

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

FINANCE COMMITTEE

Monday, August 1, 2011

3:08 p.m.

Harvard Law School
Pound Hall
1563 Massachusetts Avenue
Cambridge, Massachusetts

Committee present:

Robert J. Grey, Chairman
Sharon L. Browne
Martha Minow
Robert E. Henley, Jr.
John G. Levi, ex officio

Other Board present:

Charles N.W. Keckler
Victor B. Maddox
Father Pius, OP
Julie Reiskin
Laurie Mikva
Harry Korrell
Gloria Valencia-Weber

Staff present:

James J. Sandman, LSC president

Victor Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary

David L. Richardson, Treasurer and Comptroller

Jeffrey Schanz, Inspector General

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

Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, Office of the Inspector General

John Constance, Director, Office of Government
Relations and Public Affairs

Linda Perle, Center for Law & Social Policy (CLASP)

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

Mattie Cohan, Senior Assistant General Counsel

Kathleen Connors, Executive Assistant to the President

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

2 CHAIRMAN GREY: Well, thank you. We're going
3 to convene the meeting of the Finance Committee,
4 pursuant to the notice that was sent out with the
5 agenda that was attached. And the first item for the
6 committee to consider is the approval of the agenda.

7 M O T I O N

8 CHAIRMAN GREY: Is there a motion to approve
9 the agenda?

10 PARTICIPANT: So moved.

11 PARTICIPANT: Second.

12 CHAIRMAN GREY: All in favor, say aye.

13 (Chorus of ayes.)

14 CHAIRMAN GREY: Opposed, no.

15 (No response.)

16 CHAIRMAN GREY: The next is -- I'm sorry?

17 Anybody say anything? Somebody join?

18 (No response.)

19 CHAIRMAN GREY: Okay. The next item is to
20 consider and act on a recommendation to make to the
21 board regarding the temporary operating authority for
22 2012. David, are you on the phone?

1 MR. RICHARDSON: Yes, sir, I am.

2 CHAIRMAN GREY: Bon jour.

3 MR. RICHARDSON: Okay. For the record, I am
4 David Richardson, treasurer of the corporation. This
5 is the last scheduled meeting of the Finance Committee
6 before October 1st.

7 Each year we ask the committee to review our
8 temporary operating authority with a temporary
9 operating budget to begin the year, and then we come in
10 October with a full budget for you to review, whether
11 that would be a temporary operating budget, which is,
12 in most cases, what we do, or a consolidated operating
13 budget. Because of the appropriation process the last
14 few years, it's always been a temporary operating
15 budget.

16 This year we are coming to you, and we are
17 asking that you approve a budget with \$416,796,060.
18 And this is comprised of the amount of money that was
19 appropriated last year, which was \$404 million. We
20 have the veteran's appeals money, \$2.3 million, and we
21 also have projected carry-over of \$2.0 million. There
22 is a worksheet that is attached to it that gives the

1 full breakdown, and of course I have rounded the
2 numbers.

3 But what we're asking is that the
4 board -- that the Finance Committee approve the
5 attached agenda, or resolution, and recommend to the
6 board that we begin the year with this budget. We
7 looked at other things that we might -- a budget mark
8 that we may proceed with. You may have a question of
9 why we're not using \$300 million, which was approved in
10 the House subcommittee. But since it was not voted on
11 in the House as yet, we felt that the better way to
12 approach this -- thinking that that would not be
13 passed -- would be to approve an amount, with last
14 year's appropriation as the basis.

15 When we come back to you in October we will
16 certainly have better information. We will have our
17 continuing resolution -- or an appropriation, but more
18 than likely a continuing resolution -- and normally the
19 resolution -- the continuing resolution states that you
20 begin operations on the lower of last year's
21 appropriation, or the House or Senate-approved numbers.

22 Since we have neither the House nor the

1 Senate-approved numbers at this point, we have chosen
2 to go with the appropriation from last year.

3 So, Mr. Grey, at your pleasure I would like to
4 recommend to the committee that you approve this
5 temporary operating budget.

6 CHAIRMAN GREY: Thank you for that
7 explanation. Are there any questions from the
8 committee?

9 MS. BROWNE: This is Sharon Browne. I have a
10 question, David. Your fiscal year 2011 funding totals
11 \$404 million, but yet you're asking for a temporary
12 operating budget of \$416.7, almost \$416.8. Can you
13 explain why the amount is \$12 million more for the
14 2011 --

15 MS. BROWNE: That's what he just said.

16 MR. RICHARDSON: Yes. Attachment A to the
17 memo --

18 PARTICIPANT: It's a carry-over.

19 MS. BROWNE: Oh, that's a carry-over amount?

20 MR. RICHARDSON: Those are carry-over amounts,
21 yes.

22 MS. BROWNE: Okay, thank you.

1 MR. RICHARDSON: Yes.

2 CHAIRMAN GREY: Any other comments?
3 Observations? Questions?

4 MS. BROWNE: May I -- as far as the memo, may
5 I ask what do you imagine will be the expenditure rate
6 on the carry-over? I'm just trying to think ahead to a
7 year from now. Will we imagine that that will be spent
8 down? Or how is that going to work?

9 MR. RICHARDSON: It looks like, as you -- with
10 the worksheet, it looks like we're going to have a \$3.6
11 million, thereabout, carry-over. We are spending at a
12 rate of about \$17 million. Normally we present you a
13 budget with what our anticipated appropriation is, plus
14 the full amount of the carry-over, and create a budget
15 on that basis. But we are actually spending that at
16 about a \$17 million rate.

17 MS. BROWNE: Thank you.

18 CHAIRMAN GREY: Thank you, David. Any
19 other --

20 MR. VICTOR MADDOX: Robert, its Victor Maddox
21 on the phone.

22 CHAIRMAN GREY: Hey, Vic.

1 MR. VICTOR MADDOX: Can you hear me?

2 CHAIRMAN GREY: Yes, go ahead.

3 MR. VICTOR MADDOX: Hi. I'm in a cab. I
4 apologize. I just had a question for David. I don't
5 have the numbers in front of me, David, but the
6 carry-over for management was about \$3.6 million out of
7 a budgeted amount of, I think, 16.9 million.

8 MR. RICHARDSON: That's right.

9 MR. VICTOR MADDOX: And I'm wondering. Is
10 that carry-over for money that we anticipate being
11 unspent from fiscal year 2011 money as of the beginning
12 of fiscal year 2012?

13 So, in other words --

14 MR. RICHARDSON: Yes --

15 MR. VICTOR MADDOX: -- we budgeted -- I'm just
16 trying to understand. Does the 3.6 million represent
17 funds that were budgeted for management, but not spent
18 in fiscal year 2011?

19 MR. RICHARDSON: Yes, sir, it does. But there
20 is another element of that, and that is that last year
21 we had \$4.5 million in carry-over. This year we are
22 anticipating a \$3.6 million carry-over. So we are

1 spending at a rate a little greater than the prior
2 years.

3 MR. VICTOR MADDOX: And where -- did the
4 carry-over represent excesses over budgeted amounts
5 versus actual expenditures? I'm just trying to
6 understand why we have -- it looks like a 20 percent
7 carry-over over the budgeted amount.

8 MR. RICHARDSON: Correct. Last year's budget
9 was \$21,400,000. Anticipating 3.6 in carry-over that
10 is created by the amount of, basically, the positions
11 that have been unfilled this year. We have had
12 anywhere from 10 to 12 to 13 positions unfilled at
13 different times of the year. We held off hiring
14 because of the uncertainty of our appropriations. We
15 did hire a few people toward the end of the year. And,
16 of course, we've had a few people resign and leave.

