



April 2, 2003

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The Honorable Judd Gregg
Committee on Appropriations
Subcommittee on Commerce, Justice, State, and the Judiciary
S-206 U.S. Capitol Building
Washington, D.C. 20515

The Honorable Ernest F. Hollings
Committee on Appropriations
Subcommittee on Commerce, Justice, State, and the Judiciary
125 Russell Senate Office Building
Washington, D.C. 20515

Dear Senators Gregg and Hollings:

We are submitting Legal Services Corporation's (LSC) FY 2004 Budget Request. LSC is requesting an appropriation of \$352,400,000, which represents an increase of 4.4% of LSC's current appropriation. LSC appreciates the bipartisan support it has received in Congress as well as the consistent backing of the Administration.

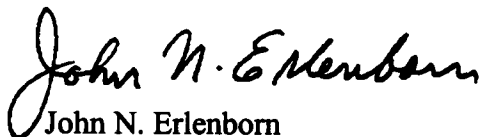
The modest proposed increase LSC seeks over its FY 2003 appropriation of \$336,646,000 correlates to the increased poverty population in LSC service areas throughout the United States. The 2000 Census concludes that the number of poor people eligible for LSC-funded services has risen by 5.74% since 1990. The increase in funds will enable LSC to continue to improve upon the national legal services program and ensure compliance with all Congressional restrictions. The appropriation increase will also allow LSC to continue to fund its principal projects, such as the State Planning Initiative and the Technology Grant Program.

Legal Services Corporation is submitting its FY 2004 Budget Request pursuant to the Budget Authority provided by the LSC Act, as amended, which authorizes LSC to transmit its request to Congress [PL 93-355; PL 95-222, Sec. 1005(e)(1),(2)].

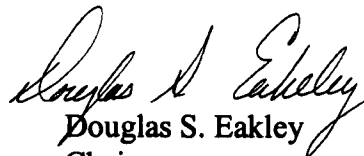
On behalf of the LSC Board of Directors, we would like to thank you for your strong support of LSC throughout the years and for your leadership in providing low-income Americans with access to civil legal assistance. We look forward to working with you and other Committee members. If you have any questions or

wish to discuss this matter further, please do not hesitate to contact either of us or Mauricio Vivero, Vice President for Governmental Relations, at 202-336-8862. Thank you.

Sincerely,



John N. Erlenborn
President



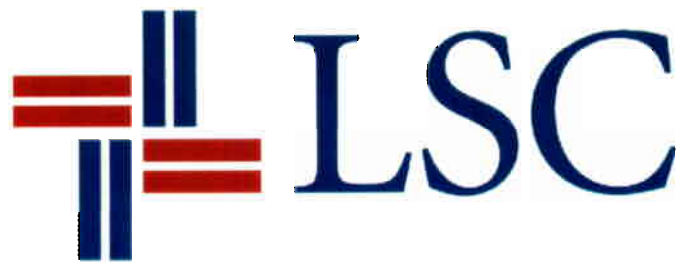
Douglas S. Eakley
Chairman

cc:

The Honorable Ted Stevens
Committee on Appropriations
S-128 U.S. Capitol Building
Washington, D.C. 20515

The Honorable Robert C. Byrd
Committee on Appropriations
311 Hart Senate Office Building
Washington, D.C. 20515

Budget Request for Fiscal Year 2004



Legal Services Corporation
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Washington, DC 20002
www.lsc.gov

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Budget Request for Fiscal Year 2004

Legal Services Corporation Funding Request

Legal Services Corporation (LSC) is a private, nonprofit corporation established by Congress in 1974 to seek to ensure equal access to justice under the law for all Americans.

LSC enjoys broad bipartisan support in Congress as well as consistent backing from President Bush, who since taking office, has supported funding for LSC. LSC earned this support and has overcome an extended period of controversy by vigorously enforcing Congress' will. LSC has defended congressional restrictions on grantee activities both in court and through increased oversight, regulatory actions and audits. In return, Congress has solidified its commitment to providing equal justice for the poor.

