

LEGAL SERVICES CORPORATION
AUDIT AND APPROPRIATIONS COMMITTEE MEETING

Sunday, November 17, 1991

1:30 p.m.

The Madison Hotel
15th and M Streets, N.W.
Executive Chambers
Washington, D.C. 20005

Board Members Present:

Howard H. Dana, Jr., Chairman
J. Blakeley Hall
Jo Betts Love
Basile J. Uddo
George W. Wittgraf
Jeanine E. Wolbeck

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5:10 p.m.

Staff Members Present:

Jack O'Hara, President
Patricia Batie, Secretary
Ken Boehm, Director of Office of Field Services
Charles Moses, Counsel to the Board
Edouard Quatrevaux, Inspector General
David L. Richardson, Treasurer and Comptroller

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P R O C E E D I N G S

1
2 CHAIRMAN DANA: I'm going to call this meeting to
3 order. I want to welcome all of you to a meeting of the
4 Audit and Appropriations Committee. With me at the table is
5 Jeanine Wolbeck, a member of the committee, and Jo Betts Love
6 and Blakeley Hall and George Wittgraf, members of the Board
7 of Directors also here. Basile Uddo is expected momentarily,
8 which will complete the committee.

9 Our purposes are outlined in the green book that
10 should be available at the back of the room. How we would
11 like to proceed today, assuming the agenda is adopted as
12 indicated, we'll proceed from item to item. We would
13 encourage members of the public at any time to raise their
14 hand if they would like to be recognized to ask a question or
15 to make a statement.

16 We're here generally to inform ourselves so that
17 we'll be in a position to inform the Board. There are a few
18 additional items. If you have your agenda out, at some point
19 today we need to deal with or receive reports on the subject
20 of the Micronesia issue that was brought up at the last
21 meeting.

22 The IG has made a series of recommendations for

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1 additional hires. If we are not going to be adopting a full
2 COB, continuing operation budget, for 1992, he has requested
3 that he be authorized to make some hires. So we need to
4 focus on that. I do not think that we have approved -- David
5 may want to correct me if I'm wrong, but have we approved the
6 audit engagement letter, formally approved it?

7 MR. RICHARDSON: No, sir.

8 CHAIRMAN DANA: Okay. At the last meeting, there
9 was a concern with migrant grants. We want to report on
10 that. Apparently, the Corporation has an anti-subgrant
11 policy, and I'd like to be brought up to date on that, if
12 there's someone who can do that.

13 I think that may complete the additional items on
14 the agenda. Those items may come up in due course as we
15 proceed through the existing agenda. Is there a motion to
16 adopt the agenda as proposed and as sort of embellished?

17 M O T I O N

18 MS. WOLBECK: I so move.

19 CHAIRMAN DANA: I second it. All those in favor
20 say aye.

21 (A chorus of ayes.)

22 CHAIRMAN DANA: Opposed?

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1 (No response.)

2 CHAIRMAN DANA: It's a vote. In the Board book,
3 there are some minutes of our last meeting. Are there any
4 additions, corrections, suggestions?

5 (No response.)

6 CHAIRMAN DANA: Hearing none, is there a motion to
7 approve the minutes?

8 M O T I O N

9 MS. WOLBECK: I move to approve.

10 CHAIRMAN DANA: It's been moved and seconded. All
11 those in favor say aye.

12 (A chorus of ayes.)

13 CHAIRMAN DANA: Opposed?

14 (No response.)

15 CHAIRMAN DANA: It is a vote, unanimous. Now, I
16 would like to call on the source of all wisdom and knowledge
17 to come forward to consider the budget and expenses of last
18 year, that is to say Fiscal Year 1991. For the record, the
19 source of all wisdom and knowledge is David Richardson, our
20 comptroller, who is before us now. Welcome.

21 PRESENTATION OF DAVID L. RICHARDSON

22 TREASURER/COMPTROLLER

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1 MR. RICHARDSON: Good afternoon, sir. We'll be
2 referring at this juncture of the meeting to page 18, 19, 20,
3 and 21 of your Board books. In the delivery of legal
4 assistance, which is on page 18, I, budgeted this year for
5 the delivery of legal assistance was \$305,643,000.

6 We have expended to date \$301,373,000. I'm
7 rounding to the thousand. Our carryover, the remaining
8 funds, is \$4,270,000. However, of that amount, there is
9 \$3,981,000 that is designated to particular grantees. This
10 morning each of you should have received a supplemental to
11 this that listed each grantee that is on supplemental funding
12 that makes up that balance.

13 CHAIRMAN DANA: Is that the document that at the
14 top of the page says the 1991 Grantee Funding Levels?

15 MR. RICHARDSON: Yes, sir.

16 CHAIRMAN DANA: I'm trying to tie these two
17 documents together.

18 MR. RICHARDSON: Page 1 of that document you will
19 see, of course, the basic field. You've got a subtotal
20 caption of FY '91 committee carryover and FY '90 committee
21 carryover. That was committed by the Board action.

22 CHAIRMAN DANA: Could you tell me about that Board

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1 action?

2 MR. RICHARDSON: Yes, sir. Last year, the
3 Corporation had a similar amount. This year it's \$60,000,
4 almost \$61,000, that was carryover. It's not designated to
5 any one grantee. The Board voted to leave that in the basic
6 field budget category. From that \$60,000, we have made some
7 one-time grants, basically reducing that amount to the
8 \$30,979 that you have here. Those were for equipment
9 purchases.

10 There was one that was in here, the Kansas Legal
11 Services, they needed equipment to purchase. They've got
12 additional money. There is money that went to Alaska and a
13 few other grantees. Through the unsolicited grants proposal,
14 which is in the book, they got a copy of that proposal. They
15 sent it in and were granted those funds.

16 CHAIRMAN DANA: Now, the unsolicited grant proposal
17 that you are talking about, I think you're referring to a
18 handout that some of us received; is that correct?

19 MR. RICHARDSON: Yes, sir. It was separate from
20 the Board book.

21 CHAIRMAN DANA: It reads Office of Field Service
22 Guidelines for Submitting a Grant Proposal?

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1 MR. RICHARDSON: Yes, sir.

2 CHAIRMAN DANA: Do the people now have that? When
3 was this generated?

4 MR. RICHARDSON: These guidelines have been in
5 existence -- I don't know exactly but since about 1987 or
6 1988. We've used them through the years. When someone calls
7 in and they have a particular need, we would send this to
8 them. We get a number of requests for these each year as to
9 send us what we would need to solicit additional funds.

10 In the past, we have funded some child support
11 issues. We've supported a grantee called Support that helped
12 with child care payments and distribution. We've given money
13 to the ABA for a pamphlet, any number of ideas that come up.
14 For instance, this year there is the equipment needs that
15 some of the people had; computers, printers. We've made some
16 awards from this, using this proposal.

17 CHAIRMAN DANA: All right. So, last year when the
18 Board chose not to follow management's recommendation and
19 move some \$60,000 from the basic field line into M&A, you
20 have viewed that as committed for these purposes?

21 MR. RICHARDSON: That is correct, sir.

22 CHAIRMAN DANA: But the management has -- correct

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1 me if I'm wrong -- without further Board action, made grants
2 out of that sum to basic field programs?

3 MR. RICHARDSON: Yes, sir, that's true. Of course,
4 the grant-making authority through the Act is vested in the
5 president.

6 CHAIRMAN DANA: Right.

7 MR. RICHARDSON: So, when we let those funds, it
8 was my understanding, and I'm sure the president at that
9 time, that they were to be used to fund basic field
10 components.

11 CHAIRMAN DANA: All right. There is now \$30,979 of
12 Corporation funds that are leftover from 1990 that are not
13 committed to any particular grant.

14 MR. RICHARDSON: That's correct, sir, plus the
15 \$60,000 -- let me back up a little bit. That would be those
16 two totalled which amounts to about \$91,000.

17 CHAIRMAN DANA: Of the \$60,000 is --

18 MR. RICHARDSON: This year's funds.

19 CHAIRMAN DANA: This year's?

20 MR. RICHARDSON: Right.

21 CHAIRMAN DANA: All right. And that appears on
22 page 18, column 12, line 1.A.1.

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1 MR. RICHARDSON: That's correct, sir. As I
2 explained to you this weekend, there has been some additional
3 awards in the last week. Of course, the Kansas grant was a
4 one-time grant, so that will be subtracted. There was a
5 grant for Legal Services of Western Carolina that dealt with
6 the recent storm.

7 Also, Piedmont Legal Services received a grant.
8 There are others pending at this time as a result of the
9 recent storms on the east coast. Cape Hatteras and Cape Cod,
10 those are being reviewed at this time.

11 CHAIRMAN DANA: Members of the committee and
12 members of the Board, if you have any questions, please
13 either ask them or indicate that you have a question.
14 Otherwise, I'll keep trying to educate myself in the hopes of
15 educating us all.

16 Now, in this fiscal year, which is 1992, we have
17 some 400-and-odd thousands of dollars to deal with
18 emergencies; is that correct?

19 MR. RICHARDSON: That's correct, sir.

20 CHAIRMAN DANA: So, are you using basic field grant
21 monies to deal with emergencies still?

22 MR. RICHARDSON: We were at this time because, for

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1 instance, the particular problems and events happened in
2 August and September. It's just a matter of they are just
3 now getting the final paperwork, the final documentations to
4 us for the awards. So, yes, sir, we were contemplating
5 subtracting those or taking them from the basic field
6 category.

7 Many of these grants, for instance one, I think it
8 was western Carolina, was signed October 4th. They had the
9 grant since about September 15th or so, and they were delayed
10 in getting the documentation back to us for whatever reason.
11 So, otherwise, they would have been expended in last year to
12 begin with.

13 CHAIRMAN DANA: Okay. So, if I were making a list
14 of the dollars that were available to the Board for transfer
15 to some other account, I would include the \$30,979 remaining
16 leftover from 1990 and the \$31,266?

17 MR. RICHARDSON: Yes, sir.

18 CHAIRMAN DANA: All right. Is there any others?

19 MR. RICHARDSON: Yes, sir, there is. I did update
20 this last night after we had spoken. Let me give this to
21 you.

22 CHAIRMAN DANA: You have copies of these for

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1 everyone?

2 MR. RICHARDSON: Yes, sir. I had already laid some
3 out. Hopefully, everybody has the updated one.

4 CHAIRMAN DANA: Do I read this correctly that all
5 of the funds that have been earmarked for the Native American
6 program and component have been appropriated?

7 MR. RICHARDSON: I'm sorry, sir?

8 CHAIRMAN DANA: Is there any Native American
9 program and component funds that is available to the Board?

10 MR. RICHARDSON: No, sir. Let me state there that
11 there was carryover money again that was left in the Native
12 American line. There was money that was available through
13 1991. All those monies have been granted to Native American
14 components with one-time grants.

15 CHAIRMAN DANA: So, there is zero discretion in
16 that line for either management or the Board?

17 MR. RICHARDSON: That is correct, sir.

18 CHAIRMAN DANA: Now, in the migrant program
19 component --

20 MR. RICHARDSON: Within the migrant component, you
21 will see that we have remaining funds available of
22 \$1,076,000. Again, on the second page of this particular

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1 document, I have tried to show which states that money is
2 derived from. There is 1991 and 1990 carryover available
3 there. The 1990 carryover is \$274,562.

4 The money for Arkansas, this year, through an
5 application for funding, they received a half a year's grant.
6 Mississippi has, in the last week, submitted an application
7 which will be approved, or has been approved. So, there is,
8 instead of \$179,000 that's listed there, if you'll look at
9 the last page, I have subtracted \$50,000 from that to make
10 allowance for that grant. So, basically, there's around
11 \$178,000 from the State of Mississippi.

12 Basically, from the two migrant lines, you'll have
13 \$274,000 plus \$178,000.

14 CHAIRMAN DANA: Now, that is for 1990 and 1991.

15 MR. RICHARDSON: Yes, sir.

16 CHAIRMAN DANA: I think I am correct that we have
17 not been successful in making full use of the 1991 migrant
18 funds in the four states that previously did not have migrant
19 programs.

20 MR. RICHARDSON: That is correct, sir.

21 CHAIRMAN DANA: And I read some correspondence
22 focusing on that. Am I correct that in the states where we

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1 have not done that, which would be, I guess, is it
2 Mississippi and Alabama?

3 MR. RICHARDSON: That's correct, sir.

4 CHAIRMAN DANA: That we have urged them to go out
5 and do a legal needs study in the migrant community?

6 MR. RICHARDSON: That is correct, sir.

7 CHAIRMAN DANA: My understanding is that both
8 programs put in a grant request that envisioned a subgrant to
9 Florida Rural Legal.

10 MR. RICHARDSON: That is correct, sir.

11 CHAIRMAN DANA: And that there was a determination
12 made by staff that that violated Board policy or Corporation
13 policy. Is that your understanding as well?

14 MR. RICHARDSON: Yes, sir, it is.

15 CHAIRMAN DANA: Has anyone been able to find any
16 legal justification for that policy?

17 MR. RICHARDSON: That I'm not sure. I can find out
18 by the end of the day.

19 CHAIRMAN DANA: Is there anyone --

20 MR. RICHARDSON: We will have someone from Office
21 of Field Services here.

22 CHAIRMAN DANA: I further understand, and I don't

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1 know if there is anyone here in the room that works for the
2 Corporation that can speak to this, that there is plenty of
3 examples of subgrants between states. Is anyone from the
4 Corporation aware of this subject, or is Charlie the only one
5 that knows about this?

6 MR. RICHARDSON: I'm aware that there is some, but
7 I'm not sure to what extent. Certainly, when Mr. Moses comes
8 we can clarify. But it's my understanding with the grant
9 proposals, for instance with Mississippi, \$179,000, that the
10 original proposal was that people from Florida would open an
11 office for two or three months in the State of Mississippi
12 and then would be closed the remainder of the time. He can
13 certainly clarify that.

14 It was not, for instance, consulting on the basis
15 of "we're going to set up an office and let me show you how
16 to set it up." It was "We'll come up there and do it and
17 we'll leave for eight months out of the year."

18 CHAIRMAN DANA: I want to get into that. We got
19 into a little bit at the last meeting, and I want to get back
20 into it when Charlie gets here, so we'll move on.

21 I've got concerns that basically a year ago, maybe
22 it wasn't quite a year ago, it was last winter, the

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1 Corporation was pushed into doing something that it hadn't
2 done for some time, which is to fulfill Congress' mandate in
3 this area.

4 I'm concerned that another year has gone by and we
5 haven't done it. We're doing a legal needs study. I don't
6 know how you study legal needs when everybody is back home
7 for the winter, but maybe that's doable. We have states
8 where we all understand that work with migrant farm workers
9 requires a level of expertise that is not present in the bar
10 generally.

11 So it seemed to make sense to do some form of
12 training in order to jump start the program. I'm concerned
13 that we could be right back here a year from now with still
14 no programs in these states.

15 Returning to page 18, then, I understand that we
16 have --

17 MR. RICHARDSON: Would you like me to go straight
18 on down to I.B or are you going to ask questions?

19 CHAIRMAN DANA: Yes. That would be fine.

20 MR. RICHARDSON: Okay. Within the program
21 development line, which is I.B, Program Development, the
22 \$300,000 t here is money that was established in 1985. It

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1 started out at \$485,000 and was reduced in 1987. It was set
2 there for the implementation of timekeeping.

3 That is certainly money that the Board could
4 redistribute at its discretion. There is no immediate plans
5 to use that money for implementation or for studying
6 timekeeping at this point.

7 CHAIRMAN DANA: Okay.

8 MR. RICHARDSON: Within the supplemental field
9 program, C, we have two categories, the law school clinics
10 and supplemental field. The total budget for the two is
11 \$2,243,000. If you recall, we did increase this line with
12 \$17,531 from an allocation of resources outside the budget to
13 increase that line. We have spent the \$2,202,000.

14 There is \$41,000 that is committed to a
15 supplemental field program. That program is identified in
16 the supplemental that you have on page 3, the Charles Houston
17 Bar Association. They are on a month-to-month grant at this
18 time.

19 We've had plenty of questions. Do you want me to
20 stop there and see if there are any questions on page 18?

21 CHAIRMAN DANA: Questions from the committee?

22 (No response.)

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1 CHAIRMAN DANA: The Board?

2 (No response.)

3 CHAIRMAN DANA: Keep going.

4 MR. RICHARDSON: Page 19, II, the Support for the
5 Delivery of Legal Assistance, the total budget was
6 \$18,158,000. We have spent \$17,986,000, with the remaining
7 funds of \$171,500. In looking at II.A.2, Regional Training
8 Centers, the total budget, which is included in the
9 \$18,158,000, was \$662,000. We have spent \$668,800.

10 There is one grantee that is on a month-to-month
11 grant and that's the Massachusetts Law Reform Institute. So
12 there is a committee carryover there of \$45,154.