17 So, because of that, we have the carry-over.
18 We have money that is unspent because of those open
19 positions, and then the costs that related to them.

20 MR. VICTOR MADDOX: Well, Robert, I guess my
21 only thought, as I was looking at this on the way up,
22 are we budgeting too much for management?

1 And should we take that \$3 million and
2 reallocate it to basic field grants, or some other
3 mission-oriented purpose, rather than just continuing
4 to budget more for management than we seem to actually
5 need?

6 CHAIRMAN GREY: I am being -- I've got help
7 over here.

8 (Laughter.)

9 CHAIRMAN GREY: And part of it is that it's
10 not a fungible budget, where we just arbitrarily decide
11 where we put money. When it's set up and allocated as
12 it has been done here, that is where we have to spend
13 it.

14 I will let Jim respond to some of the inquiry
15 that you have made, because he has the responsibility
16 to spend it.

17 MR. SANDMAN: Vic, I asked exactly the same
18 questions when I saw the magnitude of the carry-over,
19 that the percentage is awfully high, compared to what
20 was initially budgeted. And Dave, at my request, gave
21 me a breakdown of what the explanation is for the
22 various components of the carry-over. It is almost all

1 personnel.

2 A lot of the carry-over is attributable to the
3 fact that for the first six-and-a-half months of the
4 fiscal year, we didn't know what our appropriation was
5 going to be for fiscal year 2011. And so we had a
6 hiring freeze. So we had unfilled positions, and we
7 had budgeted positions that we didn't fill. And that
8 is a good part of the explanation. We also had
9 positions in the executive office, which is currently
10 running leanly, shall I say, that I very much hope to
11 fill.

12 So, I agree with you that, if on a regular
13 basis, we had carry-over of 20 percent of the MGO
14 budget, something is wrong. And I --

15 MR. VICTOR MADDOX: -- percent of the IG
16 budget. But 50 percent?

17 MR. SANDMAN: But I think there were some
18 aberrations that explained the magnitude of the
19 various -- this year, and it is something that I will
20 be keeping a close eye on, going forward.

21 MR. VICTOR MADDOX: Well, that's very helpful,
22 Jim, thank you.

1 CHAIRMAN GREY: Any other questions or
2 comments?

3 (No response.)

4 M O T I O N

5 CHAIRMAN GREY: Is there a motion that we
6 recommend the operating budget for -- temporary
7 operating authority for 2012 to the board?

8 PARTICIPANT: I so move.

9 CHAIRMAN GREY: Is there a second?

10 PARTICIPANT: Second.

11 CHAIRMAN GREY: All in favor say aye.

12 (Chorus of ayes.)

13 CHAIRMAN GREY: Opposed, no.

14 (No response.)

15 CHAIRMAN GREY: Okay, David, thank you very
16 much.

17 MR. RICHARDSON: Thank you, sir.

18 CHAIRMAN GREY: Vic, are you --

19 MR. VICTOR MADDOX: Sorry?

20 CHAIRMAN GREY: Are you close?

21 MR. VICTOR MADDOX: I think I'm somewhere in
22 the middle of Harvard's campus, so I should be close.

1 PARTICIPANT: It's a big campus.

2 CHAIRMAN GREY: Good for you.

3 MR. VICTOR MADDOX: I'm at Winthrop and
4 something else. So I should be there soon.

5 DEAN MINOW: Winthrop House. Okay, not so
6 far.

7 CHAIRMAN GREY: Not so far. The next item on
8 the agenda is to consider and act on the recommendation
9 to make to the board regarding the -- LSC's fiscal year
10 2013 budget.

11 Just to go back and recap a little bit, we
12 have had two discussions, one on the phone and one in
13 person, regarding this. And it has been the Finance
14 Committee's desire to be more -- to have more
15 information about making this analysis. And each time
16 management has gone back and fulfilled that request.

17 We have -- we would like, as an organization,
18 as a corporation, to be able to recommend to the
19 Congress -- not to the Congress, but to the Office of
20 Management and Budget, around September, a figure that
21 we think would sustain us for the 2013 budget year.
22 And that is sort of the expectation that they would

1 have of us, as well.

2 And so, in that regard, we have been working
3 on this idea of what we might do, in light of all the
4 considerations, and the factors related to putting
5 together a budget.

6 And certain questions were asked at the last
7 meeting regarding how we might explain what it is we're
8 asking for. And Jim, you were there, and hopefully
9 heard what we talked about. And to that extent, you
10 have responded to some of our questions. And we would
11 like to give you an opportunity to share your thoughts
12 about our inquiry.

13 MR. SANDMAN: Thank you, Robert. This is Jim
14 Sandman. We assembled a few pieces of additional
15 information for the committee's consideration at the
16 last meeting.

17 First, we gathered information about what we
18 might anticipate happening with other sources of
19 funding for LSC programs next year. Because, as I
20 tried to illustrate in the Power Point presentation
21 that I made at the last board meeting, our programs
22 have multiple sources of funding; we're a piece of

1 that.

2 We have information from two sources about
3 non-LSC funding for next year. The first is response
4 to a request for information that our program submitted
5 in late 2010, giving their estimates of what they
6 predicted their non-LSC funding would be for the
7 calendar year 2011. And that request yielded a
8 projection of a reduction of about \$42.4 million in
9 funding from non-LSC sources.

10 Second, I contacted Terry Brooks at the ABA,
11 who very graciously provided information that they
12 have, based on current information. They have been
13 surveying around the country. It shows a net reduction
14 in funding from other sources, non-LSC sources, for all
15 legal services programs, not just LSC-funded programs,
16 of \$25.5 million. We estimate that LSC's portion of
17 that reduction of 25.5 million would be about 47
18 percent, or \$12 million.

19 But it is important to bear in mind how varied
20 the picture is across the country, and how that
21 national total of 25.5 million masks big variations
22 from state to state. The number is being understated,

1 to a certain extent, by a recent \$10 million increase
2 for civil legal services funding in the State of New
3 York. That is an aberration on the positive side.
4 Many other states -- we have identified several here on
5 page two of the materials I circulated Friday -- are
6 going down in funding, and by substantial amounts.

7 So, I think we need to keep in mind that our
8 -- we have some programs that are being very hard hit
9 by reductions in funding from another of sources, and
10 not that many that are seeing increases in funding from
11 non-LSC sources.

12 The second thing we looked at was demand for
13 services, as measured by change in the eligible
14 population, the poverty population eligible to be
15 served in our programs. And our estimate is that,
16 between 2010, which would have been the last full year
17 for which we had information before the President
18 submitted his request for fiscal year 2012 and next
19 year, the eligible population will increase by 3.6
20 percent.

21 If you assume that there should be some
22 correlation between the level --

1 PARTICIPANT: Which year?

2 MR. SANDMAN: Pardon? The difference between
3 2010 and 2012 --

4 PARTICIPANT: Oh --

5 MR. SANDMAN: -- is a projected increase of
6 3.6 percent. If you assume that there should be some
7 correlation between our funding and the size of the
8 eligible population, and if you were to apply that
9 percentage to the funding that the President
10 recommended for fiscal year 2012, that would yield an
11 increase of an additional about \$16.6 million, and
12 would bring our funding level up to \$466 million.

13 We also provided some additional texture by
14 summarizing the information we received from our
15 programs in our June survey, highlighting the number of
16 offices that they either have closed or anticipate
17 closing during the current year.

