proposed Rulemaking regarding 45 CFR Part 1627 - Sub grants and Membership Fees or Dues.

VOTE

The motion passed by voice vote.

MOTION

Mr. Keckler moved to approve the revisions to 45 CFR Part 1628 - Recipient Fund Balances.

VOTE

The motion passed by voice vote.

MOTION

Mr. Keckler moved to adopt the Final Rule with stated revisions to 45 CFR Part 1640 – Application of Federal Law to LSC Recipients.

VOTE

The motion passed by voice vote.

Dean Minow gave the Governance and Performance Review Committee report. There were no action items.

Chairman Levi gave the Institutional Advancement Committee report.

MOTION

Chairman Levi moved to adopt the resolution for the Minnesota Charitable Organization Registration and Annual Report Form.

VOTE

The motion passed by voice vote.

Father Pius gave the Delivery of Legal Services Committee report. There were no action items.

Ms. Reiskin gave the Institutional Advancement Subcommittee report. There were no action items.

Ms. Jenkins gave the report on the implementation of recommendations of the Pro Bono Task Force and the Pro Bono Innovation Fund. She answered Board members questions.

Chairman Levi invited public comment. Ms. Thomas commented on the status of collective bargaining at LSC. Ms. Edwards commented on the manner the Office of Human Resources informed her of a change in her employment status. There was no new business to consider.

MOTION

Father Pius moved to authorize a closed session of the Board meeting. Mr. Maddox seconded the motion.

VOTE

The motion passed by voice vote.

The Board continued its meeting in closed session at 10:59 a.m.

**Draft Minutes of the May 22, 2015
Telephonic Open Session Meeting**

**Legal Services Corporation
Telephonic Meeting of the Board of Directors**

Open Session

Friday, May 22, 2015

DRAFT

Chairman John G. Levi convened an open session telephonic meeting of the Legal Services Corporation's ("LSC") Board of Directors at 10:35 a.m. on Friday, May 22, 2015. The meeting was held at the F. William McCalpin Conference Center, Legal Services Corporation, 3333 K Street, N.W. Washington, D.C. 20007.

The following Board members were present:

John G. Levi, Chairman
Martha L. Minow
Robert J. Grey, Jr.
Charles N.W. Keckler
Victor B. Maddox
Laurie Mikva
Julie A. Reiskin
Gloria Valencia-Weber
James J. Sandman, *ex officio*

Also attending were:

Lynn Jennings	Vice President for Grants Management
Rebecca Fertig-Cohen	Special Assistant to the President
David Richardson	Comptroller and Treasurer
Jeffrey Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel, Office of the Inspector General
Joel Gallay	Special Counsel to the Inspector General, Office of the Inspector General
John Seeba	Assistant Inspector General for Audit, Office of the Inspector General
David Maddox	Assistant Inspector General for Management and Evaluation, Office of the Inspector General
Daniel O'Rourke	Assistant Inspector General for Investigations, Office of the Inspector General
Carol A. Bergman	Director, Office of Government Relations and Public Affairs
Treefa Aziz	Government Affairs Representative, Office of Government Relations
Lora Rath	Deputy Director, Office of Compliance and Enforcement

Robin Murphy

National Legal Aid and Defender Association (NLADA)
(By Telephone)

The following summarizes actions taken by, and presentations made to, the Board:

Chairman Levi called the meeting to order.

MOTION

Mr. Maddox moved to approve the agenda. Professor Valencia-Weber seconded the motion.

VOTE

The motion passed by voice vote.

The Board members discussed the Office of the Inspector General's (OIG) Semi-Annual Report to Congress for the reporting period of October 1, 2014 through March 30, 2015, and the accompanying transmittal letter from the Board to Congress. The OIG and LSC management responded to Board members' questions.

MOTION

Father Pius moved to approve the transmittal letter accompanying the OIG's Semi-Annual Report to Congress for the reporting period of October 1, 2014 through March 30, 2015. Mr. Maddox seconded the motion.

VOTE

The motion passed by voice vote.

Chairman Levi invited public comment, and received none. There was no new business to consider.

MOTION

Mr. Maddox moved to adjourn the meeting. Ms. Mikva seconded the motion.

The meeting of the Board adjourned at 10:52a.m.

