

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
FINANCE COMMITTEE

OPEN SESSION

Thursday, July 16, 2015

4:45 p.m.

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

COMMITTEE MEMBERS PRESENT:

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

OTHER BOARD MEMBERS PRESENT:

Charles N.W. Keckler
Victor B. Maddox
Julie A. Reiskin

STAFF AND PUBLIC PRESENT:

James J. Sandman, President

Lynn Jennings, Vice President for Grants Management

Rebecca Fertig Cohen, Special Assistant to the
President

Wendy Rhein, Chief Development Officer

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

Stefanie Davis, Assistant General Counsel, Office
of Legal Affairs

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

Jeffrey E. Schanz, Inspector General

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

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

Tom Hester, Associate Counsel, Office of the Inspector
General

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

Janet LaBella, Director, Office of Program
Performance

STAFF AND PUBLIC PRESENT:

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

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

Marcos Navarro, Office of Government Relations and
Public Affairs

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

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

Jean Lastine, Executive Director, Central Minnesota
Legal Services

Anne Hoefgen, Executive Director, Legal Services of
Northwest Minnesota

Jessie Nicholson, Executive Director, Southern
Minnesota Regional Legal Services

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

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

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

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

2 (4:45 p.m.)

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

5 M O T I O N

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

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

9 FATHER PIUS: Second.

10 CHAIRMAN GREY: All in favor say aye.

11 (A chorus of ayes.)

12 CHAIRMAN GREY: All opposed, no.

13 (No response.)

14 M O T I O N

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

19 FATHER PIUS: Second.

20 CHAIRMAN GREY: All in favor say aye.

21 (A chorus of ayes.)

22 CHAIRMAN GREY: All opposed, no.

1 (No response.)

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

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

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

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

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

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

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

6 DEAN MINOW: Thank you.

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

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

18 CHAIRMAN GREY: Any questions?

19 (No response.)

20 CHAIRMAN GREY: Thank you. Ms. Bergman?

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

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

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

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

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

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

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

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

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

22 Senator Mikulski offered an alternative bill

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

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

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

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

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

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

8 And that failed on a vote of 50 to 45.

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

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

22 Many members have been talking about the

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

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

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

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

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

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

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

19 Happy to answer any questions.

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

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

4 (Laughter.)

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

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

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

1 what you do with more money.

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

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

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

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

21 (Laughter.)

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

1 difference?

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

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

14 CHAIRMAN GREY: Any other questions?

15 (No response.)

16 CHAIRMAN GREY: Mr. Richardson?

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

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

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

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

8 DEAN MINOW: Do you need a motion?

9 CHAIRMAN GREY: We do.

10 M O T I O N

11 DEAN MINOW: I so move.

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

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

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

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

6 CHAIRMAN GREY: Other questions?

7 (No response.)

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

10 FATHER PIUS: Second.

11 CHAIRMAN GREY: All in favor, say aye.

12 (A chorus of ayes.)

13 CHAIRMAN GREY: All opposed, no.

14 (No response.)

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

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

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

1 Committee members who were not able to participate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 I'd be happy to answer any questions.

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

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

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

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

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

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

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

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

2 DEAN MINOW: Or is it page 25?

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

5 DEAN MINOW: Thank you.

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

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

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

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

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

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

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

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

15 PRESIDENT SANDMAN: That's correct.

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

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

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

3 MR. LEVI: But using the adjusted number.

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

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

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

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

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

1 DEAN MINOW: Correct.

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

4 DEAN MINOW: That was my point.

5 PRESIDENT SANDMAN: Right.

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

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

16 CHAIRMAN GREY: Jeff?

17 MR. D. MADDOX: Yes. My name is Dave Maddox.
18 I'm the Assistant Inspector General for Management and
19 Evaluation. We provided our input to the Finance
20 Committee, just as Management did, last Thursday.

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

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

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

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

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

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

1 CHAIRMAN GREY: Madam Vice Chair?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 CHAIRMAN GREY: Madam Vice Chair?

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

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

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

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

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

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

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

13 DEAN MINOW: Thank you.

14 CHAIRMAN GREY: Gloria?

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

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

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

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

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

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

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

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

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

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

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

22 CHAIRMAN GREY: I would never characterize

1 your thoughts as rambling, Father Pius.

2 (Laughter.)

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

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

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

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

17 Need a motion?

18 CHAIRMAN GREY: I do.

19 M O T I O N

20 DEAN MINOW: So moved.

21 FATHER PIUS: Seconded.

22 CHAIRMAN GREY: All in favor say aye.

1 (A chorus of ayes.)

2 CHAIRMAN GREY: Opposed, no.

3 (No response.)

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

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

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

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

22 CHAIRMAN GREY: Thank you, Mr. Chairman.

1 Public comment?

2 (No response.)

3 CHAIRMAN GREY: Other business?

4 (No response.)

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

6 Is there a motion to adjourn?

7 M O T I O N

8 DEAN MINOW: There is.

9 FATHER PIUS: Second.

10 CHAIRMAN GREY: All in favor say aye.

11 (A chorus of ayes.)

12 CHAIRMAN GREY: Opposed, no.

13 (No response.)

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

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