18 So, to summarize, I think there are a few data
19 points to look at, and a few ranges that the committee
20 might consider. We don't recommend that the request
21 for fiscal year 2013 be any less than the President
22 requested for fiscal year 2012. John Levi, among

1 others, worked very hard to get a White House
2 recommendation of \$450 million. There is no
3 indication, in terms of demand for services, funding
4 from other sources, I think, that would give me a
5 comfort level that asking for less than that is
6 appropriate.

7 As we have discussed in previous sessions, I
8 think, as a practical political matter, asking for
9 anything above \$500 million is just a mistake, and
10 makes us not credible in the conversation about what
11 our funding level should be next year. So I think,
12 realistically, we are talking about something between
13 \$450 million and \$490 million.

14 One option would be the \$466. That would be
15 driven not only by the increase in the poverty
16 population, but it would be consistent with the
17 magnitude of the increase that the President asked for
18 between 2011 and 2012. The previous number had been
19 \$435. The President went up to \$450. This would be
20 kind of a jump by the same magnitude, and there would
21 be some precedent for that.

22 And finally, another way to look at it is to

1 try to do something to offset reductions in funding
2 from other sources with the notion that we are at least
3 trying to keep our programs even with where they would
4 have been under the President's request for 2012. And
5 there are a couple of options there. One would be an
6 increase of \$12 million, based on the ABA information,
7 which I believe to be understated, as it affects the
8 variety of our programs, or second, to increase by \$42
9 million, which is the number that we got from our
10 programs.

11 All of those, I think, would be reasonable
12 options that the best data that we have been able to --

13 CHAIRMAN GREY: Thank you. And that's in
14 addition to the information that you previously
15 provided?

16 MR. SANDMAN: Yes. We circulated the
17 information on Friday that we had distributed to the
18 committee.

19 CHAIRMAN GREY: You could take the -- hold on
20 one second. Somebody is on the phone, typing. We are
21 getting that level of -- thank you very much. I figure
22 it's taken care of.

1 Vic Maddox has walked into the room. Welcome,
2 Vic. I'm glad that you were able to navigate the
3 campus.

4 MR. VICTOR MADDOX: Greetings.

5 CHAIRMAN GREY: I was just saying that there
6 was \$25.5, total. And when you say -- and the non-LSC
7 is the \$16, right? So we're \$9.5, something like that?

8 MR. SANDMAN: Our figure would be \$12 million
9 of that --

10 CHAIRMAN GREY: Oh, it would be -- okay.

11 MR. SANDMAN: But if I understood the
12 direction we're heading in, we're suggesting that you
13 might add that \$12 million reduction to the --

14 CHAIRMAN GREY: The \$16.6.

15 MR. SANDMAN: -- \$16.6 million, to reflect the
16 increase in the size of the poverty population.

17 CHAIRMAN GREY: Which is close to my
18 number -- which is a little above my number, but my
19 number was \$470, so that would be \$478-something.

20 All right. That's what my question was. So
21 we've got numbers to work with, and they represent
22 different ways of calculating what we might think is a

1 reasonable budget for LSC to request, given some
2 caveats on what we think the floor might be, and what
3 we think the ceiling might be. The floor is open for
4 comments and discussions.

5 PARTICIPANT: I'm not weighing in on the
6 number yet, but I do want to raise one other factor,
7 which is scale of provision of services in some
8 communities, as I understand it, is such that further
9 cut-backs in some areas means shutting down offices.
10 And is there some way for us to understand that?

11 At what point can we calculate that if we
12 don't include a certain amount, then a certain number
13 of offices will close, or certain regions will no
14 longer have an office? So that would be relevant in my
15 own understanding. Because this is not a continuous
16 variable, this is a step-wise function, if you're with
17 me on the math here.

18 So, further cuts in some areas means that it's
19 no longer sustainable to have an office at all.

20 MR. SANDMAN: I don't -- this is Jim -- I
21 don't know that we are ever going to have enough
22 information to be able to come up with a formula that

1 would predict that. I think it depends very much on
2 local circumstances.

3 Although, on the one hand, you might make an
4 economic argument that it's not worth sustaining an
5 office of one lawyer, or one-and-a-half lawyers, if
6 you're facing a funding cut of X dollars. That is a
7 local determination, and it is based on their
8 assessment of need and how best to deploy their
9 resources. And I don't know that we can project that
10 across the nation.

11 CHAIRMAN GREY: Particularly when they're not
12 100 percent funded by us. When they've got --

13 PARTICIPANT: That's right. Other sources,
14 yes.

15 MR. SANDMAN: And, in fact, their funding from
16 other sources may be related to their keeping that
17 office open, depending on what conditions are attached
18 to the funding, or you know, if it's a private
19 contribution, that may be a factor.

20 The only relatively concrete information we
21 have is what we got from our programs in response to
22 the survey in June.

1 CHAIRMAN GREY: Sharon?

2 MS. BROWNE: I was just looking at some of the
3 materials that you provided, Jim. And thank you so
4 much; it's been very, very helpful.

5 The page that's titled "Recent LSC Funding,
6 Number of Cases Closed," it goes from year 2008 through
7 2011. And then, at the bottom, there is the bullet
8 point saying that the total cases closed increased by
9 five percent. Is that per year, or is that total for
10 the period 2008 through 2010?

11 And the reason why I'm asking that is that the
12 total number of cases closed --

13 CHAIRMAN GREY: Can you --

14 MS. BROWNE: It's towards the end. There is a
15 really nice --

16 CHAIRMAN GREY: Oh, got you.

17 MS. BROWNE: -- pie chart. It's the page
18 right before the pie chart.

19 CHAIRMAN GREY: Thanks.

20 MS. BROWNE: But the reason why I'm asking is
21 that, although we have seen an increase in the number
22 of eligible people who would qualify for legal

1 services, but just the increase in the number of cases
2 is five percent, there seems to be a disconnect here.
3 And our funding keeps increasing.

4 But I am trying to get a handle on why the
5 number of cases has only increased five percent for a
6 period of -- where you have the eligible number of
7 people increasing.

8 MR. SANDMAN: It's a couple of reasons. I
9 think the most important is our programs just don't
10 have the resources to serve the people who are showing
11 up. So more people can show up, but that is not going
12 to mean that they are able to serve any more of them.
13 They didn't have enough to serve the people who were
14 arriving at their doors before the recession began.

15 MS. BROWNE: All right. Let me stop you right
16 there, because the next bullet point says the number of
17 attorneys increased by five percent.

18 MR. SANDMAN: Mm-hmm.

19 MS. BROWNE: And so that means to me that if
20 we'd increased our attorneys by five percent, and our
21 cases have increased only five percent, then we're
22 really at status quo. Is that correct?

1 MR. SANDMAN: Pretty much. Yes, I think. And
2 there is -- the third bullet is important, too. During
3 the period covered by this chart, a number of programs
4 did make an effort to make modest increases in their
5 salaries that they pay, both starting salaries and
6 salaries for some more experienced lawyers, because
7 they were finding it very difficult to recruit
8 people --

9 MS. BROWNE: And keep people.

10 MR. SANDMAN: -- and to keep people. And the
11 keeping people, particularly keeping experienced
12 people, are a real challenge for our program. They
13 regularly face significant attrition among their
14 lawyers after three to five years.

15 MS. BROWNE: When we look at the cases being
16 increased by five percent, we really don't know how
17 many additional people have been helped. We just know
18 that, based upon your definition of cases this morning,
19 which was really very informative -- we really don't
20 know if this is how many more people that we have been
21 helping with this five percent increase in cases.

22 So, for example, if you have a domestic

1 violence, that is one case, but it could be the woman
2 and it could be two children.