LSC Strategic Plan 2012 – 2016 Timeline

LSC Strategic Plan 2012-2016

Timeline

2/24/2011:	Start considering consultants/drafting RFP for consultants
2/15/2011:	RFP distribution
4/2011:	Selection of Consultant
5/26/2011:	Discussion guide/interview questions for stakeholders; interview chart
7/22/2011:	Interview results
10/14/2011:	Jim message to all LSC Grantee Executive Directors re: survey
10/20/2011:	Jim message to all #LSC staff re: survey
11/28/2011:	Survey raw data feedback
1/13/2012:	Consultant recommendations to the Board
5/13/2012:	Father Pius presented draft to the Board
6/6/2012-7/11/2012:	Federal Register Notice for public comment
7/20/2012:	Summary of FR Notice public comments
8/31/2012:	Board telephonic meeting to discuss and receive additional comments
10/2/2012:	Board approval of Strategic Plan

Justices and Judges Panel Biographies

The Importance of Access to Justice to the Judiciary Panel

July 17 2015

University of St. Thomas Law School

Minneapolis, MN

Justice Shirley S. Abrahamson

Justice Shirley S. Abrahamson was appointed to the Supreme Court by Gov. Patrick Lucey in 1976. She was then the only woman to serve on the court.

She won election to the court in 1979 and re-election in 1989, 1999, and 2009. From August , 1996 to May 2015, she served as chief justice and, in that capacity, served as the administrative leader of the Wisconsin court system.

Before joining the Supreme Court, Justice Abrahamson was in private practice in Madison for 14 years and was a professor at the UW Law School. She is a past president of the National Conference of Chief Justices and past chair of the board of directors of the National Center for State Courts. She also has served as chair of the National Institute of Justice's National Commission on the Future of DNA Evidence. She is a member of the Council of the American Law Institute, the New York University School of Law Institute of Judicial Administration. She also has served on the State Bar of Wisconsin's Commission on the Delivery of Legal Services, the American Bar Association's Coalition for Justice, and the National Academies' Science, Technology and Law panel.

Born and raised in New York City, Justice Abrahamson received her bachelor's degrees from NYU in 1953, her law degree from Indiana University Law School in 1956, and a doctorate of law in American legal history in 1962 from the UW Law School. She is the recipient of 15 honorary doctor of laws degrees and the Distinguished Alumni Award of the UW-Madison. She is a fellow of the Wisconsin Academy of Arts and Sciences and the American Academy of Arts and Sciences and an elected member of the American Philosophical Society. In 2004, she received the American Judicature Society's Dwight D. Opperman Award for Judicial Excellence. In 2009 the National Center for State Courts awarded her the Harry L. Carrico Award for Judicial Innovation, for serving as a national leader in safeguarding judicial independence, improving inter-branch relations, and expanding outreach to the public.

Justice Abrahamson is listed in Great American Judges [Top 100]: An Encyclopedia (John R. Vile ed. 2003), in The Lawdragon 500 Leading Lawyers in America (2005), and in The Lawdragon 500 Leading Judges in America (2006).

Justice Abrahamson and her husband, Seymour, have a son, Daniel. Her current term expires July 31, 2019.

Judge Michael Davis, U.S. District Court, District of Minnesota

Michael J. Davis was appointed by President William Jefferson Clinton and took the oath of office on March 30, 1994. He succeeded Judge Harry H. Maclaughlin, who took senior status. Judge Davis was the twenty-eighth Federal Judge selected in Minnesota history and the first, and only, African-American federal judge in Minnesota history. Judge Davis was elected as Chief Judge in 2008 and recently stepped down in July. He will begin serving as a Senior Judge in August 2015.

Judge Davis graduated from Macalester College in 1969 and the University of Minnesota Law School in 1972. He served as a criminal defense lawyer at the Neighborhood Justice Center in St. Paul, Legal Rights Center in Minneapolis, where he is currently a board member, and later served as an Assistant Public Defender in Hennepin County. In 1983, Judge Davis was appointed to the Fourth Judicial Municipal Court of Minnesota, and in 1984, elevated by appointment to the District Court bench, where he served before being appointed to the federal bench. In 1996 Chief Justice William Rehnquist appointed Judge Davis to the United States Foreign Intelligence Surveillance Court for a seven year term.