13 Within the other support category, the national
14 support, we have a budget of \$7,723,000. The amount expended
15 was \$7,643,000. There's a remaining balance of \$800,000 that
16 is available for the Board's reallocation.

17 CHAIRMAN DANA: \$80,002?

18 MR. RICHARDSON: Yes, sir. Within the state
19 support category, there was a budget of \$8,315,000. Expended
20 was \$8,268,000. The \$46,350 is available for the Board to
21 reallocate.

22 CHAIRMAN DANA: Did we know that those funds, those

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1 last two funds, were going to be available at the beginning
2 of the year?

3 MR. RICHARDSON: Basically, yes, sir. We have used
4 those in the past to make grants out of. For instance, we
5 just had a Drake training. That was charged to the national
6 support line.

7 CHAIRMAN DANA: But absent a one-time grant, we
8 knew those funds were going to be left over?

9 MR. RICHARDSON: That is correct, sir. There is a
10 fund statement that is usually distributed the month of
11 January, and those are normally identified at the bottom as
12 contingencies, contingency funds or holdover. They are not
13 allocated to any particular state or any particular grantee.

14 Of course, with Clearinghouse the budget was
15 \$900,000, and that was spent. The CALR, which is the
16 computer assisted legal research, was \$541,000, and that was
17 spent.

18 Page 20, III, is the corporate Management and
19 Administration. The total budget was \$10,783,000. I will
20 skip down to B first, which is the meritorious grant award.
21 There is an amount of \$10,000 for a neighborhood legal
22 services program in Charleston, South Carolina.

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1 That money was set aside for that particular
2 grantee who is working with an insurance program trying to
3 get reimbursed for the damage that was done through Hugo.
4 That money is still set aside for that. That's been held
5 over until December 31st.

6 To the Management and Administration itself, for
7 the administration of the program, the budget is \$10,773,000.
8 The amount spent was \$10,026,000. There is remaining funds
9 of \$746,000. Of that money, there is only one item that
10 would be listed as a committee carryover. That is the
11 \$46,000 for the Board training video.

12 There is a contract on that with a radio station, a
13 public broadcasting station, in Louisville to produce that.
14 Charlie Moses, again, this afternoon, he has been working
15 with that program trying to get that finished.

16 CHAIRMAN DANA: With all due respect, that has been
17 the longest coming project that I've been associated with.
18 Since we've been on the Board, it was going to be spent
19 within the next month or two. So that goes almost two years
20 now.

21 MR. RICHARDSON: It's actually three. It was
22 allocated in June of 1989.

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1 CHAIRMAN DANA: Do we have any reason to believe
2 that anybody is looking forward to the arrival of this?

3 MR. RICHARDSON: No, sir, not really.

4 CHAIRMAN DANA: Then, why are we doing it?

5 MR. RICHARDSON: This came about as a client
6 training or a client group that got together in Alexandria,
7 Virginia. It was under the direction of Mr. Clark Durant.
8 If I'm not mistaken, Mr. Uddo was involved in that program
9 also. They had originally asked for about \$300,000 for
10 client training. The \$50,000 was the compromise to come up
11 with the Board training.

12 Originally, it was slated for client Board
13 training. However, it sort of evolved not only as a client
14 Board training but a full Board training to show them how to
15 go through the Roberts Rules, how to set up meetings, what
16 they should be looking for.

17 You do mention that it's been almost two-and-a-half
18 years in the making; that's true. It's been under one
19 rewrite. Of course, Mr. Wear had it. He started it. It was
20 written under his tenure. It was edited again under Mr.
21 Martin. There was actually a contract signed last April for
22 the production of this video.

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1 CHAIRMAN DANA: Well, I guess I would request that
2 the president might wish to look into this to see if it's too
3 late to revisit it, if that seems appropriate. But I
4 sometimes think that once a Board actually puts its stamp on
5 something, it just lives on.

6 MR. O'HARA: I have a comment on that, Mr.
7 Chairman. I think it's one of these situations that has
8 grown like top seed. When I came into this position, we
9 received a copy of something they had prepared a year ago. I
10 looked at it and made some suggestions to change it to get it
11 more in tune with what the field wanted because I don't think
12 the field has been included enough in these things.

13 It's like this document here. I kept hearing last
14 January it was going to be out. I think what you do is you
15 put somebody on it and they produce it. We're going to do
16 the same thing with this. We will be following up on that.
17 Charlie Moses will know the current status. He has been
18 following up on it since we did get the initial draft or tape
19 in from them.

20 Chris, you haven't been working on that, have you?

21 A PARTICIPANT: No.

22 MR. O'HARA: Chris is an example. We got a bunch

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1 of the staff together and they put this out. This is the
2 first edition of the corporate newsletter which is going out
3 to the field. It should be going out in the mail tomorrow.

4 CHAIRMAN DANA: Are there copies of this
5 distributed?

6 MR. O'HARA: I believe we have some here today.

7 CHAIRMAN DANA: I don't know if the field is
8 looking forward to its arrival. If it would be valuable, I
9 think the concept of Board training, both for this Board and
10 other Boards, is a good concept. I just hope that we're
11 going to get our money's worth.

12 The record should reflect that our committee is now
13 whole. Welcome, Basile.

14 MR. UDDO: Thank you, Mr. Chairman.

15 CHAIRMAN DANA: I've been conducting a filibuster
16 up here until you got here. We are just learning about all
17 the various pots of money that are both committed and
18 uncommitted, but subject to Board action, that we have.
19 We've heard, I think, our 10th Board update on the status of
20 the Board training video. This is your era.

21 MR. UDDO: That's right.

22 CHAIRMAN DANA: Then, I take it, we have leftover

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1 unappropriated, unexpended money from the M&A line and other
2 funds available?

3 MR. RICHARDSON: Yes, sir. The other funds
4 available, the grant recoveries, \$385,000 was collected from
5 the grantees. We did allocate \$17,000. That's the reason
6 when you look at the remaining funds, there's \$367,000 that's
7 remaining available. There's interest income. That's
8 interest through our checking accounts and there's \$299,000.

9 Then, in the miscellaneous income, the \$4,000 is
10 FOIA requests and selling of the fact book. We sold some
11 furniture. It was about \$900.

12 CHAIRMAN DANA: On the back of the handout that is
13 not in the Board book, you have summarized all of the funds
14 available for Board action as \$2,297,267.

15 MR. RICHARDSON: That's correct, sir. Are we going
16 to clarify? Are you going to add the two basic field
17 components there, the \$30,797 and the \$31,266?

18 CHAIRMAN DANA: We should, shouldn't we?

19 MR. RICHARDSON: In doing so, your total is
20 \$2,359,330.

21 CHAIRMAN DANA: All right. So, for the record,
22 without regard to their designation in prior Congressional

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1 acts, we have \$2,359,330 available, legally available to the
2 Board at this moment, in addition to funds that have been
3 appropriated for this current year.

4 MR. RICHARDSON: That is correct, sir.

5 CHAIRMAN DANA: A total of \$350 million; is that
6 correct?

7 MR. RICHARDSON: That is correct, sir. Now, when
8 we say that there is --

9 CHAIRMAN DANA: The figure that you should write at
10 the bottom of page 3 of this little handout is \$2,359,330.

11 MR. WITTGRAF: That's uncommitted?

12 CHAIRMAN DANA: That's uncommitted and Board
13 committed, but subject to a Board changing its mind, funds.

14 MR. RICHARDSON: Let me clarify because you
15 mentioned adding that to the \$350 million. You do have to
16 add the full amount of the remaining funds, the \$5,870,000.
17 Those are the ones that are designated for the grantees and
18 the remaining funds that are subject to Board action. So,
19 the total should be the \$350 million plus \$5,870,000.

20 CHAIRMAN DANA: Okay. But to varying degrees, we
21 have some discretion over the --

22 MR. RICHARDSON: The \$2,359,000; yes, sir.

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1 CHAIRMAN DANA: Before we move on to 1992, and
2 having in mind that we are waiting for Mr. Moses to speak to
3 us about migrant funds and videos --

4 MR. RICHARDSON: Videos, and he also has your
5 information on Micronesia.

6 CHAIRMAN DANA: Passing over migrant funds,
7 Micronesia and the movie, is there anyone in the public that
8 wishes to speak to the subject of 1991 as distinguished from,
9 I think, carryovers? Maybe we have been talking about
10 carryovers.

11 Regina?

12 MS. ROGOFF: As distinguished from carryovers?

13 CHAIRMAN DANA: No, including carryovers.

14 PRESENTATION OF REGINA ROGOFF

15 EXECUTIVE DIRECTOR, LEGAL AID OF CENTRAL TEXAS

16 MS. ROGOFF: Hello, I'm Regina Rogoff. I'm the
17 executive director of the Legal Aid Society of central Texas.
18 I'm also co-chair of the Funding Criteria Committee of the
19 Project Advisory Group. I just have a few comments.

20 First, it would be very helpful to us to be
21 providing you with informed comment if we could receive
22 copies of the materials that are being discussed. Materials

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1 apparently were given to the Board and also were handed out
2 this morning that were not available to the Project Advisory
3 Group. We would simply ask as a courtesy if that could be in
4 the future arranged.

5 CHAIRMAN DANA: I think it's an excellent
6 suggestion. I think that we have been stressing the staff
7 with meetings and projects. We're really a little bit, as
8 you know, ahead of the curve in terms of this, of developing
9 a budget. So, a lot of the information we received this
10 morning ourselves and weren't sure, probably, how to get them
11 to you.

12 MS. ROGOFF: I must say that in my conversation
13 this morning with Mr. O'Hara, I'm very impressed with his
14 openness, his willingness to talk about issues, and his
15 interest in getting input from the field. So, I'm sure that
16 when things can be pointed out, it would be helpful for us to
17 be more informed in our comments. I don't expect there will
18 be any problems in the future.

19 I would like to reiterate that has always been the
20 policy of the Project Advisory Group to maintain carryover in
21 the line, the field lines from which it derives. So, we
22 would encourage you to the extent that there is carryover in

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1 national support, that that money be returned to national
2 support. Likewise, so that there's money in the migrant
3 line, that that money continue to retain its migrant
4 character.

5 I believe that the amount in the national support
6 line derives from the National Mental Health Law Project
7 declining a number of years ago to apply for LSC funds
8 because of the restrictions. So, the National Mental Health
9 Law Project gets funded elsewhere, but that amount has
10 carried from year to year in that line.

11 It begins the year, as you pointed out, uncommitted
12 because no program applies for it. I would encourage you to
13 either distribute that equitably among the national support
14 centers or reprogram it for some special national support
15 purpose.

16 I understand that in some years it has been used to
17 fund training at Drake University. The National Institute of
18 Child Advocacy Training is excellent training. I benefitted
19 from it in 1979. A number of my staff members have. I would
20 just like to comment that that is available elsewhere as
21 well.

22 The National Institute of Child Advocacy is always

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1 anxious and willing to provide scholarships, particularly for
2 minority lawyers, but generally for Legal Services lawyers.
3 We, at least in my program, have had some difficulty with the
4 Drake program because the lateness of notice has often ended
5 up costing us extra in travel, because we received notice at
6 such a late date that we can't get any discounted fares.

7 So, some of the benefit of getting the free
8 training is offset by the cost that we incur in sending
9 participants. I don't know if that is unique to my program,
10 but I know that it has been a problem, and maybe a problem
11 elsewhere. This training is available regionally directly
12 through the National Institute of Child Advocacy.

13 MR. UDDO: That might be unique to Drake.

14 MS. ROGOFF: Well, it's a problem then because the
15 National Legal Services Programs is paying for this training
16 so the local programs aren't training. But we end up adding
17 costs by having to pick up the travel.

18 MR. UDDO: I was just taking a little shot at the
19 Chair.

20 MR. WITTGRAF: Actually, I think that Mr. O'Hara
21 and I have learned those folks at Drake University in Des
22 Moines would probably push the responsibility back to us by

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1 saying we hadn't approved the funding for it soon enough.

2 So, in a sense, Ms. Rogoff is really making the
3 same point that was made by Dean Walker and Professor Power
4 to Mr. O'Hara and me earlier this week, that we need to get
5 the approval earlier. What about the quality of training at
6 that institute?

7 MS. ROGOFF: I've heard nothing negative. They do
8 the National Institute of Child Advocacy package, and the
9 people who have attended have thought it was very good.

10 MR. WITTGRAF: They've said nothing negative, but
11 that isn't necessarily the same as generally positive.

12 MS. ROGOFF: No. I think it is generally positive,
13 yes.

14 MR. WITTGRAF: Good. Thank you. Does that clarify
15 that point?

16 MS. ROGOFF: Other than the indirect cost that we
17 incur. If those can be reduced or eliminated -- but I did
18 just want to point out that that is also available regionally.
19 sometimes those trainings are held at Southern Methodist
20 University which has much less travel cost for our program
21 and obviously programs in our region. So, there's some
22 advantage not to always have something centrally but to take

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1 advantage of the regional.

2 MR. WITTGRAF: Right. The Congress apparently is
3 showing some interest in making the program at Drake
4 University --

5 (Simultaneous conversation.)

6 CHAIRMAN DANA: Are you suggesting perhaps that we
7 should ask Congress to look into the appropriateness of
8 directing all of the needed training to a small but excellent
9 law school in the Midwest as opposed to spreading it around
10 to various regional places?

11 MR. UDDO: I don't agree with that.

12 MS. ROGOFF: I would defer the political judgment
13 to the Board and not broil PAG in that.

14 CHAIRMAN DANA: Fair enough.

15 MR. WITTGRAF: I'm glad we found something that at
16 least PAG is willing to defer to the Board on.

17 MR. UDDO: Well, there's another small but
18 excellent law school that also does some of that training.

19 MR. WITTGRAF: We're planning to visit it next
20 February and find out more about it. Is that the Gillis-Long
21 Poverty Law Center at Loyola?

22 MR. UDDO: Yes.

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1 MR. WITTGRAF: Some of us were concerned we weren't
2 going to be able to go to New Orleans in February. But it
3 appears now that you and others of your brother and sister
4 have made it such that we can travel to New Orleans in
5 February; is that right?

6 MS. ROGOFF: I do believe I can speak for PAG in
7 expressing our appreciation for your vote there as well.

8 I just have one final comment, and I don't know
9 what the status is. If there is a contract for the video and
10 it is beyond the point of being reconsidered, all well and
11 good. We'll just live with that. But the mandate to do
12 Board training has been in place as one of the grant
13 assurances for a number of years.

14 So, Legal Services' programs, in the absence of a
15 Corporation video, have undertaken to train their Board
16 members. I believe the mandate has been there at least three
17 years. It may have been longer than that. I would just
18 point out that in virtually every community there is a local
19 United Way that provides free training for Boards.

20 I don't really see the merit in a national video on
21 parliamentary procedures. State bars have videos of that
22 nature and local United Ways. Programs can get that

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1 information at little or no cost and get it locally.

2 MR. UDDO: Let me just say something about that.
3 It was my understanding back when this was first conceived
4 that it would be somewhat more focused on LSC and LSC Board
5 service and LSC regulations and that sort of thing. I don't
6 know what's happened to it since then, but it was going to be
7 focused enough that I think it would be distinguishable from
8 a generalized video and service on a nonprofit Board, I
9 think.

10 MS. ROGOFF: What I heard was it was about
11 parliamentary procedure at this point. I do remember when it
12 was requested by the clients. It was requested to be part of
13 the national training of clients that would have been much
14 more large-scale matter as opposed to a \$50,000 video.

15 The mandate in the assurance that we have signed
16 says that we will train our Boards. When we do it we do a
17 piece about general Board responsibility. Then we do a piece
18 about legal services in particular. Certainly, in house, we
19 have that information as well.

20 MR. UDDO: Who said it was a video on parliamentary
21 procedures?

22 MS. ROGOFF: Well, that's what I thought I heard

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1 said.

2 MR. UDDO: I just got here. Did somebody say that
3 today?

4 MS. ROGOFF: Yes.

5 CHAIRMAN DANA: Well, the source of all knowledge
6 in that area is still Charlie Moses. We have put off further
7 explanation of --

8 MR. UDDO: Well, I would agree with you if that's
9 all it is. But that's not what I understood it to be from
10 its inception and through all the various stages of its
11 continued production. So I think we need to find that out.

12 CHAIRMAN DANA: Thank you. Any other comments?

13 (No response.)

14 CHAIRMAN DANA: Then, Mr. Comptroller, we will move
15 on to, I guess, a review of the Fiscal 1991 audit plan and
16 related procedures.

17 MR. RICHARDSON: Yes, sir. What I'll do is at this
18 time I have the managing partner of our audit from Grant &
19 Thornton, Christie Kasler, who is available and who will be
20 coming forward to address that with you.