3 PARTICIPANT: Right.

4 MS. BROWNE: And so it would be three people
5 that are helped.

6 MR. SANDMAN: We do make an estimate, based on
7 a survey that was done a few years ago that, of the
8 932,000 cases that we closed in 2010, that we assisted
9 households having 2.3 million people. So there was an
10 effort to try and quantify, a few years ago, the
11 relationship between cases handled -- individual
12 clients seen and the number of people in their family
13 who would be affected by the work that we did. But
14 that's the estimate. And that is what drove the \$2.3
15 million that we used to estimate how many people were
16 assisted or affected by the work that we did in 2010.

17 CHAIRMAN GREY: John?

18 MR. CONSTANCE: For the record, John
19 Constance, government relations.

20 There are a couple of other factors here, and
21 I think Jim has certainly well-covered two of them.
22 The other matters, one thing you certainly heard around

1 this table today in the pro bono discussions is the
2 length of time it takes to bring an attorney up to the
3 point, from a training standpoint, that they are fully
4 capable of taking, you know, much of a caseload.

5 And, again, I think you can assume that when
6 you talk about an increase of five percent attorneys,
7 you're talking about people directly out of law school
8 and into these programs. That is one factor that I
9 heard executive directors here talk about.

10 The other thing is the mix of cases. The
11 increase that we -- foreclosures, for example, are
12 cases that take a long, long time to resolve. Some of
13 these are mediation, but a number of them are not. So,
14 I think that is a factor in some of these, as well. It
15 is an area that we certainly looked at.

16 I think you touched on something, Sharon, that
17 is appropriate, and that is we are typically asked on
18 the Hill, "How many people are you helping," you know,
19 and that is really the reason we did the 2010 survey.
20 The cases are fine, but there is such a wide range of
21 types of cases and lengths of cases, that it
22 really -- you know, that is a tough one to really tie

1 as the principal metric, which, unfortunately, I think
2 we have been doing over the years. So --

3 MS. BROWNE: So can I ask Jim? Are we going
4 to be changing our focus, or adding another layer to
5 our grantees, as to how many people are actually being
6 helped? I know we did it in 2010. But is that going
7 to happen in 2011 and onward?

8 MR. SANDMAN: We are considering asking our
9 programs to do that, yes.

10 MS. BROWNE: Okay.

11 CHAIRMAN GREY: Charles?

12 PROFESSOR KECKLER: Well, without commenting
13 on the appropriate baseline, whether it would be the
14 actual amount that we received, or previous highest
15 appropriation, 420, or the 450 number that has come up,
16 I just want to add 1 other issue, which -- or recall
17 another issue that you talk about in the materials that
18 really involves the work of this committee, as well as
19 what we talked about at the last meeting, which is the
20 census.

21 So, the census, under -- currently -- our
22 scheduled proposal, the new census figures and

1 reallocation formula is going to be operative in this
2 upcoming -- this budget year that is under
3 consideration for 2013. And there is -- you know, we
4 can just sort of continue on with the budget process as
5 proposed, get a basic count line, and so on. But I
6 just want to recall to everyone that when the last
7 census reallocation occurred, there were some budget
8 years in which there was a separate count line that
9 would mitigate the changes.

10 And so this is something that I want -- the
11 committee may want to consider whether or not, under
12 the top -- in addition to considering the top line
13 figure, that some portion of that be -- that a proposal
14 be made to mitigate this. And my own thinking about
15 that is that that would obviate the need for what is
16 currently under proposal of a two-year transition
17 period. That is, the census reallocation formula could
18 become operative in full if there was some level of
19 mitigation, not entirely, but, indeed, to sort of
20 transition these programs to their lower allocation
21 level. That's just something to consider.

22 MR. CONSTANCE: But when I raised this at the

1 last meeting --

2 CHAIRMAN GREY: Yeah.

3 MR. CONSTANCE: -- I was told that this was
4 always considered, but was never actually done, that
5 this mitigation, in terms of finances for the census,
6 was considered but never actually done by the LSC.

7 PARTICIPANT: Well, Charles --

8 CHAIRMAN GREY: Could you explain what
9 happened in those budget years?

10 PROFESSOR KECKLER: I would defer to Vic, who
11 was at the corporation when this happened last time.
12 But it was my understanding that it was requested by
13 the corporation, but not positively acted on by the
14 Congress. It was not felt that there was a compelling
15 argument to provide that mitigation.

16 Now, some Members of Congress went along and
17 provided their own earmarks. I remember those. And so
18 that was some of the mitigation. But it was more of a
19 one-at-a-time consideration, rather than recommended by
20 the corporation.

21 MR. FORTUNO: I think that's correct. And,
22 David, you're on the line? David Richardson?

1 MR. RICHARDSON: Yes, I am.

2 MR. FORTUNO: Is that your understanding, as
3 well?

4 MR. RICHARDSON: It is. There was not a
5 separate pool of money that was provided. But, as I
6 recall in the report language, we were able to set a
7 certain amount aside to mitigate some of the large
8 losses, and I think we did it for a year period. It
9 might have been two.

10 MR. FORTUNO: Was it that, or was there a
11 supplemental appropriation?

12 MR. RICHARDSON: No, there was not a
13 supplemental appropriation. It was all done through
14 basic field.

15 MR. FORTUNO: In the one appropriation?

16 MR. RICHARDSON: That is correct.

17 MR. FORTUNO: And we were allowed to take some
18 of basic field and apply it to census mitigation?

19 MR. RICHARDSON: Yes, sir.

20 MR. FORTUNO: So that -- so the -- so when
21 they granted the appropriation, they allowed that?

22 MR. RICHARDSON: That is correct.

1 MR. FORTUNO: In the budget resolution?

2 MR. RICHARDSON: Yes, sir.

3 MR. CONSTANCE: John Constance. You know,
4 that, in my opinion -- I have been through this in
5 another program -- is the worst of all possible worlds,
6 because essentially that is what they call in the
7 appropriations world "of which language." They give
8 you a base amount, and then they say, "of which," you
9 know, "this amount is going to be for mitigation."

10 Well, it's a fixed pie. That "of which" has
11 got to come from somewhere. And unless they give you a
12 plus up, you really have a problem then, because they
13 have allowed you to do something, which has enabled, I
14 think, them to get -- not to put too fine a point on
15 it, but off the hook. But at the same time, it puts it
16 back on the organization to figure out a way to fund
17 it. So --

18 PARTICIPANT: Just one comment. Thanks for
19 all that background from everybody. My thought is
20 whatever baseline is chosen, one -- the suggestion or
21 the idea would be that if there is an increase over
22 that baseline, one sort of particular, you know,

1 designation for that increase might be, for 2013,
2 to -- usefully for mitigation.

3 CHAIRMAN GREY: Any other comments or
4 questions?

5 PARTICIPANT: Especially looking at the
6 carry-over, I think one thing -- it's a small issue,
7 but certainly we should look at where the baselines, in
8 terms of the top line items, are. I mean I don't know
9 the details, I don't know if they need this extra two
10 million. But it seems to me, when you're carrying over
11 50 percent of your budget, you should allocate that to
12 better uses. Or when you're carrying over 20 percent
13 of your budget, at least some of these should be
14 changed around.

15 And you can look at the President's own
16 allocation for his \$450 million. And, you know, that
17 includes increases for some of these management
18 budgets, and -- it doesn't seem that we need. So, even
19 if we do something like \$450 million, it should be
20 certainly differently allocated at the top line budget
21 than the President has allocated. At least that would
22 be my thought, from the corporation. I would suggest

1 that we not do quite these appropriations.

2 I mean we might -- John will have to tell me
3 whether that will cause grave political consternation,
4 if we are requesting a smaller management budget, but
5 it seems to be something we should think about. But
6 again, it's only in the nature of a couple of million
7 dollars.