Judge Davis received the Outstanding Alumni Award in 1989 and an Honorary Doctor of Laws degree in 2001 from Macalaster College. In 1989 he received the WCCO Radio Good Neighbor Award in recognition the creation of the Hennepin County criminal caseload reduction program and in 2000 he received the Distinguished Service Award from William Mitchell College of Law. He has been an adjunct professor to trial practice at the University of Minnesota Law School since 1982. Judge Davis has been a youth mentor in the Rites of Passage program with Jack & Jill of America, Inc. since 1998. Judge Davis lectured at Oxford University, Magdalen College summer of 2003. Judge Davis was awarded the 2004 Judicial Professionalism Award by the Hennepin County Bar Association for exemplifying professionalism, competence, integrity and ethical conduct in the justice system. Judge Davis served as President of the Minnesota Chapter of the Federal Bar Association 2004-5. Omega Psi Phi Fraternity, Inc. Epsilon Rho Chapter recognized Judge Davis as the 2005 Citizen of the Year.

Chief Justice Lorie Skjerven Gildea, Minnesota Supreme Court

Lorie Skjerven Gildea is the Chief Justice of the Minnesota Supreme Court. She served as an associate justice on the Minnesota Supreme Court from 2006 to 2010 and as a district judge for Hennepin County in the Fourth Judicial District from 2005 to 2006.

Justice Gildea was born and raised in Plummer, Minnesota. She received a Bachelor of Arts, with distinction, from the University of Minnesota Morris in 1983, and a Juris Doctor, magna cum laude, from the Georgetown University Law Center in 1986.

She was appointed as Chief Justice on July 1, 2010, elected in 2012 and her term expires in January 2019. She was appointed as Associate Justice on January 11, 2006. Prior to being appointed to the Supreme Court, Justice Gildea served as a judge in the Fourth Judicial District, Hennepin County.

Before being appointed to the bench in September 2005, Justice Gildea was a prosecutor in the Hennepin County Attorney's Office (2004-2005), Associate General Counsel at the University of Minnesota (1993-2004) and in private litigation practice at Arent Fox in Washington, D.C. (1986-1993).

She was a member of the Minnesota Sentencing Guidelines Commission (May 2001-November 2004), the Board of Directors, YWCA of Minneapolis (July 2000-June 2003) and the Advisory Board, MINNCORR Industries (June 2000-June 2002). Her professional affiliations include the Minnesota Supreme Court Advisory Committee on Rules of Civil Procedure (2004-2006), the Minnesota State Bar Association and Hennepin County Bar Association, where she served as a member of the Board of Directors (2000-2004), Chair of the Finance and Planning Committee (2002-2003), and co-chair of the Hennepin Lawyer Committee (2001-2002).

Justice Thomas L. Kilbride, Illinois Supreme Court

Thomas L. Kilbride was born in LaSalle. He received a B.A. degree magna cum laude from St. Mary's College in Winona, Minnesota in 1978 and received his law degree from Antioch School of Law in Washington, D.C., in 1981.

Justice Kilbride practiced law for 20 years in Rock Island, engaging in the general practice of law, including appeals, environmental law, labor law, employment matters, and other general civil and criminal matters. He was admitted to practice in the United States District Court of Central Illinois and the United States Seventh Circuit Court of Appeals. He was elected to the Supreme Court of Illinois for the Third District in 2000 and served as Chief Justice of the Illinois Supreme Court from October, 2010 to October 2013.

Justice Kilbride is a past board member, past president and past vice-president of the Illinois Township Attorneys Association, a past volunteer lawyer and charter member of the Illinois Pro Bono Center, and a member of the Illinois State Bar and Rock Island County Bar Associations. He has served as volunteer legal advisor for the Community Caring Conference, the charter chairman of the Quad Cities Interfaith Sponsoring committee, volunteer legal advisor to Quad City Harvest, Inc., and a past member of the Rock Island Human Relations Commission.

Chief Justice Gerald W. VandeWalle, Supreme Court of North Dakota

Gerald W. VandeWalle was born on August 15, 1933, and raised in Noonan, North Dakota. He attended the University of North Dakota and in 1955 received a bachelor of science degree in Commerce from the School of Business. In 1958 he received a juris doctor degree magna cum laude from the University of North Dakota School of Law.

He was admitted to the State Bar of North Dakota in July 1958 and accepted an appointment as Special Assistant Attorney General. In January 1975 he was appointed First Assistant Attorney General. During his twenty years in the Attorney General's office, Justice VandeWalle held several portfolios, including the education portfolio for elementary, secondary, and higher education, for most of that time; the North Dakota Industrial Commission oil and gas portfolio; and the State Retirement System portfolio.