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1 PRESENTATION OF CRYSTAL KASLER

2 MANAGING PARTNER, GRANT & THORNTON

3 MS. KASLER: Thank you very much.

4 CHAIRMAN DANA: Welcome back.

5 MS. KASLER: Thank you. When David called me a
6 couple weeks ago to ask me whether I could come before you
7 today I made very clear to him that this, in my opinion, was
8 probably a little premature since we are not complete on the
9 audit. I'm not ready to report to you on the results of the
10 audit. He said you understood that.

11 When I reviewed our papers to see what might make
12 sense to bring before you today, I found something, actually,
13 to my surprise that might be rather important; at least it's
14 very important to us. I hope you have the patience to, maybe
15 for 10 minutes, share with me your insights and then your
16 directives, because we are just about ready to start drafting
17 the financial statements of LSC, the general purpose
18 financial statements that you give to third parties, to
19 outsiders.

20 Those are your financial statements. You ought to
21 be happy with them and they ought to make sense to you. I
22 looked at them and saw that they clearly followed an audit

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1 guide called "Audits for Voluntary Health and Welfare
2 Organizations." I asked myself why that was, and I couldn't
3 readily find an answer.

4 I hope you could help me today to find the answer
5 or, absent that, find out what other audit guide to follow.
6 I can give you some insights as to what other audit guide
7 might be appropriate. The results would be dramatically
8 different.

9 CHAIRMAN DANA: I see our inspector general leaning
10 forward. Perhaps you'd like to come forward.

11 MR. QUATREVAUX: Well, I would like to listen with
12 great interest.

13 CHAIRMAN DANA: All right. For the record, you're
14 Ms. Kasler?

15 MS. KASLER: Crystal Kasler, yes.

16 CHAIRMAN DANA: The audit guide that we are now
17 following or have historically followed is which?

18 MS. KASLER: "Audits for Voluntary Health and
19 Welfare Organizations." I can venture a guess as to why that
20 is historically, but I really don't know. This audit guide
21 was one of the first ones issued by the AICPA for
22 not-for-profit organizations to follow. My surmise is that

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1 once LSC had adopted that, it never sort of stopped and
2 looked back to see whether it should follow newer guidance
3 that followed in later years.

4 CHAIRMAN DANA: That's interesting. It's a fact
5 that virtually all of our grantees are nonprofit corporations
6 that are probably more analogous to a nonprofit welfare
7 organization than they are to a widget manufacturer.

8 MS. KASLER: Actually, the not-for-profit field, if
9 you will, is governed by four different audit guides: one
10 for hospitals; one for colleges and universities; one for
11 voluntary health and welfare organizations; and one for
12 everybody else. So, the splintering of the industry wouldn't
13 further occur, one was issued to be the umbrella guidance for
14 everybody else that wasn't one of the former three.

15 So, I'm just bringing this before you for your
16 consideration, and then giving me directions as to what
17 formats you would like to have your financial statements
18 drafted.

19 CHAIRMAN DANA: One question would be could you,
20 recognizing that you're not talking to accountants, tell us
21 what the difference is and also give us your views on which
22 you would think would be most appropriate? In that regard,

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1 if Mr. Quatrevaux wishes to wade in, please do.

2 MR. QUATREVAUX: Well, I think we're going to hear
3 about some other alternatives as well, possibly, besides the
4 AICPA, comptroller general standards perhaps.

5 MS. KASLER: Well, no, actually not, to put it
6 shortly. Thinking you might ask this question, this
7 particular sheet of paper talks about the applicability of
8 the audit guide for voluntary health and welfare
9 organizations and suggests that it applies to organizations
10 formed for the purpose of performing voluntary services for
11 various segments of society.

12 Most voluntary health and welfare organizations
13 concentrate their efforts and expend their resources in an
14 attempt to solve health and welfare problems of our society
15 and, in many cases, those of specific individuals.

16 So far, I guess, you would qualify. But if we go
17 on reading, it says those organizations derive their revenue
18 primarily from voluntary contributions from the general
19 public. That's, I guess, where I have a problem. That's
20 really not the case.

21 CHAIRMAN DANA: Mr. Quatrevaux, I think it might be
22 helpful if you would come forward. While we are not part of

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1 the federal government, we are close. Did I understand you
2 to indicate that you thought that maybe we should be
3 following other guidelines more analogous to a government?

4 MR. QUATREVAUX: Mr. Chairman, I don't want to
5 interrupt the arrangements that have been made for this years
6 audit at this point.

7 CHAIRMAN DANA: Well, I take it that this
8 particular issue is up for grabs.

9 MR. QUATREVAUX: Well, I would just like to ask for
10 the very point you just made, Legal Service Corporation is
11 essentially a quasi-government organization. I just want to
12 ask the auditing firm, the representative, whether that's
13 standard, the comptroller general's standard.

14 MS. KASLER: GAO, yes.

15 MR. QUATREVAUX: The general government accounting
16 standards might be more appropriate. If they would be, what
17 do you think the implications might be?

18 MS. KASLER: I could tell you what the implications
19 are. There is yet another audit guide that actually governs
20 state and local governments. There are no audit guides for
21 the federal government yet. So, LSC being a private, if you
22 will, not-for-profit organization, I would assume that it

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1 would make sense for the time being until we have guidance,
2 let's say, for the federal government.

3 I understand some is coming, although slowly. We
4 should follow one of the private not-for-profit audit guides.
5 My suggestion, my sense, my general sense is that maybe the
6 one for audits called "For Certain Not-for-Profit
7 Organizations" might more closely fit your organization.

8 I brought along a list of organizations here that
9 generally follow that audit guide. Then I can tell you
10 practically what differences it makes in terms of drafting
11 the financial statements. Actually, you brought up a point
12 about following GAGAS. We have been told very clearly by
13 Dave Richardson that OMB has exempted LSC from following OMB
14 Circular A-133.

15 Therefore, our audit has not included GAGAS
16 standards, which it would have had you followed A-133. In
17 fact, Dave has drafted or will draft a letter to Palmer
18 Antonio from OMB just clarifying that Palmer has informally
19 told me that indeed Dave's understanding is correct.

20 CHAIRMAN DANA: I know virtually nothing about
21 this, but I want to be sure that we're on the same wavelength
22 in that. For your benefit, Ms. Kasler, we have a new

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1 inspector general. He is the second inspector general that
2 the Corporation has had. The Board is discussing with him
3 his role and function.

4 I think it's very important to this Board that the
5 inspector general obtain as much benefit from your audit of
6 us as possible. So, if it's in his judgment appropriate and
7 helpful to follow the federal government guidelines, even
8 though not required, it will probably be this committee's and
9 the Board's recommendation to do that. So, it wasn't clear
10 to me that prior practice was necessarily going to be
11 controlling.

12 MR. QUATREVAUX: I'm only up here to assist you in
13 this process. There's no question that the OMB standards are
14 not necessary for LSC's audit. I believe it would also be
15 the case that there would be extra cost involved. I haven't
16 been here long enough to have looked into the prior year's
17 audits of the LSC statements to be able to speak with any
18 insight to this area.

19 So, I just wanted to make sure we were exploring
20 that all the alternatives have been considered. I believe
21 they have.

22 MS. KASLER: We would be very happy, maybe in the

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1 planning phase of next year's audit, to visit that subject
2 with you and follow your directives.

3 CHAIRMAN DANA: The inspector general, as well as
4 the comptroller through the president, reports to the Board.
5 So, I think it may be helpful next year to consider his
6 interest as well as ours. What is the guideline that most of
7 our grantees follow; do you know?

8 MS. KASLER: I do not know.

9 MR. QUATREVAUX: It's simply the 1981 LSC
10 Accounting and Audit Guide. They have the option of using
11 the 1986 version as well. But those are LSC-specific
12 standards. They are not recognized by any external body.

13 MS. KASLER: In years prior, I had clients
14 following that audit guide, one of the best audit guides
15 there is out there, actually; concise, very straightforward
16 and very practical. The financial statements are drafted in
17 accordance with AICPA standards.

18 Whatever is in the LSC audit guide does not
19 contradict those. I cannot now remember what financial
20 statement formats are actually prescribed, although there are
21 some suggested formats in the audit guide. I didn't think of
22 looking at that.

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1 CHAIRMAN DANA: Do you have a recommendation for
2 us?

3 MS. KASLER: I would just say that you don't really
4 fall into the classification of voluntary health and welfare
5 organizations. I would suggest to you that you change and
6 follow the Audits of Certain Not-for-Profit Organizations, an
7 audit guide that was issued in 1981.

8 What it would change in terms of your financial
9 statements, it would not call for so-called statement of
10 functional expenses as a primary financial statement, but
11 would suggest that you present a statement of changes in
12 financial position or a statement of changes of cash flows
13 instead.

14 I have looked at your statement of functional
15 expenses and I don't think it adds anything to the
16 information.

17 CHAIRMAN DANA: David, is the statement of
18 functional expenses to which she relates something analogous
19 to the kind of statement that we have every month?

20 MR. RICHARDSON: Yes, sir, it is. It's a little
21 bit different format, but it does fall along those same
22 guidelines. Let me add here that in the last month I have

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1 received from the Department of Treasury additional financial
2 reporting that they are requiring of us the cash flow
3 analysis, the statement of change in operation that Ms.
4 Kasler is referring to.

5 We do have to prepare for Treasury this year --
6 they are actually already preparing it in a draft format.
7 The gentleman who is conducting the audit for Grant &
8 Thornton has those in his possession.

9 CHAIRMAN DANA: Is there any downside in adopting
10 her recommendation as from your point of view?

11 MR. RICHARDSON: Actually, no, sir. We would still
12 have the functional expenses as a supplemental statement.
13 What we would have is the changes in cash flow as an
14 additional statement. There's no downside to it.

15 CHAIRMAN DANA: To the extent that a motion is
16 necessary, is someone prepared to make one?

17 M O T I O N

18 MR. UDDO: I would move that we adopt the audit
19 manual as being proposed.

20 CHAIRMAN DANA: Is there a second?

21 MS. WOLBECK: Second.

22 CHAIRMAN DANA: Any further discussion?

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1 (No response.)

2 CHAIRMAN DANA: Hearing none, all those --

3 MR. RICHARDSON: Just one thing. You mentioned
4 before about having the Board of this committee vote on the
5 contract to Grant & Thornton. We talked three or four weeks
6 ago. I had faxed you a copy of that. It has been signed.
7 They do have it, of course. They are in the middle of the
8 audit now. They were in the office all of last week. If you
9 want to vote on that, this would be the time to do that.

10 CHAIRMAN DANA: Is adopting this guideline going to
11 impair in any way the contract that we already have?

12 MS. KASLER: No.

13 CHAIRMAN DANA: Let's take that up as a separate
14 motion then. All those in favor say aye.

15 (A chorus of ayes.)

16 CHAIRMAN DANA: Opposed?

17 (No response.)

18 CHAIRMAN DANA: It's a vote and unanimous. Is
19 there something else that we can help you with?

20 MS. KASLER: Yes. I've also read the footnotes to
21 the financial statements as they were presented last year.
22 They do, in my opinion, contain all the necessary

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1 disclosures. However, if we do change to the newer audit
2 guide, the newer audit guide also strongly suggests, let's
3 say, a more elaborate description of the program services
4 that the organization provides.

5 Generally, organizations like to do that since the
6 numbers of an exempt organization are not so bottom-lined
7 focused but more activity focused. The explanations in the
8 footnotes would serve well to further explain the activities
9 of the Corporation. I don't know what your feelings are
10 about that, what your thinking is about that.

11 We would recommend expanding the program
12 description somewhat in the first footnote that lays out the
13 history and the activity of the organization. If you have no
14 objections, we would work with your comptroller to accomplish
15 that.

16 CHAIRMAN DANA: Any objections?

17 (No response.)

18 CHAIRMAN DANA: No. That's fine.

19 MS. KASLER: Then I wanted to say to the audit, we
20 are in the middle of it, actually towards the end of it.
21 It's going very well. It's going as expected. So far we
22 have not made any adjusting entries to your numbers. So, the

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1 numbers that you have discussed today would be the numbers
2 that show up in the audited financial statements. There's a
3 possibility that some changes would be made. It's not very
4 likely, though, at this time.

5 We have somewhat changed the focus of the approach
6 to the audit. We have more looked at your internal controls
7 and have done some testing work to see whether the internal
8 controls that were set up within the organization have been
9 followed. The test work has come out very well.

10 We have not found any exceptions so far in our
11 testing work. As I said, this is a little premature to give
12 you a final report. This is sort of an intermediary step
13 now.

14 M O T I O N

15 MR. UDDO: In connection with Mr. Richardson's
16 comments earlier, I would move that this committee recommend
17 to the Board, which I assume is the appropriate way to do
18 that, the ratification and confirmation of the contract dated
19 October 3, 1991, that's been entered into by the Corporation
20 with Grant & Thornton.

21 CHAIRMAN DANA: Is there a second?

22 MS. WOLBECK: I'll second.

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1 CHAIRMAN DANA: Any discussion?

2 (No response.)

3 CHAIRMAN DANA: That's in the form of a
4 recommendation to the Board for approval tomorrow. All those
5 in favor say aye.

6 (A chorus of ayes.)

7 CHAIRMAN DANA: Opposed?

8 (No response.)

9 CHAIRMAN DANA: It is a vote. Thank you very much.
10 Members of the committee, the next item of the agenda is a
11 consideration of Fiscal Year 1992 Management and
12 Administration budget. Each of you have received today a
13 book that is somewhat analogous to one of the volumes we had
14 last year.

15 At the beginning of the book, there are some
16 familiar documents. I'd ask David to explain them. It's not
17 clear to me that we are going to be in a position as a
18 committee to having just received this to make a
19 recommendation to the Board on it. But we do need to do that
20 preferably sooner than we did last year.

21 MR. RICHARDSON: Yes, sir. This information is
22 presented for discussion. I had not envisioned you adopting

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1 it today at all, possibly in St. Louis next month.

2 MR. UDDO: Is St. Louis a meeting or is St. Louis
3 something other than a meeting?

4 CHAIRMAN DANA: It's a meeting and something else.
5 Please help us to understand.

6 MR. RICHARDSON: All right, sir. The very first
7 sheet that you have is a consolidated budget worksheet. I
8 had prepared that more as a guide for me than anything. What
9 I have done is when you look at the pages 18, 19, and 20 in
10 your green book, you'll see that the remaining funds, as Ms.
11 Rogoff had mentioned, has been left in each line.

12 For instance, the basic field category, you'll see,
13 has a carryover of remaining funds of \$2,845,000. That's the
14 same amount that I brought over as an allocation of
15 carryovers. So, none of the funds are losing their
16 appropriations character. They've not been swept into
17 Management and Administration that not this Board but prior
18 Boards had been doing.

19 The only amounts that have been added for the
20 Management and Administration has been the \$748,000. That
21 was remaining. Then the other funds available, your interest
22 and grant recoveries, that was \$671,000. Those two added

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1 together will equal \$1,418,000. Basically, what I'm trying
2 to do in looking at this is to add your appropriations level
3 for Management and Administration, \$9.8 million, to the \$1.4
4 million as a guide to work on a budget to bring something
5 before this committee to review as to a target that the
6 Corporation would work for.

7 The second page, which I've called it Attachment C,
8 it's the same worksheet that you see, the expenses by
9 category --

10 CHAIRMAN DANA: Before we move from that, I
11 understand that the \$5,870,152, which is in column 3, on the
12 page that field doesn't have --

13 MR. RICHARDSON: That's correct, sir.

14 CHAIRMAN DANA: Sorry -- is the same as the
15 remaining funds column on page 18, 19, 20, and 21.

16 MR. RICHARDSON: That's correct, sir.

17 CHAIRMAN DANA: But you have reallocated some of
18 that money.

19 CHAIRMAN DANA: No, sir, I have not.

20 CHAIRMAN DANA: You have not?

21 MR. RICHARDSON: As I stated, the remaining funds
22 that are listed in 18 and 19, all of it transferred over.

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1 There is no allocation or no pull down to Management and
2 Administration at all.

3 CHAIRMAN DANA: All right. The \$1,418,338, where
4 does that all come from?

5 MR. RICHARDSON: Okay. That comes from, again, in
6 the handout that I gave you --

7 CHAIRMAN DANA: I'm sorry. I've got it. It's the
8 46 and the 10 that brings it up.

9 MR. RICHARDSON: Right. It's the \$746,683, the
10 Management and Administration carryover remaining funds, and
11 the other funds available, the \$671,655. Those two equal
12 \$1,418,338.

13 CHAIRMAN DANA: Okay. It's these two funds. Now
14 you can turn the page.

15 MR. RICHARDSON: Okay. The first document,
16 Attachment C as it's labeled, is the director's proposed
17 budget. We've been in the process for the past two months of
18 gathering data from the corporate directors as to how they
19 would see their particular offices functioning and the
20 additional staff that they would require. They submitted a
21 budget of \$12,418,000.

22 CHAIRMAN DANA: For the record, and so our

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1 political lives are still in tact, the directors to which you
2 are referring do not include us.