8 MR. CONSTANCE: John Constance again. The one
9 thing that -- one of the real purposes that we -- one
10 of the reasons that we changed the title of the money
11 from "management and administration" several years ago,
12 which was not instructive of what that money means, to
13 "management and grants oversight," one of the reasons
14 that the White House, on their own, has provided the
15 increase, and again, per the fiscal oversight effort
16 and everything associated with that, that is one way
17 that the dollars that are going to the corporation in
18 the management area are thought of in the White House
19 and on the Hill.

20 Whether there is a streamlining, or whether
21 that is all for other discussions or whatever, but I
22 can just tell you the perception is that's what that is

1 tied to, is oversight. And the vast majority of it
2 goes to oversight.

3 As to the other line items, I mean it -- they
4 have been within the range of what we had recommended,
5 as well. And so that is kind of -- I don't know that
6 there is anything, one way or the other, that can be
7 done with any of those.

8 But just on the management and grants
9 oversight, that is -- I just want to point that out.
10 That's the perception.

11 CHAIRMAN GREY: We have also put in play, I
12 guess, some suggestions for some substantial
13 reorganization, in consideration of different levels of
14 expertise that we think will be necessary for LSC to
15 discharge its responsibility. Not knowing exactly how
16 that configures itself, we want to be flexible enough
17 to anticipate that that is probably going to cost us
18 some money, and that we want the President to have the
19 flexibility to make those decisions.

20 At the end of the day, we want to be
21 responsible for the money we handle, and not come up
22 short on that end and --

1 MR. KECKLER: I agree. But, for example,
2 David says we're overspending about \$17 million. The
3 President's own request jumps that up to \$19.5 million.
4 So that's an extra \$2.5 million from what we spent
5 already, in addition to the 3.6 that we carry over.
6 We're talking about -- so that's \$6.1 million more than
7 we're spending now. I mean I grant -- I agree he needs
8 more in the budget. Does he need \$6.1 million more for
9 management oversight?

10 It seems to me that money could be -- some of
11 that money could be better used in field and not
12 in -- a \$6.1 million increase over what actual
13 expenditures are seems to me not an efficient way to
14 spend that money.

15 The same true with the Office of Inspector
16 General. An increase from \$4.2 to \$4.35 million -- not
17 that big of an increase, but it is when you're only
18 spending \$2.2 million. So you've got \$2.1 million more
19 than what you're actually spending now. He may need
20 some of that, but it seems to be at least a big chunk
21 of that would be better used in the field.

22 So, even if we approved -- even if we accept

1 the President's \$450 million, I certainly wouldn't
2 accept the breakdown, in terms of top line management.

3 CHAIRMAN GREY: Martha?

4 DEAN MINOW: I think these are good and
5 interesting points. I wonder if there is a way to
6 communicate how we would like to have some flexibility
7 to take the carry-over money and be able to use it for
8 basic field, and make that separate from the question
9 of what appropriation is necessary, for purposes of
10 grants oversight, which the Congress, as well as the
11 executives, has made clear to us that they want us to
12 be spending more resources on.

13 So, the issue about the carry-over is it's not
14 going to be with us forever. So we can't anticipate
15 building an organization and hiring long-term staff
16 based on a carry-over. But it would be awfully
17 helpful, especially when you think about the
18 mitigation, to be able to use that money for purposes
19 other than what are currently -- for example, use it
20 for mitigation. So, if there is a way to be able to
21 present that, I think that would be excellent.

22 As to the IG's -- on expended resources, I

1 don't believe that any of us could say anything about
2 that. That is a request from the IG's office, and we
3 have no say about that.

4 MR.LEVI: A follow-up on Martha. I mean I
5 think that's a great idea. Is there a precedent? Has
6 something like this ever happened before?

7 CHAIRMAN GREY: John?

8 MR. FORTUNO: This is Vic Fortunato. I think
9 there is an example. I think some years ago the OIG
10 had a carry-over, and -- a large carry-over. And they
11 offered to transfer to the corporation's management \$1
12 million to fund a program. Because that is a statutory
13 line in an appropriation, it was felt that they
14 couldn't take the money from the OIG budget and
15 transfer it outside that. But what happened was the
16 following year in -- the following year's appropriation
17 there was some language that allowed for that money to
18 be moved.

19 So, it wasn't discretion that we were able, on
20 our own, just to go ahead and make that transfer, but
21 simply that we were able to ask Congress to give us the
22 authority to move the money over, and it was done. So

1 that is one instance I can think of.

2 CHAIRMAN GREY: John?

3 MR. CONSTANCE: John Constance. I think that
4 is very logical, on its face. The only thing that I
5 would be concerned about is -- well, a couple things.
6 One, the uncertainty, in terms of any reorganization
7 that Charles has stated. Two, the ability for Jim to
8 staff out positions and basically fill positions that
9 -- I was in a cold sweat this morning, in terms of the
10 number of things that LSC is going to do, coming out of
11 the pro bono --

12 (Laughter.)

13 MR. CONSTANCE: And so, that's a reality.
14 However, the bigger problem is that idea going out
15 there is fine, as long as that idea is funded. You
16 know, what often happens is the idea is sustained, but
17 the money doesn't, you know, come along with the idea.
18 And suddenly, management doesn't have the flexibility
19 to do what they hoped they would do.

20 So, just remember. I mean this is a request,
21 and it is not necessarily what we are going to receive
22 back. But again, that is -- it still may very well be

1 an appropriate approach, but it's just -- you know,
2 there are some risks involved.

3 FATHER PIUS: I take it that's a "be careful
4 what you ask for."

5 (Laughter.)

6 MR. CONSTANCE: Or how you ask for it.

7 MR. SANDMAN: This is Jim. I just want to
8 point out the steps in the process here, as I
9 understand them.

10 Thus far, the committee has been talking about
11 an overall number that would include all components of
12 the LSC budget. My understanding is that, once we get
13 guidance from the committee on that, management would
14 go back and prepare a recommendation as to how that
15 overall number should be divided up among the various
16 lines of our appropriation, including the line for
17 management and grants oversight.

18 So, I take the comments that have been made
19 here about making sure that the amount allocated to
20 that line is commensurate with what we really expect to
21 spend, and what is necessary to do grants oversight.
22 And we haven't done that yet, because we wanted to know

1 what the overall amount of money was.

2 There should be some correlation, I think,
3 between how much money we are overseeing, and how much
4 money we spend overseeing.

5 So, that was the starting point. But I don't
6 think that the committee should or has to assume
7 anything about what setting an overall number means, or
8 what the line item for management and grants oversight
9 will be.

10 FATHER PIUS: And I just wanted to share on a
11 related but different matter. Vic was showing me the
12 2003 budget numbers. And of a total of -- I think the
13 field grants budget for that one was about \$339
14 million. Of that, about \$9.5 million of that number
15 was set aside to make up for the census changes, which
16 is about 3 percent or so, which, if you assume field
17 grants -- well, actually, I -- total number of \$450.

18 But again, if you assume field grants of, say,
19 \$400 million, that's talking about \$12 million of that
20 money -- \$420 would be \$12.6, I guess, million. So
21 somewhere around there, if that's what you're seeing.
22 And then that big of a chunk would be for grants,

1 unless you wanted to up that even more.