On August 15, 1978, he was appointed to the Supreme Court. In November 1978 he was elected to serve an unexpired term, and was reelected to ten-year terms in 1984, 1994 and 2004. From July 1985 to July 1987, he served as the first chair of the North Dakota Judicial Conference.

He is a past co-chair of the ABA Bar Admissions Committee and past chair of the Federal-State Tribal Relations Committee of the Conference of Chief Justices. Justice VandeWalle is past chair of the Council of the Section of Legal Education and Admissions to the Bar of the American Bar Association, past President of the Conference of Chief Justices, past chair of the National Center for State Courts, and past chair of the National Center for State Court's Research Advisory Council.

Justice VandeWalle was elected Chief Justice effective January 1, 1993; and reelected to successive five-year terms as Chief Justice effective 1995, 2000, 2005, 2010, and 2015. He remains on the Court as Chief Justice, having served 36 years, 9 months, and 1 day as of May 15, 2015.

**The Role of LSC-Funded Legal Aid
Programs in the Development of Indian
Law Panelist Biographies**

Native American Panel
July 17, 2015
St. Thomas Law School
Minneapolis, Minnesota

Christopher A. Allery, Co-Executive Director, Anishinabe Legal Services

Christopher Allery is Co-Executive Director of Anishinabe Legal Services and has extensive knowledge of Indian practices, customs, laws, and reservation life. Prior to becoming co-executive director, Christopher served as the Litigation Director and as a staff attorney. His work consisted of handling various types of cases in the state court system, as well as in the tribal courts.

He has worked directly on a number of high impact/appellate Indian law cases and on a contract with the Institute for Indian Estate Planning and Probate and the Indian Land Tenure Foundation for providing estate planning services to Indian clients on the White Earth and Leech Lake Indian Reservations in connection with the passage of the American Indian Probate Reform Act (AIPRA). In 2012, Christopher took charge of ALS' contract for prosecution services in the Bois Forte Tribal Judicial System. As prosecutor, he ensures that justice is provided for all victims on the Bois Forte Reservation by drafting petitions/complaints, working with the law enforcement and judicial partners to collect evidence, and making sure that the outcomes are favorable to the parties involved.

As Co-Executive Director, Christopher handles grant administration and maintains an extensive caseload of private clients eligible through the program. Christopher is a descendant of the Turtle Mountain Band of Chippewa Indians in North Dakota. He holds a JD from the University of North Dakota School of Law and earned his B.A. in psychology from the University of North Dakota.

Rosalie Chavez, Manager, Santa Ana Office and the Native American Program, New Mexico Legal Aid

Lisa Chavez is the manager of the Santa Ana office of New Mexico Legal Aid and manages the Native American Program (NAP), which provides free legal assistance to low-income people living on or near the 19 Pueblo Indian communities. NAP also provides technical assistance and training to tribal services providers, tribal court judges, and staff on various topics such as tribal court procedures, domestic violence advocacy, children's law issues, and tribal court jurisdiction.

Lisa directed the Indian Pueblo Legal Services, Inc., between 1994 and 1998 when the program merged with Northern New Mexico Legal Services. She also served as the Interim Director of New Mexico Legal Aid twice since 2000 when all New Mexico legal aid programs merged into a statewide program.

Lisa Chavez also served on various boards and commissions including the New Mexico Access to Justice Commission, Southwest Association for Indian Art (SWAIA), San Felipe Pueblo Board of Education, and the Indian Law Section of the State Bar of New Mexico. She was a founding member of the Family Harmony Project, an advocacy program for victims of domestic violence in the checkerboard area of the Navajo Nation. Lisa was nominated and selected as the Best of the Bar in Indian Law by the New Mexico Business Weekly in 2009 and in 2014 was honored with the Pierce-Hickerson Award, honoring outstanding contributions to the advancement or preservation of Native American rights.

Lisa is admitted to practice law in New Mexico, the Federal District Court of New Mexico, and several Pueblo tribal courts, and is a 1987 graduate of the University of New Mexico School of Law. Lisa is a member of San Felipe Pueblo and has devoted her entire legal career to advocating for low income and disenfranchised Indian people.