In 2002, LSC-funded programs closed nearly one million civil legal cases. Without LSC funding, many low-income individuals would have had no source of legal assistance for pressing

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and often critical legal problems. Created by Congress in 1974, LSC was formed to "provide equal access to the system of justice in our Nation for

individuals who seek redress of grievances" and to "provide high quality legal assistance to those who would otherwise be unable to afford adequate legal counsel."

In 1996, Congress enacted a number of fundamental reforms affecting LSC-funded programs, prohibiting them from filing or litigating class action lawsuits, engaging in most types of lobbying, seeking or receiving attorney's fees, litigating on behalf of prisoners and representing undocumented aliens.

For FY 2004, LSC seeks an appropriation of \$352,400,000 to provide funding for civil legal assistance to low-income persons in the United States. This is the first time LSC has requested an increase since FY 2001. This is a 4.4% increase over LSC's FY 2003 appropriation, just above the Administration's stated goal of 4.0% growth for domestic programs.¹ This small increase adequately accounts for the increased poverty population in LSC service areas and correlates to the increase in national poverty statistics. From 1990 to 2000, the number of people living in poverty in the United States increased by 5.74%. However, LSC's appropriations have not kept pace with this increase in the number of eligible clients.

¹ OMB Director Mitch Daniels announced this goal for discretionary spending increases to reporters in January, 2003.

Line Items	FY 2002 Budget	FY 2003 Budget	FY 2004 Budget Request	Percent Change Between FY 03 Budget and FY 04 Request
Grants for Program Services to Clients	\$310,000,000	\$310,048,000	\$328,000,000	+5.8
Grants for Technology Initiatives	3,400,000	3,400,000	3,400,000	0
Grants to Offset Losses Due to Census Adjustments	N/A	9,500,000	4,500,000	-52.6
Management and Administration	13,300,000	13,300,000	13,900,000	+4.5
Office of the Inspector General	2,600,000	2,600,000	2,600,000	0
TOTAL	\$329,300,000	\$336,646,000²	\$352,400,000	+4.4

The appropriations request also includes \$4,500,000 to continue to assist programs in 26 states and Puerto Rico that faced losses due to adjustments made in the 2000 U.S. Census. For FY 2003, LSC received a \$9.5 million census adjustment. The additional \$4.5 million requested for FY 2004 will enable those states to better maintain current levels of client services. By FY 2005, it is expected that affected states will have reallocated resources and increased non-federal funds to compensate for the census-based cuts.

This budget request is structured to allow LSC to continue to meet three strategic goals: (1) to dramatically increase the availability of legal services to eligible persons, (2) to ensure legal services clients are receiving appropriate and high-quality legal assistance, and (3) to ensure that legal services programs fully comply with all legal requirements.

LSC is headed by a bipartisan Board of Directors whose eleven members are appointed by the President and confirmed by the Senate. At present, LSC's longest-serving Board remains in place, but it is expected that President Bush's new nominees to the Board soon will be confirmed. Until then, the current Board is making every effort to ensure a smooth transition, inviting the President's nominees to attend each of its quarterly Board meetings.

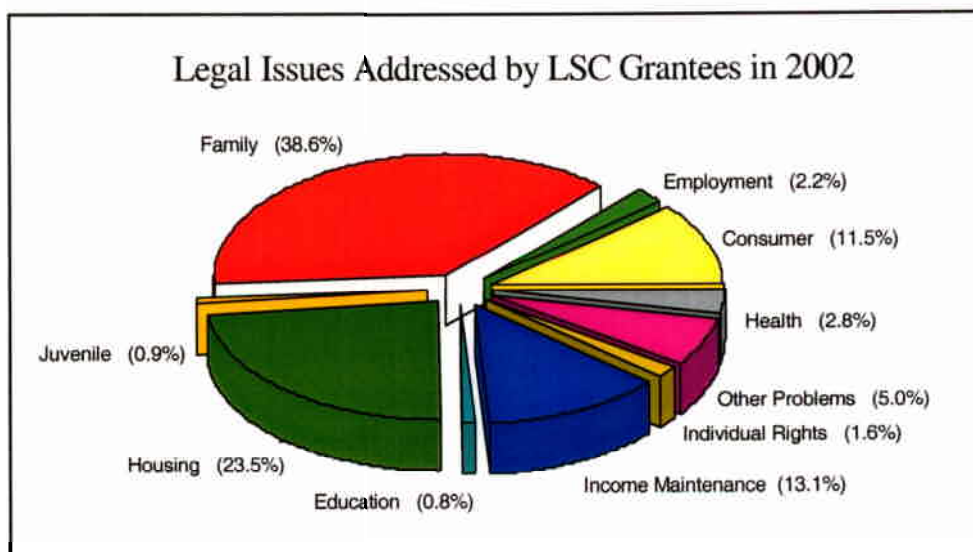
² Total appropriation after the 0.65 percent across-the-board rescission