2 But that's what the number was, about three
3 percent of the field grants budget.

4 MR. KECKLER: Just to -- I did a very rough
5 calculation based on the poverty population changes and
6 the field grants actually allocated last year, and came
7 up with a sort of total -- and this, again, totally
8 back-of-the-envelope calculation; I don't have the real
9 numbers -- came up with the total changes of about \$25
10 million, overall, that is being reallocated by the
11 formula. So half of that would be something like
12 Father Pius's number of about \$12.5 million. That's
13 roughly sort of a ballpark figure of what would cover
14 half of the changes involved.

15 CHAIRMAN GREY: So \$475, of which 12.5 million
16 we want allocated that way? Sorry?

17 PARTICIPANT: Well, that would be all part of
18 their calculation, in terms of -- and I would certainly
19 encourage you to include in that allocation --

20 CHAIRMAN GREY: If we asked for that the last
21 time, why wouldn't we -- for example, I think we were
22 told in California that number is going to be quite

1 significant down from --

2 PARTICIPANT: Yes.

3 PARTICIPANT: Yes.

4 CHAIRMAN GREY: They're a 50 percent state.

5 They have -- through the roof. I think they're taking

6 a 1.5 million hit. Am I --

7 PARTICIPANT: That just might be their state
8 funding --

9 CHAIRMAN GREY: Oh, no, I think --

10 (Simultaneous conversation.)

11 PARTICIPANT: They're projected to go down by
12 13.8 percent.

13 PARTICIPANT: Formula funding.

14 (Simultaneous conversation.)

15 CHAIRMAN GREY: Right. I'm just saying in the
16 LSC pure -- that's a heck of a number. Any --

17 DEAN MINOW: Can a case be made that this is
18 going to be a period of great difficulty, adjustments
19 from the census, but adjustments because of the
20 increase in the poverty rates, the unemployment
21 patterns, and for the foregoing period we need to be
22 able to ask for enough money to imagine that the

1 offices can actually maintain the existing level of
2 service? And the existing level of service, thinking
3 about a percentage of those served who are poor, that
4 seems to me a very useful benchmark.

5 So, that 3.6 increase, that's a reason for a
6 number. The last time we met I didn't know how we were
7 picking a number. That is a reason for a number.
8 That's not even talking about closing the gap. That is
9 maintaining the same shortfall.

10 CHAIRMAN GREY: Well, if you -- I don't want
11 to undermine your number, but if you even think about
12 what Martha just said, and consider a \$12 million
13 census number, that gets you to 478.

14 So, it is -- I think we have -- and I think
15 all those folks -- what? I think that that puts
16 us -- that continues to give us the opportunity to
17 think of the contingencies that we are going to face,
18 as an entity, and try to be as thoughtful as we can in
19 expressing our views about our ability to deal with
20 those contingencies.

21 And so, the question is, do we feel
22 comfortable that we have adequately considered these

1 matters, that management has given us sufficient
2 information that we are able to talk about a number in
3 a range that covers the issues that we know we are
4 going to have to face?

5 We talked about it one time, that we could not
6 be at \$500 million. Well, we actually said we could
7 not be at five.

8 PARTICIPANT: Right, right, right.

9 CHAIRMAN GREY: I mean we said that was
10 not -- so I think that is -- okay. And we very much
11 thought that it would not be in our best interest to be
12 under the White House number that was so
13 hard-fought -- heart-felt.

14 So -- and I think we are at a point where, if
15 we think about this thoughtfully, as a board
16 responsible for giving Congress a number -- OMB -- that
17 I think we're in the range of \$475, \$480 as a number
18 that would work.

19 So, for the sake of argument and
20 consideration, if you take the 3.6 percent on 16.6
21 million, that would be -- that would reflect change in
22 the need, and add that to the \$450, you're at \$466.

1 And if you consider any adjustments for the census
2 around 12 you're at 478. How does that work for you?
3 How does 478? Why not that figure, I guess?

4 PARTICIPANT: Before we get to that figure, I
5 was looking up a source of non-LSC funding, and I think
6 Father Pius pointed this out. In 2010 it was the first
7 year that filing fees were triggered. But yet we don't
8 really have that being calculated into our figures. Is
9 that right, for a projection on 2011? Do we know how
10 much money the filing fees are projected to bring in,
11 so that we can then project it out to 2012 and 2013?

12 Because if we are bringing -- if 2010 brought
13 in almost \$50 million, I can just assume it is going to
14 continue, if not going up. And I don't know if the 470
15 figure that's being discussed reflects something as
16 concrete as filing fees.

17 PARTICIPANT: 2010 was the first year that LSC
18 broke out filing fees as a category of state funding
19 from prior years. There were filing fees in the prior
20 years, they just weren't separately reported.

21 DEAN MINOW: Included in the total, the state
22 funding?

1 PARTICIPANT: Yes, yes. My understanding is
2 that the numbers that we got from the ABA are intended
3 to reflect changes from 2010 to 2011. And they didn't
4 report anything to us on a change in state filing fees.
5 They reported to us on a negative change in state
6 appropriations.

7 I think Terry Brooks is on the phone. But if
8 you are, Terry, and if you have any information about
9 what the ABA projects, in terms of filing fees, do you
10 think that number is going to be going up, going down,
11 or staying the same? That would be helpful.

12 MR. BROOKS: We have anticipated -- for the
13 record, this is Terry Brooks, with the American Bar
14 Association -- we have anticipated that filing fees
15 being written into law will not change. And we have
16 spot-checked that assumption, and it has proven to be
17 correct every place we have checked.

18 PARTICIPANT: Thank you, Terry.

19 CHAIRMAN GREY: Charles?

20 PROFESSOR KECKLER: Yes. I just wanted to
21 point out that, obviously, a \$478 figure is driven by
22 starting from a baseline of \$450 -- an amount that

1 hasn't ever actually been received, although it was
2 recommended by OMB. And just doing quick calculations
3 using the 3.6 percent figure and the \$12 million
4 mitigation figure, if you start from \$404 that leads to
5 \$430 million. And if you start from \$420, the highest
6 appropriation actually received, it leads to \$447,
7 which is close to -- it's calculated slightly
8 differently, but close to the actual OMB recommendation
9 of last year.

10 So, it depends on the baseline. If you start
11 from \$404 you go to \$430. If you start from \$420 it
12 would lead to \$447. That is informational.

13 (Laughter.)

14 CHAIRMAN GREY: It's important to have all the
15 information before you, before you make a decision.
16 Thank you.

17 PARTICIPANT: It's just like buying a house.
18 How do we do this? Pieces of paper with numbers on
19 them? What do we do now?

20 PARTICIPANT: What is the highest amount that
21 has ever been appropriated to LSC from Congress?

22 PARTICIPANT: \$420, yes.

1 PARTICIPANT: So shouldn't that be our
2 baseline that we start from?

3 CHAIRMAN GREY: I don't -- well, maybe your
4 baseline.

5 (Laughter.)

6 PROFESSOR VALENCIA-WEBER: Kind of work our
7 way up and --

8 PARTICIPANT: One thought about that. I mean
9 that's a baseline if we were Congress. But we are not
10 Congress, we are the organization. And if we have, in
11 the past, asked for \$450, or the President recommended
12 it, if we ask for less than that, then that is saying
13 we don't agree with OMB about the assessment of the
14 needs. And I have not reached that judgment.

15 I agree with OMB about the assessment of the
16 needs. I actually think it's a bigger need in the next
17 year than it was previously. And so, to do anything
18 less than that -- that's why that's the baseline for
19 me.

20 But I see the argument. But I'm not Congress.
21 And so, if I were Congress, I would start with the
22 prior appropriation. I'm not Congress. I'm starting

1 with an assessment of the need. We are the
2 organization that actually sits on the information
3 about the needs.