Professor Richard Collins, University of Colorado Law School

Richard Collins is Professor of Law at the University of Colorado. Richard Collins spent 15 years practicing Indian law with organizations such as California Rural Legal Assistance, California Indian Legal Services, Dinebeiiina Nahiilna Be Agaditahe in Window Rock, Arizona, and the Native American Rights Fund (NARF). Professor Collins has extensive litigation experience including several arguments before the United States Supreme Court.

Since joining the faculty of the University of Colorado, Professor Collins has continued work as a pro bono consultant to NARF and to Native American tribes, including the Southern Ute Indian Tribe. During the course of his appellate work, he has had a major role in several important Indian law decisions, including United States Supreme Court decisions such as *McClanahan v. Arizona Tax Commission*, 421 U.S. 164 (1973). His scholarship also focuses on constitutional issues, and he was Director of the law school's Byron R. White Center for the Study of American Constitutional Law from 2002 to 2010.

Professor Collins has written and lectured on such topics as the religion clauses and their relationship to Indian Tribes, the Commerce Clause, and ballot initiatives and referendums. His recent research projects include a treatise on the Colorado Constitution, written with Dale Oesterle, an article on sacred sites on government lands in the United States, Australia, New Zealand, and Canada, the current revision of Felix Cohen's *Handbook of Federal Indian Law*, and an article in the *Colorado Law Review* on lawmaking by citizens' initiatives.

Professor Collins has received Teaching Excellence Awards in 2003-04, 1999-2000, and 1992-93 (made since 1989 to one faculty member each academic year by vote of University of Colorado law students).

John Echohawk, Executive Director, Native American Rights Fund

John Echohawk, Pawnee, is the Executive Director of the Native American Rights Fund. He was the first graduate of the University of New Mexico's special program to train Indian lawyers, and was a founding member of the American Indian Law Students Association while in law school. John has been with NARF since its inception in 1970, having served continuously as Executive Director since 1977.

He has been recognized as one of the 100 most influential lawyers in America by the *National Law Journal* and has received numerous service awards and other recognition for his leadership in the Indian law field.

He serves on the Boards of the American Indian Resources Institute, the Association on American Indian Affairs, the Indigenous Language Institute, Natural Resources Defense Council, and the National Center for American Indian Enterprise Development. B.A., University of New Mexico (1967); J.D., University of New Mexico (1970); Reginald Heber Smith Fellow (1970-72); Native American Rights

Fund (August 1970 to present); admitted to practice law in Colorado. John received his J.D. and B.A. in government from the University of New Mexico.

Judge Ron Whitener, Tulalip Tribal Court

Ron J. Whitener is Associate Judge of the Tulalip Tribal Court, a Justice on the Northwest Intertribal Court of Appeals, the Chehalis Tribal Court of Appeals and the Upper Skagit Tribal Court of Appeals. From 2009 to 2013, Judge Whitener served as the Chief Judge for the Confederated Tribes of the Chehalis Reservation.

Judge Whitener is a member of the Squaxin Island Tribe, located in South Puget Sound, where he grew up and continues to participate in treaty fishing and as the Squaxin Island Commissioner of Business Affairs. Judge Whitener worked for Squaxin Island in their Natural Resources Department prior to going to law school. He graduated from the University of Washington Law School in 1994 and returned to Squaxin as a tribal attorney representing the tribal government in treaty rights defense, tribal governance, tribal court development, gaming and other enterprises.

In 2000, he joined the Northwest Justice Project's Native American Unit in Seattle where he represented Native American clients in federal, state and tribal courts. In 2002, he joined the University of Washington Law School as an Assistant Professor where, with funding and support of the Tulalip Tribes, he formed the Tribal Court Public Defense Clinic serving as public defender for several Western Washington tribes. Judge Whitener taught various courses in the fields of Indian law, mental health law and criminal law and was named Order of the Coif and Order of Barristers for his work in law and his experience as a courtroom advocate.

He received funding from the MacArthur Foundation to implement culturally-informed projects in tribal juvenile justice in the areas of indigent juvenile defense and mental health issues. In 2009, he was named the Association of American Law School's "Shanara Gilbert Emerging Clinician of the Year" and in 2011 he was named a "White House Champion of Change" by President Barack Obama for his advocacy for Native American clients. In May of 2014, Judge Whitener left the University of Washington to join the Tulalip Tribal Court.