In FY 2002, federal grants through LSC made up roughly half of all funding for the national legal services system. Federal funding is the single most critical component to ensure that the poverty population in this country has access to basic civil legal services.

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Program Services to Clients

In FY 2004, LSC will allocate \$328,000,000 in grants to state and local legal services programs. These grants will fund 161 state and local programs serving every county in the nation and the U.S. territories. Historical figures suggest that approximately 1 million cases will be closed during the year by legal services attorneys, and a majority of the cases will involve family law or housing issues.³ Legal services programs are committed to focusing on the basic legal needs of their clients while ensuring that new challenges do not go unaddressed.



³ In 2002, the most recent year for which final statistics are available, LSC-funded programs closed 976,519 cases.

In addition to handling traditional caseloads, legal services organizations played a key role in the aftermath of the terrorist attacks on 9/11. Legal Services of New York (LSNY) helped train more than one thousand volunteer attorneys to help victims and their families obtain death certificates, determine eligibility for social security survivor benefits, locate housing agencies, obtain emergency financial assistance, file for unemployment benefits and defend against eviction actions until government benefits and charitable resources were distributed.

Legal services programs outside of New York also responded to requests for assistance stemming from the attacks. In Portland, Maine, Pine Tree Legal Assistance responded to race-related backlash by hosting a variety of anti-discrimination programs. In Illinois, Prairie State Legal Services helped members of the National Guard and their families prepare wills and trusts and secure protection under the Soldiers and Sailors Relief Act.

In 2003, legal services organizations may again have to prepare for a new class of clients. The military conflict in Iraq may mean that families of service members and reservists will find

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themselves in need of legal services. LSC-funded programs will assist service men and women and their families with many domestic issues such as the preparation of wills, powers of attorney, and temporary custody orders.

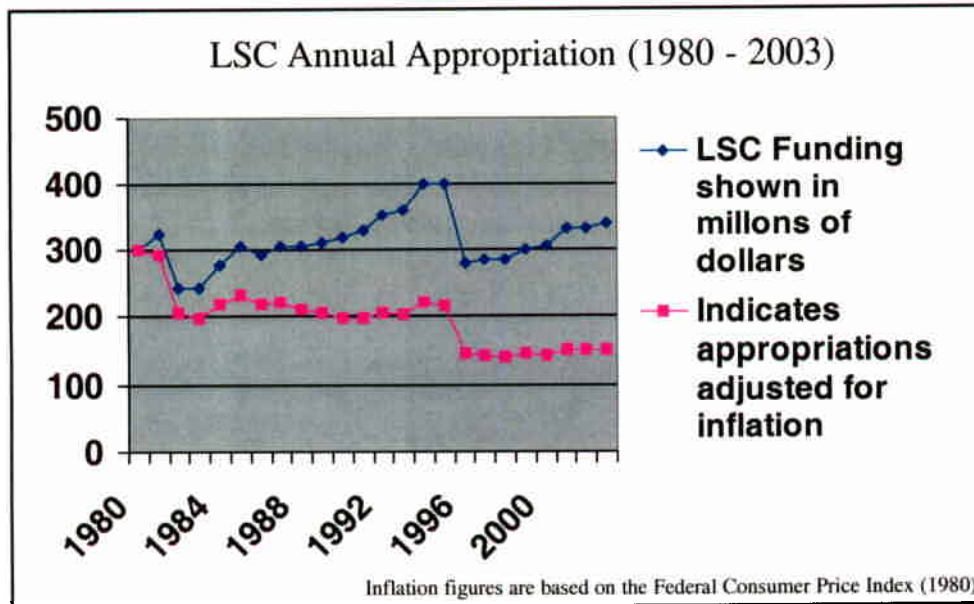
There are more than 43 million Americans who are potentially eligible for LSC-funded services. Unfortunately, a benchmark ABA study conducted in 1994 showed that as many as

More than 43 million Americans are potentially eligible for LSC-funded services, yet as many as 80% of them do not have access to legal services.