4 CHAIRMAN GREY: We heard these programs
5 sitting here this morning, those of you that were here.

6 PARTICIPANT: You've got to speak up.

7 CHAIRMAN GREY: And we heard these programs
8 again this morning, and the circumstances that they are
9 confronted with. And we also heard about the kind of
10 justice system that we are really apparently accepting
11 as -- whatever reason, we've decided that we can have
12 this enormous limited service, which is not the same as
13 representation.

14 We actually heard from some of the grantees
15 about how, when they first got into the business, that
16 was not the case. The clients actually received
17 representation. Now we are in a situation in which the
18 clients receive limited representation, and yet so many
19 of them are left out.

20 And my understanding of the corporation -- and
21 our fiduciary responsibilities are to the corporation
22 and what it stands for, and those people who need our

1 assistance. And I think the Congress will do its work,
2 but I think we need to put a number in front of the
3 Congress and in front of the White House that reflects
4 what we are hearing in growing voice and level of
5 urgency that, as I said the last time, impacts me
6 greatly.

7 And so I -- you know where my number is,
8 because I said it the last time. I don't like that
9 number. I think it's too low. But I am offering it as
10 a compromise suggestion that I believe should be
11 acceptable to both sides in here, if there are sides
12 and positions. And I am hoping there really aren't.
13 It should be a higher number. But in fact, it is a
14 recognition of the circumstance that we have in our
15 country that is not one that any of us would wish.

16 We would love to be -- look, I could stand
17 here and think -- and I think we all would agree here,
18 based on what we know about circumstances in civil
19 legal aid, you can pick a number, twice the number, but
20 we're not going to do that. And we have to find a
21 reasonable place. There is not going to be perfect
22 information.

1 But I do want to compliment, before we go on,
2 Jim, Dave, John, Vic, Mattie, whoever helped pull this
3 together -- Robert -- this is a much more informed
4 place to be than we were put in last year. And I am
5 sure, having sat and watched the prior year, than they
6 were in.

7 And so, you know, I would reluctantly go along
8 with it -- not happily -- the 475 rate. That is sort
9 of where I come out. And I find it very troubling,
10 because the 516 number, remember, was a Frank
11 Strickland board. A Frank Strickland board, not a John
12 Levi board. A 6-to-5 Republican board went with 516.

13 MR. MADDOX: Mr. Chairman, can I just join in
14 here? John, what was the number that you said was your
15 number?

16 CHAIRMAN GREY: Four seventy-five.

17 MR. MADDOX: Four seventy-five?

18 CHAIRMAN GREY: Yeah.

19 MR. MADDOX: I just want to throw out a couple
20 of things. One, I'm not on the committee, so I can
21 play off the vote on this --

22 CHAIRMAN GREY: Oh, you --

1 (Simultaneous conversation.)

2 (Laughter.)

3 MR. MADDOX: I really agree with a lot of -- I
4 think Martha has made some great points. So has
5 Charles.

6 CHAIRMAN GREY: And I didn't make any?

7 MR. MADDOX: You made some great points.

8 (Laughter.)

9 MR. MADDOX: I just wanted to throw out a
10 couple of things.

11 One, when we were in Seattle, I heard
12 something I was troubled by. I want to ask Jim to
13 follow up, so I can better understand it. I heard the
14 fellow from Idaho tell us that he can't do what he does
15 on \$71,000, which is provide services to Indians in
16 Idaho. And I use the term "Indian," because all of the
17 Indians we met used that term. And I asked Chief Judge
18 if that was politically incorrect, and she told me no,
19 it wasn't.

20 CHAIRMAN GREY: There you go.

21 MR. MADDOX: But what he said at the very end
22 of his presentation -- which may have been missed, but

1 I heard it very clearly, it was in the last 30 seconds
2 of his speech -- was that he takes basic field grant
3 money and uses it for his program, for his big-picture
4 litigation, as I understood it. He said he doesn't do
5 individual cases, he does big picture. And he said
6 multiple times he can't do what he does on 71,000, and
7 so he takes basic field money and uses it for his
8 program.

9 I wonder if that fits in with -- and if not,
10 what do we do about it? I am concerned that that goes
11 on in lots of our grantees, and it's probably something
12 our fiscal oversight changes ought to try to identify.

13 Because I think it is -- if it's true, if I heard him
14 correctly, and I think I did, I think it is a violation
15 of our grant.

16 The other thing I wanted to mention was on
17 Monday a week ago I met with the director of the
18 Louisville Legal Aid Society and two of his directors.

19 Both directors, who I've known for years, respect,
20 admire, like a great deal -- and Jeff Been, who is
21 executive director, was -- I respect a great deal. I
22 met with him because the Louisville Legal Aid Society

1 has filed what amounts to a class action administrative
2 complaint against the Jefferson County Public School
3 system, using LSC tax dollars, federal tax dollars.
4 And I am very troubled by this.

5 When I asked them to explain it, basically
6 it's an administrative complaint with the Office of
7 Civil Rights, the Department of Education, that they
8 are co-counsel, along with the Southern Poverty Law
9 Center and a variety of others, and it seeks to
10 challenge the disciplinary procedures of the public
11 schools, and seeks to impose all manner of
12 administrative remedies on the school district on
13 behalf of the named plaintiffs and all those enrolled.

14 When I asked them how they could sort of
15 justify this, they said, "Well, we're allowed to file
16 class actions in administrative proceedings, just not
17 lawsuits." And we went into the merits of the case,
18 and one of the points I made was this seems to be
19 taking money away from all the foreclosures and the
20 child custody battles and protection orders and the
21 like that aren't getting lawyers.

22 And I was surprised to hear them say that,

1 "Well, it doesn't take that much money away. And,
2 besides, this is really more important."

3 But basically, this is a -- this is the kind
4 of lawsuit that they think really matters, and they
5 want to pursue. And I am troubled that that is going
6 on in lots of our grantees. I know, John, you don't
7 think so --

8 CHAIRMAN GREY: Well, I didn't hear it here
9 today, at all.

10 MR. MADDOX: Well, I have sent a complaint to
11 the Office of Legal Affairs. I have gotten an opinion
12 that it is not a violation of the act or of our
13 regulations. But it is troubling to me that this is
14 what is being done with grant money.

15 I mean I think that when we make a
16 bipartisan/non-partisan appeal for greater funding for
17 LSC, that's an appeal I want to support. But I am
18 deeply troubled when we have grantees in my own home
19 town who are using money that I think violates at least
20 the spirit of the LSC mission, which -- and I raised
21 the 1996 limitations and the funding cuts that that
22 caused, and it just didn't really resonate with any of

1 the directors -- again, like I said, folks who I admire
2 and respect a great deal.

3 So, that troubled me. I think that goes on
4 more than we realize.

5 The only other thing I wanted to raise is that
6 at some point I would like for Jim and the staff to
7 help me understand what the income maintenance cases
8 that we fund that are about 13 percent of our cases
9 represent. I think Martha mentioned something to this
10 effect -- at least alluded to this issue in Seattle,
11 and I think I did -- I wonder if we don't spend money
12 that ought to be going to providing lawyers to people
13 in court, where they are helpless, in essence, if they
14 don't have competent lawyers.

15 And, instead, we are providing sort of
16 counseling services for the Department of HHS,
17 Department of Labor, you know, all the other -- in
18 fact, probably the biggest one we're helping fund is
19 the IRS, because, as I understand it, the earned income
20 tax credit is a huge number of these cases. They have
21 got a budget of hundreds of billions -- or tens of
22 billions, at least. And I wonder if we don't need to

1 rethink how our grantees allocate their resources.