3 MR. RICHARDSON: No, not the Board of Directors,
4 the directors of each office within the Corporation; yes,
5 sir.

6 What I did with the next one, which is Attachment
7 D, is Mr. Dana had asked me to prepare a budget based on a
8 freeze of corporate staff, a freeze as far as current level
9 and as far as a freeze in the spending that was completed
10 last year.

11 However, I did include, for instance, things that I
12 know have gone up such as the rent. That's included here and
13 a few other small items. But the freeze budget ended up
14 being \$10,173,000. So, basically, we see the two, the
15 upside, the \$12,400,000, and then the downside is
16 \$10,173,000.

17 CHAIRMAN DANA: Now, there are positions which have
18 been previously authorized that are at the present time
19 unfilled.

20 MR. RICHARDSON: That is correct, sir.

21 CHAIRMAN DANA: They may or may not have been
22 filled during this fiscal year. Does your freeze budget

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1 envision those empty slots being filled?

2 MR. RICHARDSON: No, sir, it does not. It's
3 current staffing levels only. The next caption that you have
4 is Attachment E. What I have done after collecting all the
5 information, as I had opportunity to sit down and talk on the
6 phone with, of course, the chairman, Mr. Dana, with Mr.
7 O'Hara later in the week.

8 Now I've gone into the budget and basically
9 eliminated many positions, as Mr. Dana had. He got the
10 original budget, \$12,400,000. Included in that was some
11 almost 30 additional staff members. Realizing that we're not
12 going to be able to add that additional amount of people,
13 there were two reasons. The main one is we don't have enough
14 money to do it under present configuration.

15 Then, of course, we need to look at why they were
16 adding particular staff. There was some justification.
17 However, many of the directors which I have talked to, some
18 of them felt they could take on some of the activities by
19 again doubling up positions, doubling up work that needs to
20 be done.

21 So, with that, I've now worked to a budget of
22 \$11,493,000.

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1 CHAIRMAN DANA: How much has been appropriated by
2 Congress?

3 MR. RICHARDSON: The Congressional appropriation
4 was \$9,810,000. That's the first column of the 350 on the
5 very first page. Management and Administration is
6 \$9,810,000.

7 MR. UDDO: For 1992?

8 MR. RICHARDSON: For 1992. When we originally
9 submitted our budget to Congress, we anticipated a \$1.5
10 million carryover. So, basically, we were asking for an M&A
11 budget of \$11,500,000 when we went to Congress with the \$355
12 million that the Board requested last year for FY '92.

13 CHAIRMAN DANA: This attachment E is consistent
14 with that level of funding?

15 MR. RICHARDSON: Yes, sir, it is.

16 MR. UDDO: Are we going to have that carryover?

17 MR. RICHARDSON: Well, there is money available for
18 it. When we were adding before, the \$2,393,000 of funds
19 that's available for Board actions, there is still \$800,000
20 that the Board could move a portion of that into M&A so that
21 this would be the budget. There is many things that we could
22 do with that.

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1 CHAIRMAN DANA: This gets back to the first part of
2 the meeting. My understanding is that we have carryover
3 and/or Board discretionary funds of \$2,359,330.

4 MR. RICHARDSON: That is correct, sir.

5 MR. UDDO: How much of those Board discretionary?

6 MR. RICHARDSON: The whole amount.

7 MR. UDDO: Wait. Some of this is carryover, but
8 some of it is something else. In other words, I know the
9 carryover can be reallocated but to get to that figure, there
10 was a line that was board discretionary money, right?

11 MR. RICHARDSON: Let me ask your pleasure. Would
12 you like to start going through budget by budget at this
13 point?

14 CHAIRMAN DANA: Is that the committee's pleasure?

15 MR. UDDO: I think if by that you mean go through
16 these three different variations and you tell us what's in
17 the supporting material, I don't know that we need to do
18 that. I think we need to look at the supporting material
19 first and ask questions about it. Is that what you're
20 talking about?

21 MR. RICHARDSON: Yes, sir.

22 MR. UDDO: In other words, why one is a \$12 million

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1 budget and why one is a \$10 million and one is an \$11 million
2 is in the rest of these materials.

3 MR. RICHARDSON: Actually, no. You only have one
4 budget which is the comprised, \$11,493,000 here.

5 MR. UDDO: But do you give explanations for how you
6 got from the \$12 million wish list to the \$11 million
7 compromise? Or did you start with the \$11 million and say
8 this is what makes up the \$11 million and why we think we
9 need it?

10 MR. RICHARDSON: It is detailed somewhat, yes. But
11 it's not laid out specifically. I will give you an example.
12 For instance, if we look at the general counsel, if you look
13 at the very first -- there are three columns there. The
14 revised budget is last years, the amount spent last year; the
15 director's proposed, the freeze budget; and then the proposed
16 budget.

17 The backup documentation supports that \$11 million
18 budget. What I have done is, for instance, there was
19 categories. You can see the shifting, the subtraction here
20 and there that's going back and forth. As far as the
21 personnel, I have separated those.

22 For instance, if you'll turn to the personnel

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1 caption, you'll see that there is a deputy general counsel.
2 There is a legal secretary.

3 MR. UDDO: Those are all under your proposed
4 budget?

5 MR. RICHARDSON: Those are in the proposed. The
6 ones that are separated and below, the senior counsel --

7 MR. UDDO: Those were on the wish list?

8 MR. RICHARDSON: Those were on the wish list.

9 MR. UDDO: Is that true throughout the book that
10 the last grouping underneath everything else would be what
11 had been requested by the director of that division, and
12 you've sort of taken out in this proposed budget?

13 MR. RICHARDSON: Yes, sir, for the most part.

14 MR. UDDO: Well, then, in answer to the Chairman's
15 question, I don't know that we really want David to go
16 through and tell us all that which we can take some time and
17 look through for ourselves and then ask questions. It's
18 probably more productive to do it that way than to have you
19 go through all these things.

20 CHAIRMAN DANA: Well, that's the issue. I think
21 that we're into this year. I know with respect to the
22 inspector general, he is anxious to begin to staff up to a

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1 level that he is proposing. If we wait until December to do
2 some things -- you may recall, we didn't really adopt a
3 budget for the fiscal year in which we are currently
4 operating until February.

5 MR. RICHARDSON: March. It was March 29th.

6 CHAIRMAN DANA: That meant that the year was half
7 over by the time that we had a budget. So we need to give
8 some guidance.

9 MR. UDDO: What I was going to say, Mr. Chairman,
10 is that the director's proposed budget and the compromised
11 budget keep the inspector general figure the same. It's only
12 the freeze budget that differs.

13 CHAIRMAN DANA: Correct.

14 MR. UDDO: So maybe we can just go ahead and
15 approve that, since there really isn't a dispute on that.

16 CHAIRMAN DANA: Well, I think it's fair to say that
17 the president and the comptroller have not exercised their
18 discretion with respect to the IG's proposal because he has a
19 separate access to us. They didn't feel it appropriate to
20 deal with that.

21 MR. UDDO: But in the freeze budget, it shows what
22 it would be under the freeze budget, doesn't it?

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1 CHAIRMAN DANA: That's true.

2 MR. UDDO: We have some basis for comparison. I
3 don't know if we can do that separate from everything else,
4 but it seems to me that it's pretty clear that now that we're
5 into the IG process enough to know a little bit better what
6 it's going to take to operate that office, that we almost
7 certainly have to increase the funding for that office.

8 I think you're right, Howard, that we might not be
9 able to put that off as easily as other parts of this. So I
10 guess what I'm groping for is a way to acknowledge that we've
11 got to do something and maybe do it today.

12 MR. RICHARDSON: If I may make a suggestion, the
13 first sheet is where I have attempted to come to some type of
14 budget total. If we could get to a point where you adopt
15 maybe not an \$11.2 million budget but something that would
16 give us some impetus to go back and develop a budget, maybe
17 the \$11.4.

18 You see that the two don't match because I have
19 noticed, as you've noticed, reduced the IG's budget. If we,
20 for instance, adopt the concept of the \$11.5 million, which
21 was what we were looking for during the year, you have enough
22 money to do that.

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1 Or, if you adopt an \$11 million budget, then we can
2 go back and develop a budget within the parameters, within
3 the dollar figures that we have available to us.

4 CHAIRMAN DANA: I'm concerned, frankly, with giving
5 management a number and saying spend it any way you want to.
6 I think that abdicates virtually any Board oversight or any
7 involvement in that issue. So I do think that it is
8 necessary to -- at least it's this Board member's view that
9 we should at least know what it is that you are proposing to
10 do and why.

11 We could, for instance, say let's go with the
12 \$11,228,338 number which is your sort of interim proposal,
13 which I take it is a reflection of the effort that you and
14 the president did following my gagging at the larger number.
15 But I'm not sure that the larger number isn't the right
16 number. Nor am I sure that the \$11,228,000 isn't too big.

17 We have, without getting into the various lines, we
18 have \$300,000 of timekeeping monies that are available to get
19 us from \$11,228,000 up to your \$11.5 if we needed to. I do
20 think that we need to be advised as to what it is that you
21 are proposing.

22 There were 28 positions that were initially

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1 proposed to be added to the existing staffing level in the
2 wish list budget. How many positions are being proposed in
3 the reduced one and where are they? That kind of analysis, I
4 think, is important, and I don't think we're going to be able
5 to do it today.

6 MR. UDDO: Well, as I think I understood what David
7 was suggesting, you weren't suggesting that we approve a
8 bottom line figure and then you all spend it the way you
9 want. I mean, as I understood what you were saying it's if
10 we think that the compromised figure might be one that was
11 rationally arrived at, we could approve that and come back
12 and do the division by division decisions to divide up that
13 figure, whatever it is. Is that what you were suggesting?

14 MR. RICHARDSON: Yes, sir, it is, only for guidance
15 for myself and the president and the other directors as we
16 bring forth a total budget.

17 CHAIRMAN DANA: You indicated that Attachment D,
18 the so-called freeze budget, is to freeze hiring as of this
19 precise second.

20 MR. RICHARDSON: That's correct, sir.

21 CHAIRMAN DANA: What I was interested in seeing was
22 the budget that would exist if we operated the Corporation

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1 with the same staffing level that we had last year. I
2 understood from your explanation that that's a different
3 number.

4 MR. RICHARDSON: Yes, sir, it is. For instance, as
5 we see in the executive office budget, we had an executive
6 assistant that was with us last year for 10 months. He has
7 not been replaced yet. We'd like to replace him. We also do
8 not have a secretary, an administrative assistant in the
9 executive office. That young lady left in July. We've not
10 yet replaced her.

11 So, yes, there is positions that we had last year
12 that we're not asking for new ones; we're just asking to
13 replace those.

14 CHAIRMAN DANA: Well, one concern I have is that we
15 spent approximately \$10 million on M&A last year. Your
16 budget one way is a 15 percent increase. That is a dream that
17 the field hasn't seen in a decade. I think before we just
18 willy-nilly vote a 10, 12, or 15 percent increase in the
19 corporate level, I think we need some more understanding of
20 that.

21 Also, I was somewhat concerned that I understood,
22 Mr. President, that it was your plan to have two vice

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1 presidents.

2 MR. O'HARA: That would be subject to a resolution
3 of the Board to carry out what I had determined needed to be
4 done at the management study and during the four months that
5 it was there prior to the time I began being president. I
6 would hope to utilize people in the Corporation for that
7 position and not be going outside. The position that person
8 would come from hopefully would not have to be filled.

9 CHAIRMAN DANA: Then that is really a change
10 between the wish list and this list.

11 MR. O'HARA: Is it from the wish list?

12 MR. RICHARDSON: Actually, it's just splitting the
13 person between the two offices.

14 CHAIRMAN DANA: But in the \$12,418,000, we had a
15 head of MAC and we had a vice president over MAC.

16 MR. RICHARDSON: No, sir. You have a vice --

17 CHAIRMAN DANA: And several other directors.

18 MR. RICHARDSON: We only have one vice president
19 and then you have a director of monitoring. If you'd like to
20 look at the two without getting into the particulars, since
21 it has not been approved by the Board yet --

22 MR. UDDO: Mr. Chairman, it seems we're back where

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1 we started and that is we agree that we need some more time
2 to make this decision, but I think we also agree that the
3 inspector general's office is in a unique situation and has
4 unique staffing demands that need to be met.

5 So, I thought that's what we were going to try to
6 resolve. How do we put off making decisions that we don't
7 feel we've been able to digest the information to make yet,
8 and yet not continue to delay the inspector general's efforts
9 to staff his office?

10 CHAIRMAN DANA: I think we can address the IG now.
11 If we did not adopt a COB until December, would that cause
12 serious problems for the Corporation?

13 MR. O'HARA: Not for the executive office or any of
14 the other operating divisions.

15 MR. RICHARDSON: Not to my knowledge either. There
16 has been some advertisements for some of these positions that
17 are contemplated. People have not been selected for them.
18 In your newsletter, for instance, you've got your PAI
19 coordinator. That is one position, of course, that's
20 contemplated here. It's being added in. But as far as
21 results, we can operate without them until approved.

22 CHAIRMAN DANA: The, it would seem to me that

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1 within the context that there is a -- as long as this
2 committee will be able to be reasonable, and so will the
3 Board, if we could have more time to digest the information
4 that we received this morning, and perhaps have more in the
5 way of explanation for the rationale for what it is that is
6 being proposed, and to the extent that we want to be
7 satisfied that that's enough and we also want to be satisfied
8 that it isn't too much, I think that I agree with the
9 suggestion that's been made that we not take a recommendation
10 on the COB today. But I do think we need to discuss the IG's
11 recommendation.

12 MR. UDDO: Could I make a recommendation or a
13 suggestion? I agree with what you're saying. I think if we
14 really want to do this right, I think the committee is going
15 to have to have each of the division directors come before
16 the committee and tell us why they think they need what they
17 think they need.

18 I think it's too much to ask you to answer for
19 every division in the Corporation as to why they want X
20 number of people or whatever it is they want. You've got the
21 outline of what's being suggested in the book. We can read
22 that, get some idea of what's going on. But I think we need

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1 the directors of each division to come here.

2 Maybe we need a day long meeting and let them tell
3 us why they think they need what they think. To me that's
4 the best way for me to make a decision about who is doing the
5 best job of justifying what they need and what they want.
6 Just looking at figures on paper is not going to answer that
7 question for me.

8 CHAIRMAN DANA: That would be one alternative.
9 Another alternative would be to have the president and the
10 comptroller provide their rationale for making the
11 recommendation. If it's a day long meeting, fine. I think I
12 would like to, as a predicate before we decide whether or not
13 we need to do that, would a written presentation be
14 appropriate first as a preliminary?

15 MR. UDDO: I think that's fine. I'd like to have a
16 chance to ask people questions. I mean, it would be helpful
17 to have a written presentation from each division director to
18 help prepare for that. But again, if we've got to decide
19 that MAC hasn't made as good a case as some other division,
20 it seems that we've got to be able to ask those people if our
21 perceptions of why we're supporting one division's
22 recommendation and not another's is correct.

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1 I've never seen this process able to do that
2 without having the chance to ask the people who are
3 responsible for the divisions to answer questions and defend
4 their recommendations. If you do it in writing, that's fine.
5 Be very persuasive.

6 They are all bright, articulate people that will do
7 a good job of supporting what they are asking for. Until we
8 get down to asking some questions, I don't think it's going
9 to be very easy to make a judgment about who really needs it
10 and who doesn't.

11 So I think written presentations are fine to help
12 prepare for it, but I still think we need a chance to have
13 them each come here and defend their position, basically.

14 CHAIRMAN DANA: You are talking, I guess, about a
15 meeting here prior to December, rather than bringing all
16 department chairman to --

17 MR. UDDO: No. I agree with you. I think it needs
18 to be done here. But the question is I guess we do need it
19 prior to December because if we're going to try to make this
20 decision at the December Board meeting, we would need to do
21 that before.

22 Personally, it's going to be hard for me to come

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1 here for a day prior to the December Board meeting. So I
2 don't know. As much as I'd like to do it, it may be a
3 logistical impossibility.

4 CHAIRMAN DANA: Coming back to my suggestion, maybe
5 a written presentation first and then we can confer and
6 decide.

7 MR. UDDO: Decide if we think we need to do it,
8 okay.

9 CHAIRMAN DANA: Could we hear from the IG?

10 MR. UDDO: Are we saying that officially that
11 that's what we're requesting? I mean, should the president
12 take that back to the directors of the different divisions
13 that that's what we want or is this still in the proposal
14 stage?

15 MR. O'HARA: Mr. Chairman, if I could. Mr. Uddo,
16 in response to your question, at the time that the
17 comptroller and I went over the director's wish list, we
18 looked at all of the positions that they asked for. I think
19 there were a total of 28 or 27. I think we ended up granting
20 about 9, maybe 10. They were uniformly distributed.