80% of them do not have access to legal services when they have serious legal concerns in which the advice and counsel of an attorney could make a difference.

Since the release of the ABA study, state legal needs studies were performed in at least 13 states. Using a variety of methodologies for estimating the unmet legal needs of the poor, they all reached the conclusion that there is a legal assistance crisis in America.

In the past, the ratio of legal services attorneys to eligible clients was significantly higher than it is today. In 1981, with an appropriation of \$321 million, legal services achieved its goal of two lawyers for every 10,000 poor people. In 2003, LSC's appropriation was \$336,646,000. In



1980 real dollars, that amounts to approximately \$150 million. Today, there is only one legal services attorney for every 11,500 poor people.

The availability of legal services makes a real difference in the lives of ordinary people. Almost

40% of the nearly one million legal cases closed by LSC-funded programs involve women with young children. One-sixth of all cases involve efforts to obtain protection from domestic violence. Ten percent of LSC clients are seniors, many of whom are victims of consumer fraud or have disability claims.

A recent study by two professors from the University of Arkansas and Colgate University finds that victims' access to legal aid is among the top three most important factors contributing to a decline in

domestic violence between 1993 and 1998. According to the report's authors, "[T]he availability of legal services has a significant

negative effect on the incidence of abuse. The continued expansion of the availability of civil legal services will likely continue to lower the incidence of domestic partner abuse in the future."⁴

A recent study finds that victims' access to legal aid is among the top three most important factors contributing to a decline in domestic violence.

⁴ *Explaining the Recent Decline in Domestic Violence*; Amy Farmer, Jill Tiefenthaler.

State Planning Initiative

In 1998, consistent with its commitment to remain viable and responsive to the needs of low-income persons, LSC implemented its *State Planning Initiative*. It called upon LSC grantees to examine ways to develop and expand effective statewide delivery systems of legal services to the poor.

As part of the *State Planning Initiative*, all LSC programs were asked to develop comprehensive plans to coordinate and integrate their work in seven areas: expanding client access and efficiency in delivering high-quality legal assistance; using technology to expand access and enhance services; promoting client self-help and preventative legal education and advice; coordinating legal work and training; collaborating with the private bar and other local organizations; expanding resources to promote legal services; and designing system configurations that enhance client services, reduce barriers, and operate efficiently and effectively.

Central to the state planning process and consistent with LSC's vision of an effective and efficient statewide delivery systems, grantees have engaged in an ongoing process of reconfiguration to maximize the federal investment whenever possible. The number of grantees receiving LSC funding has decreased by almost 100 since 1988, resulting in a more streamlined delivery system.

The restructured legal services delivery system continues to be a model of efficient dispute resolution. Only approximately 10 percent of LSC-funded cases are resolved through litigation, and the majority of these are family law cases that require a court determination. On the other hand, nearly 75% of cases in calendar year 2001 were resolved through advice, referral or brief services, maximizing the limited resources available to serve the most clients.

Technology Initiatives

In FY 2004, LSC will allocate \$3,400,000 to the Technology Initiative Grant (TIG) program. The TIG program has been in place for four years, and has significantly increased access to legal information, self-help resources and assistance for low-income Americans. Initiated with the FY 2000 appropriation, the TIG program awards grants to eligible LSC-funded grantees through a competitive grant-making process.

In 2002, LSC awarded 55 grants totaling approximately \$3.4 million using its competitive, merit-based process. The successful applicants in 2002 applied their awards toward

the creation of statewide websites; web-based self-help programs for *pro se* litigants; kiosk-based systems that enable eligible individuals to file for the Earned Income Tax Credit; and a program that will produce a user-friendly analysis of the various case management systems available to legal services professionals.

Management and Administration

Only \$13,900,000, or 3.9%, of LSC's total FY 2004 request will be allocated for Management and Administration.