2 So, all of that is to say that I think there
3 are ways to sort of bring efficiencies, and perhaps
4 refocus the mission, to some extent, to get more value,
5 more help with unrepresented people out of the budget
6 that we get. Thanks.

7 CHAIRMAN GREY: Okay. We have taken the
8 opportunity to talk about a lot of things that are
9 important to us, and important to the corporation's
10 mission. I don't know that any particular grantee is
11 going to change our belief in what we need to fund this
12 organization for the purpose of making sure that the
13 right number of those who are in need are serviced, and
14 that exception shouldn't drive the rule. But
15 certainly, if they affect our ability to carry out our
16 function, it ought to be looked at carefully.

17 We are at a point where we ought to think
18 about what we think our base is, and we have
19 talked -- well --

20 JOHN LEVI: You are a different point. You
21 are running out of time here.

22 CHAIRMAN GREY: Okay, okay.

1 JOHN LEVI: Go ahead.

2 PARTICIPANT: Getting an email here.

3 PARTICIPANT: I got it.

4 PARTICIPANT: I just want the record to show
5 that I agree with Vic, that there are some issues, and
6 that is one reason that we do need to have the fiscal
7 oversight and the management.

8 But I also wanted to suggest the approach
9 which is that we take a series of votes. They could be
10 straw votes, whatever the chair would prefer, that
11 start with the lower figures and see how many people go
12 with them, go up by \$10 million, \$20 million. So start
13 with the last appropriation before \$20, go up with the
14 \$16 million on top of that, based on the estimated
15 increase in the poverty rate, see how many people are
16 there, go up with the adjustment for the census,
17 which -- according to Charles -- calculates pretty
18 close to \$450, it's like \$447. See how many are there.

19 Otherwise, if we're just going to throw out a
20 number and have a yes or no, I -- obviously, I think
21 all of us would prefer to have as much agreement on the
22 board as we possibly could.

1 CHAIRMAN GREY: Well, I think that there are
2 -- we have two ranges. Some are in the \$470 range,
3 some are in a \$440 range. Even if we take into
4 consideration all the activities that we had, it seems
5 to me that there is a -- at least an opportunity to
6 give management the necessary tools to do what it's
7 doing and, at the same time, be deferential to the
8 needs that the corporation has.

9 I would like, having -- now that we have gone
10 full circle, I would like for the committee to consider
11 management's original suggestion, and see how we feel
12 about that, which is \$466. And I think that it is
13 not --

14 PARTICIPANT: I thought it was \$470.

15 CHAIRMAN GREY: No, management has come up
16 with a potential number.

17 PARTICIPANT: Four fifty to four ninety.

18 PARTICIPANT: Yes, \$450 to \$490 was our range.

19 The 466 was simply looking at the increase in the size
20 of the poverty population as one thing.

21 CHAIRMAN GREY: Well --

22 PARTICIPANT: I didn't mean to suggest that

1 that was the only --

2 CHAIRMAN GREY: Well, I am going to add to
3 that the census. I was trying to get us a base from
4 which to work from.

5 PARTICIPANT: Okay.

6 CHAIRMAN GREY: Taking into consideration that
7 if we were able to -- that if we added the \$12,000 to
8 that, that we would be at a \$478 number. And I would
9 like the committee to consider that, based on the
10 circumstances that we find ourselves, based on
11 management's presentation of the numbers that we had,
12 and the consideration of the census, and see if the
13 committee finds that acceptable.

14 PARTICIPANT: You want to vote?

15 CHAIRMAN GREY: I do.

16 PARTICIPANT: You want to vote, or do you want
17 discussion?

18 CHAIRMAN GREY: Well, what's our time?

19 PARTICIPANT: A few minutes ago.

20 MR. LEVI: Forty-five minutes ago.

21 CHAIRMAN GREY: Well, if it's short.

22 PARTICIPANT: Well, basically, I think

1 the -- personally, that the \$470 number is high. I
2 think we could support -- at least I think I could
3 support a \$450 number, and that would be consistent
4 with what President Obama suggested, as well. And from
5 what John Constance said last time in Seattle, he also
6 has bipartisan support, some of them by petition and
7 others word of mouth, and -- for this year.

8 But I think it is something that -- going into
9 2013. But that is a base figure that I could support.

10 And I would suggest we start with that figure.

11 PARTICIPANT: This is the way I think about
12 it, and this is the way I would look at it, and that is
13 stabilization. If you assume \$420 as the baseline, a 3
14 percent increase is 15.12. It should be \$435. Some
15 amelioration for the budget is another \$12 million.
16 And then, to cover the loss of non-LSC funding at 25
17 gets me around \$473 million. I would get rid of some
18 of the management funds, so I would drop it down to
19 \$470. So I would come to about where John was. And
20 that's where -- my thought on the matter.

21 My final thought on the matter is
22 it -- I -- just given the budget environment, I just

1 don't know how much it matters. And spending all this
2 time coming up with a differentiation between a few
3 million -- \$10 million or \$20 million, you know, if
4 you want to do \$470, I'm fine with \$470. If you want
5 to do \$450, I'm fine with \$450. If you want to go much
6 more than that, I think we are going off a little bit
7 into orbit. But that's where I would stand.

8 CHAIRMAN GREY: Let's take a vote -- well, let
9 me just -- is \$470, John -- I mean Jim, would that work
10 for --

11 MR. SANDMAN: Yes.

12 CHAIRMAN GREY: And, John, the number --

13 PARTICIPANT: Well, you know, I think it's a
14 great suggestion.

15 PARTICIPANT: And, honestly, I think it
16 conveys to Congress the fact that last year we asked
17 for \$516, this year we're asking for a lesser amount,
18 and provides some indication to Congress that we are
19 serious about the fact that we are in a budget-cutting
20 mode, and we are not asking for more than we have asked
21 in the past.

22 We are asking for an increase, sure, but

1 nothing near what we have asked in the past. So I
2 think we are both being responsible in our
3 request -- and this is, again, a 2013 number, a number
4 that will be out in the media soon, but still, that
5 John won't really take to the Hill until next year. We
6 will start with the OMB first. So it is -- I don't
7 know how much it will be in the budget discussion now.

8 It will be somewhat -- and it asks for an
9 increase. In a negotiation you always ask for more
10 than what you expect. This is what I learned, being a
11 corporate lawyer. And so you always ask for a little
12 bit more than you expect, and hopefully you meet
13 somewhere in the middle. That is my thought of \$470.

14 But again, you know, I just think we're
15 spending too much time talking about an issue that is
16 not going to have that much of an effect. So there we
17 go.

18 PARTICIPANT: We've taken out the high, we've
19 taken out the low. We're at \$470. Is there a motion?

20 M O T I O N

21 PARTICIPANT: May I move that the committee
22 recommend \$470?

1 CHAIRMAN GREY: Is there a second?

2 PARTICIPANT: Second.

3 CHAIRMAN GREY: All in favor, say aye.

4 (Chorus of ayes.)

5 CHAIRMAN GREY: Opposed, no.

6 PARTICIPANT: I vote no.

7 CHAIRMAN GREY: Thank you for the thoughtful
8 consideration and discussion.

9 M O T I O N

10 CHAIRMAN GREY: I would like to move to
11 adjourn. Is there a motion?

12 PARTICIPANT: I will move.

13 CHAIRMAN GREY: Second?

14 PARTICIPANT: Second.

15 CHAIRMAN GREY: All in favor, say aye.

16 (Chorus of ayes.)

17 CHAIRMAN GREY: Opposed, no.

18 (No response.)

19 CHAIRMAN GREY: Meeting is adjourned.

20 (Whereupon, at 4:27 p.m., the meeting was
21 adjourned.)

22 ● * * * *