21 What we did in our evaluation was to look at the
22 reasons why the various directors had requested the

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1 positions. In many cases, some of the positions would not
2 become operational until later in the year, perhaps the
3 following year.

4 We felt given the time that would be necessary to
5 put out requests for applications and the time to interview
6 candidates, it would be maybe next year before the people
7 were actually on board. I think some of the directors were
8 looking at the increased appropriation as a signal that the
9 workload was going to get heavier. As you know, that's not
10 necessarily true.

11 The money would be split amongst the programs that
12 are out there now. We would have the same number of
13 programs. In addition, we're looking at somewhat of a
14 revision of the monitoring process. As you know, I'd like to
15 do things a little differently.

16 I think when we added up all of those particular
17 items, we came up with a list, a figure of people that
18 actually needed to be put on board. We did deny a lot of
19 positions where we thought maybe the extra person wasn't
20 needed. We would be happy to comply with whatever the Board
21 wants on that.

22 CHAIRMAN DANA: I think it would be helpful to this

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1 director to understand better the rationale for increases in
2 hires and the allocation between divisions. One of the
3 difficulties that I had in comparing this year's request with
4 last year was that both Office of Field Services and MAC have
5 been subdivided into divisions or departments or something.
6 What do we call them?

7 MR. O'HARA: That's correct. That was a
8 reorganization.

9 CHAIRMAN DANA: In MAC, for instance, there's an
10 area that does auditing. There are four, five, or six
11 auditors. Inspector general is also requesting some
12 auditors. Knowing who is auditing what and why, it's
13 confusing to this director a little bit. I think it's
14 important that we understand that.

15 MR. O'HARA: Well, I think that if I could respond
16 to that, Mr. Chairman, the function of the auditors who work
17 in MAC is quite different from that of the function of the
18 auditors who work in the inspector general's office by the
19 very nature of the inspector general legislation.

20 He is almost prohibited from going into the
21 operational aspects of a program. He has a different
22 function than the people who are in MAC, and that's why we

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1 have changed the name of the audit group in MAC to fiscal
2 review.

3 MR. UDDO: So, what are we requesting? Are we
4 requesting the division directors to give us the support or
5 do you just want it from David and Jack?

6 CHAIRMAN DANA: I would defer to the president as
7 to how he wants to proceed. I think that the input comes up
8 and is filtered through the president and the comptroller and
9 comes to us. If we need to ask questions, and we think that
10 our understanding would be enhanced if we had the people who
11 are on the front line in addition to them, and we're able to
12 come to Washington to ask those questions, then I think we
13 could make that determination then.

14 MR. UDDO: That's fine. I guess what I'm trying to
15 find out is what are we asking for the December meeting be
16 done? As I understand it, it sounds like you're saying to
17 ask the president to just give us some analysis of how he and
18 the comptroller settled on the proposals that they made, some
19 rationale for it. Is that what we're asking for before the
20 next meeting?

21 CHAIRMAN DANA: I think so.

22 MR. O'HARA: If I could interject again, I'd be

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1 happy to bring the various office directors to the meeting
2 and appear with them. I think that's a fair way to do it. I
3 have no problem with them coming in.

4 CHAIRMAN DANA: It may be that we could find a time
5 when one or more directors could come to Washington as we did
6 last year. It was very helpful to me, frankly, coming into
7 town and going over the budget and understanding each and
8 every line. I was able to come back, having satisfied my
9 concerns. Maybe you could do the same.

10 MR. UDDO: Just in terms of the general function of
11 the different divisions, I am pretty comfortable with that.
12 I'm only concerned with -- again, as I understand what you're
13 saying and I agree with it. I agreed with it last year that
14 our responsibility requires that we be convinced that the
15 judgments about what's needed and not needed and how it's
16 apportioned among the different divisions has a rationale.

17 I start with the presumption that it does because I
18 believe that the president and the comptroller have taken a
19 good careful look at this. I think that their recommendation
20 comes with a presumption of correctness and support. But
21 we've set the precedent that we should look at these things
22 and satisfy ourselves.

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1 So I'm just trying to find a way that maybe we can
2 institutionalize how we will perform that function and get
3 ourselves the amount of information we think we need to be
4 satisfied that these proposals do have the kind of rationale
5 that we're comfortable with.

6 My coming to Washington isn't as much of a concern
7 to me as trying to find a way that we should start doing this
8 on an institutionalized basis for letter us make this
9 decision, which we've got to make every year. I think your
10 proposal is fine.

11 In addition to the numbers proposal that the
12 president and the comptroller give us, I would say a brief
13 rationale because this could be a tome of great length that
14 would be very difficult to digest. I mean, what I'm
15 interested in is just some brief but to-the-point summary of
16 why you're making this recommendation over some other and why
17 general counsel's office is going to get two people and MAC
18 one person.

19 I'm sure that you've gone through that and you've
20 got answers for it, put it into writing for us to look at.
21 Then I guess the next step would be if we really feel that
22 that hasn't persuaded us and we do have some questions, then

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1 we'd have to come and meet and ask the people whose divisions
2 are affected to speak to us about it.

3 So, then, before the St. Louis meeting what we'd be
4 asking for is just some brief written justification for the
5 proposal that you're making in the compromised budget.

6 CHAIRMAN DANA: That's fine. I'd like to ask the
7 IG to come forward.

8 MR. QUATREVAUX: Thank you, Mr. Chairman.

9 CHAIRMAN DANA: The IG department has expended
10 \$280,290 during the fiscal year that just ended. My
11 understanding is that you have proposed a budget that would
12 go to \$761,900 this year. But because some of those people
13 are coming in somewhat well into the year that that will go
14 up even higher next year.

15 MR. QUATREVAUX: That's correct.

16 CHAIRMAN DANA: At the present time there are six
17 people on your staff?

18 MR. QUATREVAUX: That's correct.

19 CHAIRMAN DANA: You are currently advertising for
20 an assistant IG for the audit division?

21 MR. QUATREVAUX: Yes. Interviews have been held.

22 CHAIRMAN DANA: Okay. Am I correct that it is your

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1 request that in the short run you be authorized to advertise
2 and hire three additional persons?

3 MR. QUATREVAUX: Yes, Mr. Chairman.

4 CHAIRMAN DANA: Our recommendation, therefore,
5 addresses that request. If you are without a full budget,
6 your immediate request of this committee and ultimately the
7 Board would be authorization to employ the three new
8 positions; namely, two auditors and an investigator?

9 PRESENTATION OF EDOUARD QUATREVAUX

10 INSPECTOR GENERAL

11 MR. QUATREVAUX: That's right, Mr. Chairman. I
12 plan to make a proposal, presentation to the Board tomorrow
13 which will recognize that the full budget has to be
14 considered by this committee, but also that we are in
15 something of a start-up situation, that there's lead time
16 involved in bringing these people on board. There's also
17 training that has to be done.

18 But basically we're in a situation where there is
19 certain activities that the statute requires the office to
20 conduct that are not being conducted now for reasons known to
21 all. It's a matter of getting things in motion which
22 prompted me or made me realize it's necessary to get somewhat

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1 ahead of the budget process.

2 I think, given the presentation or the proposal I
3 plan to make tomorrow, and I have had the opportunity to make
4 to some members of the Board thus far, that it will be
5 considered reasonable and just a starting sort of action.
6 The three positions are two auditors and one investigator.

7 MR. UDDO: Mr. Quatrevaux, just let me ask you a
8 couple of questions about the proposal that's in our book
9 here. As you heard me say, I think that we need to treat
10 your office somewhat differently to allow you to get geared
11 up the way you think you need to, particularly in light of
12 the proposal I understand you're going to make to the Board
13 tomorrow.

14 One question I do have, though, looking at your
15 proposed new positions, your grade levels are pretty high for
16 the people that you want to hire. Maybe you could tell us
17 why you think you need to start with people at such a high
18 level, which not only makes it more expensive but also, I
19 guess, has the -- and this is your decision to make, but just
20 for my own information -- makes the upward mobility somewhat
21 more restrictive. As I understand it, 7 is as high as you go
22 in this grade level.

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1 MR. QUATREVAUX: That's correct. First of all, the
2 two assistant IG positions carry with it the responsibility
3 to develop the entire program in their functional areas.
4 These people are the kind of people that need to be seasoned
5 to the degree where they recognize what it is that it takes
6 to do this job. They need to be able to train the people to
7 do the job.

8 Remember, we're dealing with an inspector general
9 office environment which is quite different from most other
10 types of activities. So we may acquire an auditor who is a
11 very good auditor. But still, the performance of that kind
12 of duty in an IG environment is quite different than it is
13 ordinarily. So there is that aspect to it.

14 Generally, once you get below those two levels, you
15 have to understand what this job really is. It is critic at
16 large. If you're going to go around and criticize other
17 people, you had better have the wherewithal to do that
18 properly because otherwise people will point out your own
19 problems.

20 So, that's the essence of it. That is a standard
21 that, to my knowledge, has been followed in the Defense
22 Department, the position. Grade levels tend to be more

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1 senior than the activities which are subject to the scrutiny
2 of the IGs.

3 MR. UDDO: So you think the grade levels and the
4 salary levels, which I guess are effective by the grade
5 levels anyway, would be what you'd see in other IG offices?

6 MR. QUATREVAUX: It's top loaded in terms of any
7 kind of -- not so much pyramidically but in terms of the
8 grade levels, yes.

9 MR. UDDO: Is there any other designated entity, as
10 they say, that we can look to in terms of comparison? I
11 mean, I'm a little hesitant to compare us to the Defense
12 Department.

13 MR. QUATREVAUX: Right, exactly.

14 MR. UDDO: That may not be a good one.

15 MR. QUATREVAUX: I have a report. I don't have it
16 with me, but I'm not sure it will do you much good but it
17 covers the other 32 or 33 designated federal entities. It
18 shows you just what their staffing is. The problem with it
19 is it runs from virtually nothing to the Postal Department
20 with, I think, 10,000 or 12,000 people working there.

21 MR. UDDO: Do you have any idea what would be the
22 closest analog in that group to us in terms of the size of

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1 the operation and the budget and that sort of thing? I mean,
2 we've talked about this for years; what do we compare
3 ourselves to.

4 One thing that comes up or one group that comes up
5 fairly often is the Corporation for Public Broadcasting
6 because it's set up similarly as an independent corporation
7 funded largely by Congress and doles out money sort of the
8 way we do.

9 Are they one of the designated entities?

10 MR. QUATREVAUX: They are; also, in terms of grant
11 makers, the National Science Foundation. I believe there's
12 one or two others.

13 MR. UDDO: Could your report excerpt out what the
14 IG offices in, say, those two would look like, just for
15 purposes of comparison?

16 MR. QUATREVAUX: Sure. We'd be able to do that for
17 you.

18 MR. UDDO: I'd like to just have that as a basis
19 for reference. As far as I'm concerned, we're writing on a
20 clean slate here. I don't think we know much about -- I
21 speak for myself. I don't know much about what these offices
22 look like and how they operate. I'd rather not err on either

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1 side of doing it, beneath what we should be doing it or get
2 subject to criticism because we're doing more than what other
3 similar entities are doing.

4 MR. QUATREVAUX: I would just caution you, without
5 knowing what those numbers are, that those organizations may
6 in fact have too many people and/or may have too few and may
7 not be doing the job. Let's just take them for what they
8 are.

9 MR. UDDO: At least we've made an effort to make
10 some comparison.

11 MR. QUATREVAUX: The approach I've taken, rather
12 than looking at the other organizations, is to try to figure
13 out just what it is we're in the business of doing and what
14 it is we hope to be able to do. The staffing computation was
15 made that way.

16 MR. UDDO: All right. I'm going to make a
17 proposal. I don't know if we've ever done that before, but
18 that's never stopped us from doing things for the first time
19 in the past. I think that we really need to let you get
20 about your business and not wait for us to finish this review
21 of M&A generally.

22 So, I'm going to make a motion. First of all, let

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1 me check with the Chairman here.

2 CHAIRMAN DANA: The motion would be in order.

3 MR. UDDO: Would it be a recommendation to the
4 Board or can the committee recommend to management?

5 CHAIRMAN DANA: My understanding is that the IG is
6 going to make a recommendation to the Board and that he has
7 previously met with some of us. We've heard his
8 recommendation. I think it would be in the nature of our
9 recommendation to the Board on the funding component.

10 MR. UDDO: Then I would move that the committee
11 recommend to the Board --

12 CHAIRMAN DANA: With respect to just the employees,
13 the employee request. My understanding is that your
14 immediate request is to proceed with the hiring of the three
15 additional employees.

16 MR. QUATREVAUX: That's correct. It's shown on the
17 last page of the presentation handout that you have.

18 MR. UDDO: So the assistant has got two auditors
19 and an investigator?

20 MR. QUATREVAUX: That's right. The assistant I'm
21 counting as a done deal, if you will, because it was
22 contained in the last year's budget. The process is

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1 essentially well along.

2 MR. UDDO: So, to be safe, what we're really
3 dealing with is giving you or recommending to the Board that
4 you be authorized to hire two auditors and an investigator?

5 MR. QUATREVAUX: That's correct.

6 M O T I O N

7 MR. UDDO: Then I would move that the committee
8 recommend to the Board that pending our further review of the
9 M&A line of the budget for Fiscal Year 1992, that we
10 nonetheless authorize the inspector general to hire two
11 additional auditors and an investigator as proposed by the
12 inspector general.

13 MS. WOLBECK: Second.

14 CHAIRMAN DANA: It's been moved and seconded. Is
15 there any discussion?

16 (No response.)

17 CHAIRMAN DANA: Other members of the Board?

18 (No response.)

19 CHAIRMAN DANA: From the public?

20 (No response.)

21 CHAIRMAN DANA: Hearing none, all those in favor
22 say aye.

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1 (A chorus of ayes.)

2 CHAIRMAN DANA: Opposed?

3 (No response.)

4 CHAIRMAN DANA: It's a vote. Thank you.

5 MR. QUATREVAUX: Thank you.

6 CHAIRMAN DANA: Public comment on the proposed
7 Fiscal Year 1993 budget mark. Should we take care of
8 Charlie? Charlie, your name was used in vain earlier in this
9 meeting.

10 My recollection of the subjects on which you seem
11 to be the source of the straight scoop are three: one, the
12 soon-to-be-released movie, the training tape; two, a report
13 on Micronesia; and three, the Corporation's handling of the
14 migrant grants, which came up at the last meeting, the
15 Corporation's decision to turn down two applications which
16 involve subgrants based upon an alleged corporate policy to
17 that effect.

18 MR. MOSES: That's correct. Would you like for me
19 to handle each of those in order, or do you want to deal with
20 migrants first?

21 CHAIRMAN DANA: Why don't we deal with migrants
22 first?

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1 PRESENTATION OF CHARLES MOSES

2 COUNSEL TO THE BOARD

3 MR. MOSES: As you are all aware, this was on the
4 agenda for the Portland Board meeting and unfortunately had
5 to be moved over to this Board meeting. In fact, it's on the
6 agenda for tomorrow's Board meeting, but I can basically tell
7 you what I would be telling you tomorrow anyway.

8 As of this point, the Corporation had four states
9 in which we were working with a service provider in those
10 states for additional migrant grants. The written materials
11 from the Portland Board meeting had indicated that in three
12 of those states a grant had already been let. Those states
13 were, of course, Alabama, Arkansas and, I believe, Tennessee.

14 Since the time of the Portland Board meeting, we
15 have in fact signed off on a proposal from central
16 Mississippi for the migrant grant going to Mississippi. It
17 should be appearing in the Federal Register, I believe,
18 tomorrow. That was a grant that unfortunately took us a
19 little longer to negotiate it.

20 What ended up happening was we got a proposal from
21 central Mississippi for their migrant grant for what they
22 would like to do with it right before the Portland Board

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1 meeting. We've since been back and forth with Lindia
2 Robinson who is the executive director of Central
3 Mississippi.

4 We had some discussion. In fact, in the discussion
5 we determined that she had not really asked for enough money
6 to do what she wanted to do. So we then raised the amount of
7 her request so that we could give her sufficient funds to
8 accomplish the needs assessments the way that she needed to
9 in the State of Mississippi.

10 CHAIRMAN DANA: Excuse me just a minute. Let's go
11 back a little bit. In letters, copies of which I have
12 received, you may have given them to me, that Ellen signed to
13 Lindia Robinson, she asserts that as set forth in her letter
14 of May 21, it remains general Legal Services Corporation
15 policy not to award funds for interstate subgrants. That was
16 the same explanation that was provided to Alabama as to why
17 their grant applications were turned down.

18 MR. MOSES: If I may correct you, sir, the
19 applications, as far as we were concerned, were not turned
20 down. Essentially what we did was we accepted the
21 applications, but then we began a negotiation over what it
22 was they were going to do.

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1 In negotiating with both Mississippi and Alabama,
2 we have negotiated a deal which I think is actually much
3 better, so that they are controlling it. They are
4 controlling the grant. They are controlling the needs
5 studies that they are doing in those two states from within
6 their state.