With a small and efficient staff, LSC's management ensures accountability to Congress and the taxpayers through aggressive oversight and enforcement of federal laws and other requirements. LSC management is also responsible for the operation of a competitive grant-making system that promotes the efficient and effective delivery of high-quality legal services. Since 1998, LSC has reviewed the configuration of the delivery of legal services in every state and promoted program collaboration and/or consolidation to maximize services throughout the country.

The slight requested increase over last year's \$13,300,000 appropriation is necessary to continue to ensure compliance with congressional restrictions, cover increased insurance costs, offset annual compensation and rental increases, and provide technical assistance to LSC programs on a wide range of issues as they have responded to LSC's call for more innovative, client-oriented technology initiatives.

Executive Office (EXEC)

The Executive Office is composed of the President, the Vice President for Administration and other staff. The office provides leadership and oversight to LSC under the policy direction of the Board of Directors.

Office of Legal Affairs (OLA)

The Office of Legal Affairs (OLA) serves as in-house counsel, providing legal advice to LSC's Board of Directors and President, as well as to various offices. OLA provides traditional "lawyer" functions, including negotiating, drafting and reviewing legal instruments such as contracts and other legal documents. OLA also represents LSC's interests in litigation, both directly and through retention and oversight of outside counsel. OLA responds to FOIA requests and ensures compliance with the Sunshine Act and other applicable laws. Finally, OLA is responsible for interpreting statutory and regulatory requirements and drafting regulations for consideration by the Board of Directors.

Office of Governmental Relations and Public Affairs (GRPA)

The Office of Governmental Relations and Public Affairs (GRPA) is responsible for managing LSC's communications and requests for information from Congress, the Executive Branch, the media, and the general public. GRPA coordinates the production of LSC's *Budget Request*, *Annual Report*, e-mail alert, and a quarterly magazine.

Office of Financial and Administrative Services (OFAS)

The Office of Financial and Administrative Services (OFAS) provides essential financial and administrative support for LSC. The Financial Services staff is responsible for maintaining the efficiency and effectiveness of LSC's financial systems and the integrity of its accounts. Budget requests and financial audit reports are provided to Congress annually. Additionally, the Financial Services staff generates financial reports and budgets for the Board of Directors, the President, and LSC management. The Administrative Services staff is responsible for the day-to-day services required by LSC, such as mail and reprographics, facility management, insurance, security, and the purchase and distribution of all LSC assets and supplies.

Office of Human Resources (HR)

The Office of Human Resources (HR) is primarily responsible for attracting and retaining a highly skilled workforce to accomplish the LSC mission. To further this objective, the office developed and maintains a comprehensive human resources program that is conducive to conducting business in an effective and productive manner.

Office of Information Technology (OIT)

The Office of Information Technology (OIT) coordinates LSC's computer, telecommunications, knowledge management, and record management functions. OIT's functions include developing and implementing technology planning and development policies and procedures. The office identifies and recommends the most efficient and cost-effective technological innovations available to further LSC's mission and coordinates LSC's information technology strategy and security.

Office of Compliance and Enforcement (OCE)

The Office of Compliance and Enforcement (OCE) has several major responsibilities. Its mission is to respond promptly and effectively to inquiries, complaints, requests for prior approvals, Private Attorney Involvement and fund balance waivers, approval of sub-grant

agreements, and to follow up on matters referred by the Office of Inspector General through the A-50 referral process. OCE is also responsible for conducting on-site reviews of program compliance with Case Service Reporting, Case Management System requirements, and other federally mandated regulations. In 2002, the Office of Compliance and Enforcement conducted 39 on-site reviews.

Office of Program Performance (OPP)

The Office of Program Performance (OPP) oversees and evaluates the LSC competitive grant process, evaluates the quality of LSC programs, promotes the coordination of equal justice efforts within each state through LSC's *State Planning Initiative*, and encourages the effective usage of technology for client services through the *Technology Initiative Grant Program*. Through state planning and related efforts, the staff promotes innovative practices such as centralized intake and brief services, community legal education and *pro se* efforts, private bar involvement, coordination and training, and resource development. OPP encourages the effective delivery of services to special populations and coordinates LSC's efforts regarding client-centered representation, loan repayment assistance programs for recent law graduates, and diversity and leadership outreach in the legal services community.