7 Lindia Robinson in Central Mississippi is
8 controlling the needs study that they're doing from
9 Mississippi. They are hiring outside consultants to help
10 them with that. In fact, I believe that Ms. Robinson is
11 hiring an outside consultant from the State of Washington
12 that's coming to help them.

13 In Alabama, they are hiring an outside consultant
14 to help them with the needs study.

15 CHAIRMAN DANA: Excuse me, Charlie. I am concerned
16 about the assertion that there is in fact a policy at this
17 Corporation not to award funds for interstate subgrants.
18 That was the reason for rejecting proposals to use all of the
19 funding in the Alabama and the Mississippi grants. Am I
20 correct or not?

21 MR. MOSES: Well, that was part of the problem. I
22 will hasten to say that all of the funding for the Alabama

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1 and the Mississippi grant is continuing on the books. As
2 we've been discussing with both Alabama and Mississippi, at
3 the point where they have been able to complete their needs
4 assessments and know what they need within the states, that
5 money should remain unexpended and available for them for
6 start-up costs.

7 So, it's not as if they are not using that money.
8 In fact, they will be using it but only after the point where
9 they are totally aware of what they want to do.

10 CHAIRMAN DANA: Let me make my point clear. I
11 clearly haven't done that. On August 7, 1991, Alabama was
12 told that it has been general LSC policy not to award funds
13 for interstate subgrants. "Your proposal and subsequent
14 response did not present a clear and convincing case for why
15 the Florida Rural Legal Services is the appropriate vehicle
16 to delivery high caliber and cost effective legal services to
17 Alabama's migrant population."

18 A similar statement was made to Mississippi. Both
19 entities have been encouraged by the Corporation, based upon
20 that policy, since they didn't have anybody to conduct legal
21 need studies this year; is that correct?

22 MR. MOSES: They are both in the process of

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1 conducting their legal need studies now.

2 CHAIRMAN DANA: So they will presumably, based upon
3 legal need studies, be in a position to provide services next
4 year?

5 MR. MOSES: That is correct. In all of the states
6 where new additional migrant money was delivered, we have
7 found that it was very important for them to have a legal
8 needs study. In fact, all of them have been doing a legal
9 needs study.

10 So they will have some idea of the type of service
11 that they want to give before they simply go out and give
12 away large sums of money or use large sums of money. They
13 need to know what they need to do with it. This is what we
14 were working with all of the four individuals that had shown
15 an interest in the migrant funding to do.

16 CHAIRMAN DANA: What bothers me, frankly, is that
17 each of the programs involved had a proposal essentially to
18 have somebody that knows what they're doing help them. We
19 have said, as a Corporation based upon a policy that I was
20 unaware of, that we can't have interstate subgrants. I can't
21 find any authority for that policy. I'm wondering if you
22 know where that policy came from.

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1 MR. MOSES: Generally speaking, it's always best if
2 you can get someone within the territory that they are
3 serving to understand what their own problem, to understand
4 what their needs are in the local community, so that they can
5 then meet those needs.

6 CHAIRMAN DANA: How do they acquire that knowledge?

7 MR. MOSES: They are all acquiring that knowledge
8 through a needs assessment being done at this point, as we
9 speak, under the grants that the Corporation has given.

10 CHAIRMAN DANA: How is it possible to do a needs
11 assessment of migrant workers who aren't there?

12 MR. MOSES: I will admit I'm not totally familiar
13 with the growing season in each of the states in question. I
14 know that in Arkansas that they had started much sooner than
15 in the other states. I know that in Alabama and Mississippi,
16 which were the last two states that we've been dealing with,
17 they've been dealing with individuals who have targeted the
18 time of the growing season to come in and complete the needs
19 assessment.

20 Now, it's true that none of the needs assessments
21 are going to be finished by January 1. But I believe the
22 latest date for completion of the needs assessments is March,

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1 at which time they will be fully knowledgeable about what the
2 needs of the migrant population are in their state.

3 They'll come back to us for the granting of the
4 additional funds and they'll have a much better idea of what
5 they need those funds for and how they can best service those
6 individuals.

7 CHAIRMAN DANA: Other than talking to migrants who
8 are not there because they are at home, wherever home is,
9 what are the so-called legal need studies going to accomplish
10 between now and March 1? My concern, Charlie, is, frankly, I
11 think we've wasted a year and it looks like we might be
12 wasting another one.

13 Who is going to train the lawyers in Mississippi
14 and Alabama to provide assistance to migrants that they've
15 never assisted before? Who is going to teach them about the
16 law? Who is going to bring them along? Do we have a plan
17 for that?

18 If they can't use lawyers from other states that
19 know what they're doing, how are they going to acquire this
20 knowledge, other than through a legal needs study at a time
21 when there is no one there?

22 MR. MOSES: Mr. Dana, in fact they are using

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1 lawyers from other states.

2 CHAIRMAN DANA: So there is not a policy?

3 MR. MOSES: There is no subgrant. There is a very
4 fine distinction there.

5 CHAIRMAN DANA: Help me.

6 MR. MOSES: In each of these instances, in both
7 Alabama and Mississippi, they are using not just lawyers from
8 other states but some other professionals as well. I believe
9 Alabama is using individuals from Florida Rural Legal Aid to
10 assist them under a contract basis.

11 It's not a subgrant arrangement, but it's a
12 contracting basis to assist them in their needs assessment to
13 decide what they need to do and how best to do it.
14 Mississippi has contracted with a separate group of
15 professionals.

16 I believe they are coming from the State of
17 Washington to help individuals in Mississippi. However, they
18 are doing it in conjunction with interviews not only with the
19 migrants just in the State of Mississippi, but within the
20 surrounding states as well.

21 They are working with individuals who are working
22 in Florida, in Texas, in Alabama. We're making sure that

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1 each of the individual states and each of the individual
2 grantees are fully aware of the needs assessments that are
3 going on in the surrounding states at the same time. These
4 are being driven by the individual grantees at the local
5 level.

6 MR. UDDO: Mr. Chairman, can I make a
7 recommendation that the question of whether or not there is
8 or should be such a policy be referred to the Committee on
9 Provisions of Legal Services and we just decide whether or
10 not there is some instruction we want to give to Mr. Moses
11 about using the money?

12 I mean, apparently there's confusion about whether
13 or not there is a policy, a specific policy. Your concern is
14 the money is there and let's spend it.

15 CHAIRMAN DANA: My concern is that this committee a
16 year ago exercised some concern that Congress had set aside
17 some money for those four states and for years we hadn't been
18 spending it. The Corporation, I thought, proceeded with all
19 deliberate speed in the Brown v. Board of Education context
20 to get these grants out.

21 Now what turned out to be grants are now legal need
22 studies which I'm a great proponent of legal need studies,

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1 but I don't know where it's going and I'm very concerned that
2 another year of bureaucratic turmoil will leave us in exactly
3 this position or a similar position next year. That's my
4 concern. The chairman of the Provisions Committee has just
5 left.

6 MR. UDDO: I'm just trying to say that there's two
7 different questions going on. One is whether there's a
8 policy that is a good policy or a bad policy. I don't think
9 we've got to try to solve that today. I think our concern
10 is, is there some way that we can apply these funds to their
11 intended purpose more quickly than they have been so far.

12 I would say that all delivered speed phrase in
13 Brown v. Board of Education took about as long as this, if
14 not longer. So that's understandable.

15 Could we just take a brief recess, if there's no
16 objection to that?

17 CHAIRMAN DANA: Sure.

18 (A brief recess was taken.)

19 CHAIRMAN DANA: We're going to be taking up the
20 migrant issue tomorrow, I think. Therefore, I think we will
21 not continue that now. Charlie, we're running short of time.
22 I really want to learn more about Micronesia. Actually,

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1 we've probably talked enough about the movie. Are we correct
2 that we are committed to whatever it is that we've agreed to
3 spend on that video? That was the issue.

4 MR. MOSES: I think we had been committed. We had
5 signed contracts. In fact, we're in the final edits. This
6 is the video that Mr. Uddo should remember. Well, he was on
7 the Board at the time when they voted to do this.

8 MR. UDDO: No. I said earlier before you got here
9 that it was referred to as a video on parliamentary
10 procedure. I said that that is clearly not what it was
11 intended to be, just a video on parliamentary procedure. If
12 it is what it was intended to be, I think it will be helpful
13 to the programs.

14 MR. MOSES: In fact, it is much more than just
15 parliamentary procedures.

16 CHAIRMAN DANA: Well, we are looking forward to it.

17 MR. MOSES: A quick word on Micronesia.

18 CHAIRMAN DANA: If you could be available maybe
19 tomorrow to give a quick word on Micronesia, that would be
20 great.

21 MR. MOSES: Okay.

22 MR. UDDO: Mr. Chairman, I have to backtrack on the

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1 inspector general motion that I made. I was informed by the
2 comptroller that in fact we would have to specially approve
3 the request for a position for an assistant inspector
4 general, even though it was proposed in last year's budget.
5 In order to get it included in this budget, we need to
6 include that in the proposal.

7 M O T I O N

8 MR. UDDO: So I would move that we amend the
9 original motion that was approved to make the recommendation
10 to the Board and add in addition to the two auditors and the
11 investigator a position designated assistant inspector
12 general as defined in the materials that were presented to
13 us.

14 CHAIRMAN DANA: Is there a second?

15 MS. WOLBECK: I second that.

16 CHAIRMAN DANA: Any further discussion?

17 (No response.)

18 CHAIRMAN DANA: All those in favor say aye.

19 (A chorus of ayes.)

20 CHAIRMAN DANA: Opposed?

21 (No response.)

22 CHAIRMAN DANA: It is a vote. The next item on the

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1 agenda is public comment on a proposed Fiscal Year 1993
2 budget mark for the Corporation. Andy, we've been waiting a
3 long time.

4 PRESENTATION OF ANDREW STEINBERG AND REGINA ROGOFF

5 MR. STEINBERG: I'm going to be presenting the
6 testimony with my co-chair, Ms. Rogoff. She will be joining
7 me at the table in a moment, I think.

8 My name is Andy Steinberg. I'm executive director
9 of Western Massachusetts Legal Services in Springfield,
10 Massachusetts and one of the co-chairs of the Funding
11 Criteria Committee. My co-chair, who will be joining me in a
12 moment, is Regina Rogoff, who had previously introduced
13 herself. She's from Austin, Texas.

14 I was going to talk about one piece of the
15 testimony that we presented in writing, and that has to do
16 with the 1990 census. But I guess as a preface, I also
17 wanted to also reflect back for a moment on a couple things.
18 One is that when you last met it was in New England, which is
19 my home territory as well as the committee chair's real home
20 territory.

21 You heard presentations from a number of programs
22 about what is happening to their clients and about problems

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1 that they are having in delivery. I had wanted to say right
2 then and there that the presentations that they were making
3 were some of the best testimony that could be presented about
4 the budget mark. I did not have the opportunity to say that.
5 So I'm doing so now.

6 I joined Legal Services straight out of law school
7 in 1973 and have stayed with Legal Services as a career since
8 then because I believe that the legal system stands for
9 justice, and that justice can address many needs of poor
10 people. It's justice but it's also a means of trying to
11 address some of the basic life needs of poor people.

12 Those basic life needs in New England have become
13 more difficult and more difficult for a larger number of
14 people. One of the hardest things that I found to do in my
15 Legal Services career is never to say no to a client, that we
16 can't help you.

17 What I've been finding recently is that we have
18 more people eligible for our service with more difficult
19 problems. As a program, we're having to say no a whole lot
20 more, and that is very difficult for any of us to do.
21 Ultimately, throughout the presentation that Regina and I are
22 making, a lot of what the bottom line is that we're asking

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1 your help so that we can have the resources to say no to less
2 people coming to us with really desperate legal needs.

3 As I indicated, the piece that I am specifically
4 testifying today about is the 1990 census which will be
5 incorporated in 1993 into calculations of grants. So we're
6 talking about the budget mark for the first year that the
7 1990 census results will be involved in grant calculations.

8 Of course, we have, over the years, talked about
9 per capita grant levels, the amount of money per poor person,
10 and that is going to be now viewed as of 1993 by new census
11 numbers. The mark the Project Advisory Group is proposing to
12 you is calculated at minimum access.

13 It's calculated at \$19.09 per poor person at a
14 number that we anticipate will be counted by the 1990 census
15 at this point, an actual unknown number. Of course, if you
16 funded minimum access, you're going to resolve the problem.
17 Regina is going to make a presentation in a moment about why
18 minimum access is necessary.

19 But I do want to make an additional point, and that
20 is that assuming that you can't get to minimum access this
21 year, a substantial increase in funding is really needed to
22 address the problem of allocation amongst programs in a fair

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1 and reasonable manner as a result of the changes that will
2 ensue from the census.

3 For the past two and half years, the Project
4 Advisory Group, through the Funding Criteria and Steering
5 Committees has been studying the impact that the census will
6 have on program funding. We've made several preliminary
7 observations about the census.

8 First of all, the census is a count every 10 years,
9 but it's actually a snapshot attempting to measure the number
10 of poor on a given date. In reality, poverty trends take
11 place over longer periods of time and poverty population
12 fluctuates based upon general demographic trends and local
13 economic circumstances.

14 The population Sun Belt areas, as they are called,
15 has been increasing rapidly during the 1980s. Programs in
16 those areas of the country have been serving more poor people
17 during this period than was counted in the 1980 census, which
18 has been used for funding distribution up until now.

19 To that extent, poor funded programs in such areas
20 are actually receiving less than the \$9.88 per poor person
21 that will be funded in 1992 as a result of a new
22 appropriation bill. At the same time, there's been great

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1 fluctuations.

2 As I've commented just a moment ago, in New
3 England, my own region, the number of poor people is really
4 much greater now than is even going to be counted in the 1990
5 census. So the snapshot nature of the census is something to
6 bear in mind.

7 A second point to consider sort of as background
8 and as noted in the written testimony is the poverty
9 population is likely to increase from 1980 to 1990 by more
10 than 15 percent. That has a couple of very special meanings
11 for programs.

12 There will be some programs in those Sun Belt areas
13 that will have a substantial increase. They could have
14 doubling of their poverty population from 1980 to 1990. But
15 there will be a lot more programs that will have some
16 increase in poverty population.

17 There will be very few programs, 10 percent maybe,
18 that have a decrease in their poverty population during the
19 decade. Only a handful, and maybe none, will show a
20 significant decrease. So without new funds to address the
21 problem of funding according to the 1990 census level, you
22 will not be attending to the needs of those programs that

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1 have had modest increases in poverty population in comparison
2 to those few Sun Belt areas, which will be a lot of programs,
3 and to those programs that have had a very minor fluctuation.

4 The third point that we considered at PAG and urge
5 you to consider is that all legal services programs currently
6 are inadequately funded. We are all struggling to meet the
7 needs no matter what our current per capita funding level is.

8 As we examined these three underlying realities, it
9 was clear that two principles that were articulated in the
10 1980s for basic funding policy still apply in the 1990s.
11 Those principles have been incorporated into the LSC
12 appropriation bill and into that formula for the distribution
13 of new funding that's been used since 1984.

14 The two principles are very simply these. One,
15 because all programs are inadequately funded, per capita
16 equity should not be achieved by crippling any grantee and
17 devastating services to its clients. Those of us who were
18 project directors in 1982, when grants were cut by 25 percent
19 due to budget cuts in the first Reagan years, Administration
20 year, know only too well about how difficult it is to manage
21 in a substantial cut in funding, and how that can damage a
22 program over a long period of time, and how devastating that

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1 can be for services to clients in an area.

2 The other principle that we've applied is that new
3 funding, when it's distributed by a carefully developed
4 formula does achieve equalization. Next year when funding is
5 at \$9.88 per poor person as the base as a result of the
6 increase that was achieved with substantial assistance in
7 leadership from you, which PAG very much appreciates, next
8 year 79 percent of programs representing 89 percent of the
9 nation's poor will be funded at that \$9.88 level.

10 More importantly, less than 2 percent of basic
11 field funds will be distributed above that per capita amount.
12 Now, what I mean by that is that if a program is receiving
13 \$10 per poor person 1980 census and \$9.88 is the base, only
14 the difference between \$9.88 and \$10 is being distributed
15 above that equal level that's going to all programs. That
16 funding is going to be less than 2 percent.

17 CHAIRMAN DANA: Let me just interrupt you because I
18 think that is a concept that all of us have to understand.
19 It's taken me a while to grasp it. Am I correct that if you
20 level funded every program in this country that it would only
21 raise the floor a little over 2 percent?

22 MR. STEINBERG: It would raise the floor by a very

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1 modest amount. I don't know that it would be exactly 2
2 percent. I could do that calculation separately, but 2
3 percent is a little bit different figure.

4 CHAIRMAN DANA: Then I haven't grasped the figure.
5 What is the 2 percent figure that you alluded to?

6 MR. STEINBERG: In 1992, the funding that will go
7 to the vast majority of programs, as I indicated almost 80
8 percent of programs, will be, to be exact, \$9.884. So if you
9 look at any program that is funded at a higher amount, those
10 programs would be entitled to receive that per capita amount
11 in any event by equal funding.

12 So that the only amount of funding to those
13 programs funded above \$9.884 that is not being distributed on
14 an equal level is the difference.

15 CHAIRMAN DANA: That percent of the total budget is
16 how much?

17 MR. STEINBERG: Less than 2 percent. Less than 2
18 percent of the basic field funds is going above \$9.884 next
19 year.

20 CHAIRMAN DANA: Therefore, does it not follow that
21 if you took that less than 2 percent that is going to the 20
22 percent of the programs that are funded above the floor and

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1 spread it equally, it would make a less than 2-percent impact
2 on every program that is now at the floor?

3 MR. STEINBERG: That is correct.

4 CHAIRMAN DANA: So we are within 2 percent of flat
5 funding in terms of the dollars and cents. Over 98 percent
6 of the money is on a flat funding basis, and less than 2
7 percent is going to some programs above that?

8 MR. STEINBERG: Correct. Of course, the point I
9 was stressing in raising this is that the funding formula
10 that has been used since 1984 has achieved equalization by
11 applying new funds to do that and has done it in a manner
12 that has not taken funds away from other programs and
13 therefore has not placed us in the 1982 situation of damaging
14 programs and devastating services to clients in areas where
15 there is need.

16 Of course, what we're saying is that PAG is urging
17 you to think about that because again, looking at the 1990s
18 when the new census numbers are plugged in and we have to
19 make adjustments to the new census numbers and try again to
20 get back to the level of equity we're at but using the 1990
21 census as the basis for doing it, that the way to best
22 achieve it is by getting a significant increase in the 1993

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1 appropriation and using that as the methodology to distribute
2 funds to those areas that have had increases in their poverty
3 population.

4 MR. UDDO: Andy, let me ask you a question. You
5 say we've achieved equalization? We don't have the wide
6 divergence we used to have between the lowest funded programs
7 and the best funded programs?

8 MR. STEINBERG: We have virtually achieved
9 equalization. Obviously, there's a little bit left because
10 there's something like 1.8 percent of funding that is not
11 being distributed on an equal per capita basis. But since
12 better than 98 percent of the funds are distributed according
13 to that basis, I think that we have substantially reached
14 equalization.

15 MR. UDDO: Just tell me what that means in terms of
16 the range of the funding level per poor persons, the lowest
17 funded programs and the highest funded programs.

18 MR. STEINBERG: Well, the lowest funded programs,
19 which is about 80 percent of the programs, are equally funded
20 at \$9.88.

21 MR. UDDO: We don't have anybody below \$9.88
22 anymore?

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1 MS. ROGOFF: As of next year.

2 MR. STEINBERG: There's nobody below that as of
3 next year. This is the next year figure.

4 MR. WITTGRAF: Excuse me. Next year meaning FY
5 '92?

6 MR. STEINBERG: FY '92. For programs, we haven't
7 received our 1992 grant levels yet, so that's why we're still
8 calling it next year.

9 MR. UDDO: We don't have anybody below \$9.88?

10 MR. STEINBERG: That's correct.

11 MR. UDDO: What's the high side?

12 MR. STEINBERG: The high side is around \$15.

13 MS. ROGOFF: That's Alaska.

14 MR. STEINBERG: There are very few programs that
15 are that high.

16 MS. ROGOFF: I just want to point out, for purposes
17 of the Legal Services community -- I guess for the record, I
18 am Regina Rogoff. I introduced myself earlier. I apologize
19 for being a little late in getting back.

20 For purposes of the Legal Services community that
21 Andy and I are here to represent, the community has
22 collectively accepted 97 percent equalization as

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1 equalization. A slight disparity in terms of some historical
2 anomalies, Alaska being an example, does not mean that we
3 don't have, as Andy said, virtual equalization.

4 That is a collective decision that has been
5 accepted by the Steering Committee of the Project Advisory
6 Group.

7 MR. UDDO: I agree with you. That's why my ears
8 perked up when he said that, because I didn't think that we
9 had achieved that level of equalization and certainly not
10 near the disparity we used to have. To say nobody is below
11 \$9.88 is an accomplishment by itself, it seems to me.

12 MR. STEINBERG: It is. The formula works so that
13 each year new money is distributed according to the formula
14 that more programs become funded at an equal base that
15 applies to most programs than the year before. I actually
16 went through yesterday and counted up how many more programs
17 will be funded at the equal floor amount -- that's the term
18 we have developed for that -- in 1992 than in 1991.

19 It's 21. Because of the increase that will be
20 applied next year to the 1992 grants, there will be 21 more
21 programs that join that large group that are equally funded.

22 CHAIRMAN DANA: Would it be fair to say that next

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1 year when the numbers of poor people change in every state
2 because we have the census data, and as a result the near
3 uniformity of funding changes, if we sent the same dollars to
4 these same states, next year we would get, you anticipate, a
5 wide variety of funding levels on a per poor person basis
6 because the mix of poor people will change inevitably?

7 MR. STEINBERG: Correct.

8 CHAIRMAN DANA: Your first recommendation to solve
9 that problem is to throw a significant increase of dollars at
10 the programs to bring up the floor, the new constituted
11 floor, so that we don't have to cut any programs as a result
12 of the census.

13 MR. STEINBERG: Right.

14 CHAIRMAN DANA: To the extent that whatever money
15 we recommend and that Congress adopts does not bring up the
16 floor so that we continue to have a disparity, is it your
17 recommendation that we continue to adjust gradually towards
18 level funding as we did during the 1980s, or would you like
19 to do it all at once, assuming there's not sufficient
20 funding?

21 MR. STEINBERG: The Project Advisory Group is
22 definitely committed to not doing it all at once. We have

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1 only addressed the problem right now as the 1993 problem.
2 The Funding Criteria and Steering Committees will be going
3 back to talk about 1994 and 1995 a little bit further. But
4 we're here talking about 1993.

5 For 1993, it is clear, and I can almost say
6 unanimous opinion, of both committees that we should use the
7 census as an opportunity to seek new funding. We should
8 distribute the new funding in a way to bring us back towards
9 the equalization.

10 We should try to get all the way back to
11 equalization or as close to it as we can possibly be. There
12 should be no redistribution that involves reducing grants to
13 any programs because we've lived through that and we don't
14 want to live through that again.

15 CHAIRMAN DANA: Are you recommending that we use
16 all of the new money that Congress gives to raise the floor,
17 or are you suggesting that even the -- you're not suggesting
18 that?

19 MR. STEINBERG: No, I'm not. It is complicated.
20 I'll answer the question in as much detail as the committee
21 would like. PAG has certainly given a lot of thought to
22 that. For those of you who follow how the formula currently

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1 works now, it's a three-part formula that has to do with
2 somebody going to raise the floor, some money going to a per
3 capita increase, and some money going to what is known as a
4 fill-up-the-cup method which is where you take minimum access
5 and you try to fill an equal percentage of the gap between
6 where every program is currently funded and that minimum
7 access point.

8 Each of those three steps serves a very different
9 purpose. If you put it all into raising the floor, for
10 example, what would happen is there would be a number of
11 programs that would have some increase in their poverty
12 population because, as I pointed out, there will be a number
13 of programs that have increased and a very small number that
14 don't.

15 No increase would go to a good number of programs
16 that did have an increase in their poverty population. So we
17 do have a specific formula recommendation that is generally
18 based upon the three-step process. We would urge adherence
19 to that kind of an approach. Beyond that, I won't go into
20 the percentages.

21 CHAIRMAN DANA: I will say, and I stand to be
22 corrected if I'm wrong, but I think that this Corporation has

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1 been almost entirely irrelevant to the allocation of funding
2 mechanisms. That has been my experience for a decade. It's
3 been worked out between representatives of the field and
4 their supporters in Congress.

5 I would hope that some day this Corporation would
6 earn the right to sit down at that table, but I'm happy that
7 you have carried that responsibility well in our absence. I
8 think that you have harmonized the interest of poor people
9 all over this country and clients and programs all over this
10 country. I think you've done it very well with, again, the
11 assistance of our friends in Congress. You are to be
12 commended.

13 MR. STEINBERG: Thank you very much on behalf of
14 the Project Advisory Group and its member programs and people
15 who are very active and working to achieve the consensus.
16 I'm going to conclude my remarks and turn the presentation
17 over to Regina by just making --

18 MR. UDDO: First of all, the fact that we haven't
19 been involved in it I don't think should deter us from
20 attempting to be involved in it. I mean, I think what you're
21 proposing is something that the Board ought to debate and
22 make its recommendation on, to be accepted or rejected by

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1 Congress, if that's the way the decision is going to be made.
2 But I wouldn't favor our not showing our interest in and
3 continue to attempt to be involved in those kinds of
4 decisions.

5 Then the next thing I was going to say is, and I
6 guess this is where you were about to make the transition,
7 we're going to go to the budget mark now I take it because
8 what you're talking about really needs to be debated
9 separately from the proposed budget mark, it seems to me, if
10 we're going to propose a different funding mechanism.

11 I understand you're saying that the two interrelate
12 because of the census, but I think what we need to talk about
13 today is the budget mark more extensively than the funding
14 formula. I think we ought to have on our agenda the proposal
15 of the new funding formula so that the Board can, as the
16 Chairman would say, opine on.

17 MS. ROGOFF: I would just like to opine for just a
18 second. I don't think the Board has been completely
19 irrelevant because to the extent, particularly for 1992, the
20 Board did recommend a higher funding level. The formula has
21 greater impact towards equalization when there's new money.
22 In years past, when the Board did not seek additional

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1 funding, we were in a difficult position to try to move
2 towards equalization.

3 So I think the decision of this Board to request a
4 higher level funding for 1992 was a major contribution
5 towards moving towards equalization. Andy and I know this is
6 complicated stuff. We work with it a lot and find it is
7 still complicated.

8 I wanted just to maybe reiterate something about
9 the census because I think it responds to something that
10 Professor Uddo said earlier. Even if we start with an
11 assumption that every dollar is expended equally in 1992 so
12 that every program is funded on the same basis according to
13 the number of poor people that were enumerated, counted in
14 the 1980 census, as soon as 1990 census numbers are released
15 and come into play, that equalization will evaporate because
16 then each grant will no longer be divided by the number of
17 poor people that existed or were counted in 1980, but rather
18 by the new number that were counted in 1990.

19 Where you have a large increase in poverty, you
20 will see dollar per poor person plummet. So assuming that
21 we're at this almost \$10 a head, a person per capital
22 funding, we anticipate that without new money some programs

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1 could drop to \$4 a poor person.

2 We don't really see the high end going up very much
3 because we don't see any programs having lost significant
4 numbers of poor people. So the high end will probably be
5 roughly where it is now. Instead of having virtual
6 equalization, you'll have a new range of as low as \$4 a poor
7 person and as high as \$15.

8 MR. UDDO: That confuses me, though. How would it
9 drop to \$4 per poor person if the 1990 figures show fewer
10 poor people in that area.

11 MS. ROGOFF: No, more poor people. If you have
12 more poor people --

13 MR. UDDO: I know, but is that based on the funding
14 formula? Is that what does it?

15 MS. ROGOFF: No. If there's no increase in
16 funding, you just take the same amount of dollars that each
17 program is getting effective 1992, and if there's no change
18 going into 1993, if each program is constant, gets the same
19 exact level of funding it did the prior year, you're dividing
20 that grant by a different number of clients, eligible clients
21 in the community.

22 So if you increase your poverty population by -- we

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1 believe in some areas it will be 100 percent increase if not
2 more -- then your dollars per poor person plummet.

3 MR. UDDO: But doesn't the current allocation
4 formula require that you take into consideration the new
5 census figures?

6 MS. ROGOFF: No. The distribution formula only
7 applies to new money. I'm saying that assuming everything is
8 constant and the programs get the same funding level -- say a
9 program received \$100,000 or \$1 million to serve a population
10 in 1992 and they will receive that same level in the absence
11 of any new money in 1993, you're dividing that grant by more
12 people, thereby lowering the dollar per poor person in terms
13 of calculating the spread that you were talking about.

14 MR. UDDO: So that's assuming there's no new money
15 and assuming that there wouldn't be a change in the
16 allocation formula that would take the non-new money and
17 distribute it based on the 1990 census.

18 MS. ROGOFF: Yes, which is what we're obviously not
19 favoring. We do not favor just redistributing the existing
20 pot. We think that would be ill advised. It would --

21 MR. UDDO: What would be the effect of that, do you
22 think?

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1 MS. ROGOFF: It would mean taking money from some
2 programs that have increased in poverty population over the
3 decade. We know of no program that is meeting the current
4 need. We know of no program that is adequately funded even
5 according to our calculation for minimum access, which I will
6 attempt to explain a little bit more.

7 So no program is currently able to do the full job
8 that needs to be done. All you'll be doing is taking money
9 from one region and giving it to another region.

10 MR. UDDO: So you don't think there will be any
11 programs that will experience a reduction in the poverty
12 population such that they could do with less money?

13 MR. STEINBERG: That's correct. There will be very
14 few programs that will have any reduction, none of
15 substantial reductions.

16 CHAIRMAN DANA: Mr. Wittgraf?

17 MR. WITTGRAF: Thank you, Mr. Chairman. I may be
18 stealing some of the thunder from Ms. Rogoff's presentation
19 or even Mr. Steinberg's conclusion to his, but in that we've
20 gotten into this, I guess I'd like to follow while we're on
21 the subject.

22 As I look at your written materials, on the one

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1 hand I see the discussion still of the so-called minimum
2 access, the two attorneys per 10,000 population. Then I look
3 to where you're talking about the basic field programs
4 needing \$650,000 to provide minimum access.

5 Would one or both of you describe for me and my
6 colleagues whether the minimum access and the \$650,000 you're
7 talking about there goes back to two attorneys per 10,000
8 poor people or goes instead to trying to hold the \$9.88 per
9 poor person for the expanded number of poor people in the
10 country, or some combination of those two?

11 MS. ROGOFF: It goes to the former. It goes to
12 reaching minimum access at the higher poverty rate. So I
13 guess it's a little bit of both. It is based on a premise
14 that minimum access which, as you say, is two attorneys per
15 10,000 poor people in the general population.

16 I believe we have 20 attorneys for every 10,000
17 poor people. Premised on that, it would cost \$19.09 starting
18 with how that was calculated in the 1970s, achieved in 1981,
19 and then adjusting for inflation since 1981.

20 MR. WITTGRAF: The \$19.09 per poor person, then,
21 and that's apparently taking the \$9.88 and moving it up
22 virtually \$10 or a little bit more than \$9, is that then

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1 applied to a poverty base of 34 million people across the
2 country?

3 MS. ROGOFF: Yes.

4 MR. WITTGRAF: Is there a calculation that you all
5 made which was essentially \$19.09 times 34 million people?
6 Is that where we get the \$650,000 figure?

7 MR. STEINBERG: \$650 million, yes.

8 MR. WITTGRAF: Is that what that represents?

9 MR. STEINBERG: Yes.

10 MR. WITTGRAF: Then, let me ask a related question.
11 You say, correctly I'm sure, that the two attorneys per
12 10,000 poor people is an historical goal for minimum access.
13 Then you look to the \$650 million figure. Is there any place
14 where you're taking into account the additional funds through
15 IOLTA and other sources that have become available to serving
16 the civil legal needs of poor since that definition was
17 established of two per 10,000?

18 MR. STEINBERG: Minimum access was originally
19 defined as minimum access. It's exactly what the words
20 instated. It was the goal of the Legal Services Corporation
21 that it stated for itself in the 1970s when it developed the
22 term, when you developed the term.

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1 MR. WITTGRAF: I'm not challenging the concept.
2 I'm just wondering if you're taking into account in any way
3 here -- and I think the answer you're giving me is no --

4 MS. ROGOFF: We've debated that at great length and
5 decided that --

6 MR. WITTGRAF: The additional resources that have
7 come to bear in meeting the need during particularly the last
8 10 to 12 years. I think the answer is no; right?

9 MR. STEINBERG: Well, I would actually go the other
10 way and say that because --

11 MR. WITTGRAF: At least we've got a proponent and
12 opponent. Go ahead.

13 MR. STEINBERG: Because the minimum access amount
14 was in order to get a base level of minimum access and then
15 probe with the idea that programs would go into their
16 communities and look for other funding sources to build above
17 minimum access in order to meet a greater proportion of the
18 legal needs of poor people than that minimal level.

19 MR. WITTGRAF: I'm not trying to get you to say
20 whether it's adequate or inadequate. I think the answer to
21 my question is no. The two per 10,000 doesn't take into
22 account the fact that you have had some success in generating

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1 IOLTA, some state, local, and other private funds to help
2 meet minimum access or to make minimum access a little bit
3 more than two attorneys per 10,000.