Office of Information Management (OIM)

The Office of Information Management (OIM) is responsible for the automation of LSC's grant management processes, including the systems of competition, compliance oversight, and grantee activity reporting. OIM is charged with implementing systems for measuring the performance of LSC's grantees in meeting the legal needs of the eligible client population.

Office of Inspector General

The Office of Inspector General (OIG) requests \$2,600,000 for FY 2004, the same amount as the FY 2003 appropriation. The amount requested is needed to maintain the current OIG operating level, to fund information technology upgrades, and to provide for occupancy costs at LSC's new location.

FY 2004 Plan

The OIG has developed a strategic plan outlining a series of operational projects, which were formulated based on the OIG's risk assessment of the legal services program. The risk assessment determined that the OIG should allocate a majority of resources to assessing compliance

with the prohibitions and restrictions on LSC-grantee activities and to promoting the effectiveness of the legal service delivery system. The risk assessment indicated that the threat of significant monetary losses through fraudulent activities is low. The OIG's plan includes mandatory and discretionary projects. Mandatory projects are those required by statute. Discretionary projects are OIG-initiated projects undertaken in fulfillment of the OIG's mission.

Mandatory projects include the annual audit of LSC's financial statements, investigations of crimes and referral of evidence for prosecution, and review of proposed legislation and regulations. In addition, the OIG will conduct activities aimed at the prevention and detection of noncompliance with statutory restrictions. The OIG plans to conduct six on-site audits of grantee compliance with program integrity requirements for separation of grantees from organizations that conduct prohibited or restricted activities. The OIG will review approximately 180 grantee audit reports, refer significant findings to LSC management, and track the progress of corrective actions. The OIG will continue to manage the audit follow-up process and maintain the Audit Guide and Compliance Supplement that provide audit guidance to the IPAs.

The OIG also will conduct discretionary activities. The OIG will perform a survey of the private attorney involvement (PAI) program under which grantees devote 12.5% of their basic field grants to the involvement of private attorneys in the delivery of legal assistance program

The OIG will perform one technology grant audit. The objectives will be to determine: 1) whether the grantee spent grant funds in accordance with the grant terms, 2) what technology, hardware, software, or technical support was purchased, and 3) what impact the grant had on the delivery of services to clients.

The OIG plans to perform 20 audit service reviews (ASRs). These reviews examine the IPAs working papers to determine whether the IPAs properly reviewed grantees' compliance with 14 restrictions and prohibitions imposed by Congress.

The OIG will continue the mapping evaluation project to determine the utility of mapping in support of legal services strategic and operations planning and activities at the local, state and national levels. Mapping evaluation projects started in 2003 will continue including application of the update to 2000 Census poverty data in Georgia, validating the legal services mapping methodologies in the nation's most extreme urban and rural low-income environments and assessing the potential cost-saving possibilities of Internet-mapping technologies. Depending on the results, additional FY 2004 activities may be undertaken.

The OIG will continue its Client Trust Fund inspection program in FY 2004 by performing eight inspections.

**LEGAL SERVICES CORPORATION
BUDGET REQUEST - FISCAL YEAR 2004**

(dollars in thousands)

	(1)	(2)	(3)
	FY 2003 REQUEST	FY 2003 * APPROPRIATION LEVELS	FY 2004 REQUEST
I. DELIVERY OF LEGAL ASSISTANCE	313,400	320,849	335,900
A. PROGRAM SERVICES TO CLIENTS	310,000	317,471	332,500
1. Basic Field Programs	310,000	308,033	328,000
A. Census Adjustment	—	9,438	4,500
B. PROGRAM INITIATIVES	3,400	3,378	3,400
1. Information Technology	3,400	3,378	3,400
II. MANAGEMENT & ADMINISTRATION	13,300	13,214	13,900
1. Management & Administration	13,300	13,214	13,900
2. Compliance and Enforcement	—	—	—
III. OFFICE OF INSPECTOR GENERAL	2,600	2,583	2,600
TOTAL	329,300	336,646	352,400

* Appropriation minus rescission