4 MS. ROGOFF: The distribution of those other funds
5 are not equal throughout the nation. Also, to take that into
6 consideration removes some of the incentive that programs
7 have locally to generate increased revenues if any increases
8 will be offset by reductions in their federal funds.

9 So, we did take it into consideration which is the
10 yes answer. The no answer is that we didn't reduce the
11 amount necessary to meet that two attorney per 10,000 goal to
12 take that into consideration.

13 MR. WITTGRAF: That's fine. I'm just trying to
14 understand what it is you're saying. Really, that's more the
15 purpose of my questions at this point. Thank you, Mr.
16 Chairman.

17 CHAIRMAN DANA: Thank you. Any other questions
18 before Andy turns the floor over?

19 (No response.)

20 MR. STEINBERG: I just want to conclude by saying
21 that what you're taking testimony about today is the amount
22 of the 1993 mark. The purpose of talking about the census is

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1 sort of twofold. This is the conclusion.

2 One is that a substantial increase in funding for
3 1993 is needed so that we can start getting back to equity
4 when equity is measured according to 1990 census figures.
5 It's the only way to do it in a manner that really addresses
6 the needs of all programs and doesn't devastate any programs
7 and doesn't cripple services to clients in some areas.

8 The second and final point I would make along those
9 lines is that PAG looks at the census as an opportunity to
10 talk to Congress about something different a little bit. I
11 think that Senators and Congressman understand the need to
12 delivery services in their communities. They are sensitive
13 to making sure that services are adequately delivered by all
14 of the programs that are funded through the federal budget.

15 They know about the census. One thing that any
16 congressman who is subject to redistricting knows is that
17 this is the time of the census. I think and PAG thinks that
18 this is a real opportunity to go with a special message about
19 the census to Congress that will be understood and will
20 strike a responsive chord.

21 So when you're considering an appropriation request
22 and going to Congress and making a statement, we hope that

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1 you will also think about this opportunity and join with us
2 as partners in using that opportunity to address this need.

3 CHAIRMAN DANA: Thank you.

4 MR. WITTGRAF: You've indicated both to some
5 extent. If, for example, we stayed with the present level of
6 funding, roughly \$320 million, going into the basic field
7 grants, that would with the new poverty figures take some of
8 the per capita spending down under \$5, if I understood you.
9 Would it be possible, and maybe you've done this already, so
10 hopefully it's only a matter of sharing it with us, for you
11 to give some of those variable analyses to us?

12 If you took the FY '92 level of roughly \$320
13 million in the field, what that would do to the expanded
14 poverty base, the 34 million poor people, what that would do
15 to the range, then, of per capita spending on the poor for
16 \$4-and-some cents for the areas such as in the southwest, as
17 you say, where there's a greatly expanded number of poor
18 people up to relative constant spending of \$9, \$10 for those
19 areas where the base of poor people hasn't expanded, and then
20 applying it to \$350, \$375, \$400, \$450, \$500 million toward
21 basic field grant expenditures so we can see what it does to
22 the present level of \$9.88?

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1 MR. STEINBERG: The answer to that is very clearly
2 a yes. I really would leave it to the committee as to how
3 you would like us to present that information to you.

4 CHAIRMAN DANA: Excuse me. Is not the answer --

5 MS. ROGOFF: A qualified yes.

6 CHAIRMAN DANA: Actually no? We don't yet know how
7 many poor people are in the various program areas. You've
8 guessed. You have a model and all that good stuff.

9 MR. STEINBERG: That's correct.

10 CHAIRMAN DANA: You have to build in lots of
11 hypotheses about numbers of poor people. I think that in
12 fact we don't know how many poor people are in each of the
13 various program regions and therefore are not in a position
14 to do anything more than guess at the distortion, a
15 sophisticated guess.

16 MS. ROGOFF: Mr. Dana, we've actually worked
17 backwards somewhat. I suspect Andy won't take as much credit
18 as he deserves on this, but we have been tracking as closely
19 as we can what is available from the Census Bureau. While it
20 is still imprecise and state-by-state poverty information
21 will not be available until early 1992, we have a pretty good
22 basis for believing that at a minimum there will be a 15

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1 percent increase in the poverty population.

2 Working backwards from that total, Andy did, as you
3 say, a hypothetical run taking a sample of programs and then
4 doing a spread based on a certain percentage having an
5 increase, a certain number staying the same, a certain number
6 having decreases and trying to generate a model from which we
7 could see what the --

8 As you pointed out, we've been trying to anticipate
9 what the implications would be and do a model run at various
10 funding levels to see what the implications would be. It is
11 imprecise because there are a number of assumptions that it
12 had to be based on, but we don't think that the assumptions
13 are all that fanciful because they are premised on that
14 bottom number which is the 15 percent increase which we feel
15 is pretty reliable at this point in time.

16 Given that, and I think that what Mr. Wittgraf was
17 asking, it would take something in the range of a 20 percent
18 increase to keep programs constant at that \$9.88 level.

19 MR. WITTGRAF: It should be 20 percent on top of
20 the \$320 million?

21 MS. ROGOFF: Yes.

22 MR. WITTGRAF: My concern, and as Mr. Dana has

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1 suggested with his comments and questions back to you, is
2 that it lacks precision. I accept that. I'm wanting, for
3 the purposes of our understanding and eventually for the
4 purposes of our advocacy, to have some basis for suggesting
5 what a lack of funding or what relatively little increased
6 funding would do in cutting into the funds that are available
7 for those areas; on the one hand where there's an increase in
8 poverty and they don't have the funds to meet the need or, on
9 the other hand, if we're pulling it toward those that have
10 the substantial increases, what that would do to those who
11 maybe have a constant level of poverty population but who are
12 then left with very little money.

13 Just some figures to suggest what the implications
14 are if we don't urge and get the Congress to follow the 20
15 percent increase that you've proposed would be necessary,
16 what the implications would be, obviously not today but for
17 our understanding and, in turn, for our advocacy. Thinking
18 for myself, at least, that would be helpful to see how
19 different appropriation levels play out with approximately 15
20 percent increase in poverty population.

21 MR. STEINBERG: As Mr. Dana has indicated, we have
22 worked on a model. The model is only as good as the

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1 assumptions you make. But we would be glad to share the
2 results of that study with you.

3 MS. ROGOFF: I would just like to start first by
4 pointing out where our column for the Fiscal Year 1992
5 appropriation differs from the numbers that the Corporation
6 provided you earlier, so that if you ever get around to
7 studying it closely enough to see that there is a difference,
8 we can have forewarned you in advance and you will understand
9 why.

10 The numbers that the Corporation provided are not
11 discounted or reduced to account for the \$1.3 million that
12 has been earmarked for Drake University. So I think, in
13 fact, the numbers that you'll find on the last page of the
14 Project Advisory Group testimony are more accurate given the
15 situation that that money has been designated going to Drake
16 University.

17 The bottom line total remains the same. Both have
18 a total of \$350 million. There will be a slight deviation on
19 a line-by-line basis which accounts for the \$1.3 million.

20 As a point of personal privilege, since I have a
21 captive audience, I am going to give you each an invitation
22 to the Legal Aid Society in central Texas' 25th Anniversary,

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1 not that I actually expect you to be able to make it.

2 MR. WITTGRAF: Mr. Hall had indicated previously
3 that he plans to be there, I believe.

4 MR. HALL: I will be there.

5 MS. ROGOFF: You may have received an invitation.

6 MR. HALL: I have.

7 MS. ROGOFF: I have been informed by someone who is
8 knowledgeable about this that in fact I should be celebrating
9 my program's 51st anniversary. We received a letter from
10 Senator Ralph Yarborough, former Senator from the illustrious
11 State of Texas, who, unfortunately due to health, will not be
12 able to come but who has explained to us that in fact he, as
13 both district judge and as president of the Travis County Bar
14 Association, initiated the Legal Aid Program in 1940, which
15 was then bitterly opposed by the local bar establishment and
16 considered a socialist intrusion into the practice of law,
17 and met a great deal of opposition.

18 He commends us on the fact that our anniversary is
19 being sponsored by all of those same law firms who opposed us
20 in 1940, including the local bar association. So we're very
21 pleased with that. I just wanted to share that with you.

22 CHAIRMAN DANA: Thank you.

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1 MS. ROGOFF: Now, going back to the numbers, we do
2 start with minimum access. I think we've said something
3 about that in terms of what it represents historically which
4 is a goal of having each program funded sufficiently as a
5 base to provide two attorneys for every 10,000 poor people.

6 My own program, including all of the funding that
7 we have from IOLTA, city, county, University of Texas, Junior
8 League, bar association, and others, still only has one
9 attorney for every 8,500 poor people in our service area.
10 That is based on the 1980 census. We have good reason to
11 believe that in Texas and in our service area in particular
12 we've seen at least a 40 percent increase in the poverty
13 population over the decade.

14 So in my service area we are now with all funding
15 sources talking about two attorneys for 17,000 clients rather
16 than two for 10,000. Of course, when we calculate in the new
17 poverty population figures, the number of poor people that we
18 will be serving and obviously have been serving increases
19 dramatically.

20 We feel that minimum access is a concept that
21 serves a useful purpose because it reminds us what we're
22 trying to accomplish with the delivery of legal services. It

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1 ties the funding to an access goal that poor people actually
2 can come to legal aid and receive services that will entitle
3 them to enter the mainstream of the judicial process.

4 I noticed in the newsletter that the Corporation
5 has distributed today reference to changing the logo of the
6 Corporation to respect the disability community's concern
7 that the Supreme Court has a flight of steps. While they are
8 imposing, they are not accessible. They are not accessible
9 either to the physically handicapped or to the poverty
10 community if they do not have lawyers to assist them.

11 The mark that we have established again is built on
12 the minimum access goal of \$19.09 per poor person, adjusted
13 for the 15.4 percent increase in the poverty population that
14 we anticipate will be disclosed and adjusted for a cost of
15 service factor. That's a standard factor that the Congress
16 uses each year to account for the increase cost of doing
17 business.

18 There are a couple of specific lines that I would
19 like to point out because I think you may have some questions
20 and they merit individual consideration. One is the migrant
21 line. We spent a considerable amount of time considering and
22 analyzing how to address the migrant population.

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1 The current migrant funding is calculated based on
2 a survey that was done in the mid-1970s, the Lillesand Study.
3 It is not considered a very good study either then or not.
4 It certainly is many years out of date.

5 There is no definitive migrant study, so the
6 members of our committee who were assigned to investigate and
7 report back on this issue surveyed a number of different
8 source materials and recommended that we use the Migrant
9 Health Atlas Study as the most comprehensive federal attempt
10 at counting the migrant population.

11 According to that study, there would be a 67
12 percent increase in the migrant population over the Lillesand
13 figures that are currently in use. We have based our funding
14 request for the migrant population on that 67 percent
15 increase and then the minimum access goal per poor person.

16 The native American line, similarly we are looking
17 at a 40 percent increase in that population. For each of the
18 noncensus-based lines, we address them individually. State
19 and national support, the Project Advisory Group Steering
20 Committee has set a long-term goal of 4 percent funding for
21 each of those lines, 4 percent of the field, the total field,
22 so that we have a constant ratio and what we call linkage

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1 between the field funding and those support lines.

2 If field funding increases, that increases the
3 number of staff members serving the client community, and
4 they require additional support from the backup centers. So
5 each of those lines is at four percent of the field funding.
6 The Legal Services community is represented by the Project
7 Advisory Group.

8 It has a longstanding commitment to the Reginald
9 Heber Smith Fellowship Program. It is not currently funded
10 by Congress or by the Corporation, but we would ask that it
11 be reinstated in the mark.

12 CHAIRMAN DANA: Question on that. For the benefit
13 of those members of the Board who are here and don't remember
14 the Reggie Program -- why was it terminated and what was it
15 when it was terminated?

16 MR. STEINBERG: The program and what it was, it was
17 a program that funded fellowships and it served several
18 purposes. One is that it provided whether it's viewed as
19 Kennedy lawyers and local programs around the country on the
20 fellowship basis to address specific project needs on a local
21 basis. It would have a recruitment presence on campus.

22 There were two pieces to it that were very

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1 important. On the one hand, the Reggie Program, which was
2 run out of Howard University, went to every law school and
3 created a presence at every law school to recruit people for
4 this very special fellowship program.

5 Then the fellowships were allocated to Legal
6 Services programs to undertake special projects. Western
7 Massachusetts Legal Services over the years said it had
8 several Reggie fellows to do various special efforts. It was
9 terminated because the grantee volunteered, I believe, to
10 relinquish the funding at one point when it was then
11 difficult for the Corporation or the Corporation Board was
12 unwilling to continue it.

13 MR. WITTGRAF: May I inquire, Mr. Chairman?

14 CHAIRMAN DANA: Please, yes.

15 MR. WITTGRAF: On this specific issue, when we were
16 in Jackson, Mississippi, under the guidance of Ms. Love and
17 Mr. McGiver two months ago, if I'm recalling correctly, a
18 number of program directors spoke of the difficulty of hiring
19 new attorneys.

20 I think something that some of us discussed at the
21 time or wondered about among ourselves, rather than perhaps
22 the so-called Reggie approach is the approach that makes

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1 funds available to allow for the repayment of government
2 subsidized or government guaranteed student loans.

3 Rather than holding out kind of a special class of
4 Legal Services attorneys, many of whom have gone on to become
5 important leaders, look at it in kind of a broader way, which
6 is what can we do to make it easier to get attorneys to legal
7 services programs across the country.

8 Would the money better be spent in that way as
9 opposed in bringing back the Reggie Program?

10 MS. ROGOFF: I think they are both very legitimate
11 models. I hesitate to say that one is better than the other.
12 The Steering Committee has not taken a final position on loan
13 forgiveness. We have it under study. We certainly support
14 loan forgiveness.

15 New lawyers coming into the field now have much
16 heavier debt. Our salaries have not kept pace. We were far
17 behind in percentage-wise where we were in the early 1980s
18 with the private sector and even with other public sector
19 employers.

20 MR. WITTGRAF: Do you have any figures that you
21 could share with us on the cost of a loan forgiveness effort?

22 MR. STEINBERG: No. There are some organizations

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1 that have been working on this. I just don't have the
2 figures in front of me. I know that NLADA has been working
3 on the topic. I know that several others -- as a matter of
4 fact, Massachusetts Bar Foundation is currently working on
5 the loan forgiveness program for Massachusetts.

6 I guess the other piece to the Reggie Program --
7 when we try to recruit attorneys out of law school it is a
8 very difficult process because you have to go to a law school
9 and interview. You have to meet a large number of students.
10 You have to have a presence at the law school to do effective
11 recruitment.

12 That's very difficult for a single Legal Services
13 program to do because you can go to a few law schools in your
14 local area, but you can't go out and have a national
15 presence. What the Reggie Program did, and I remember the
16 Reggie Program very well, when I was in law school was that
17 the arrival of the Reggie recruiters and the interviews that
18 they provided was an opportunity that exposed a lot of people
19 to Legal Services, whether they entered as Reggies or
20 otherwise.

21 The loss of that presence on the law school
22 campuses as an organized piece I think was one of the real

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1 tragedies of the end of the Reggie Program.

2 MS. ROGOFF: Not that loan forgiveness is a very
3 worthwhile endeavor. Just as another issue right now, in
4 many programs, such as my own, it's retirement. We have
5 lawyers and staff who have worked with the program -- I know
6 that at the upcoming event in December in St. Louis you're
7 going to be honoring people who have worked in Legal Services
8 programs 25 years or more. I wonder how many of those
9 programs have retirement benefits.

10 The employees of your own Corporation have
11 retirement through the federal civil service retirement, but
12 your field programs do not universally have that. In fact, I
13 think it would be to the opposite. The norm would be that
14 they do not have retirement benefits.

15 MR. WITTGRAF: Has any effort been made to try to
16 study the feasibility or the cost of a cumulative endowment
17 effort for retirement as much as there is an ABA endowment
18 effort where individual members of the ABA can participate?
19 Has anybody ever attempted to figure out an endowment program
20 which can become an retirement program for programs then to
21 invest in on behalf of their employees?

22 MS. ROGOFF: We haven't gotten that far. I know

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1 that at NLADA they are also concerned about that issue. I'm
2 just saying that that's something out there. It's one of the
3 many things that we can get into a situation where we're not
4 struggling day to day, that you can look to the future to try
5 to solve some of those problems.

6 CHAIRMAN DANA: Mr. Wittgraf, I think that this is
7 a subject that is of interest to the Board. I think that
8 what I'd like to do is suggest that management work with the
9 field and give us some options for dealing with both the
10 concept of the Reggie Program and the concern that some of
11 the best and the brightest can't go to work for Legal
12 Services because we don't pay enough, and they have huge
13 debts.

14 We, I think, recognize that of the best and the
15 brightest of a generation ago, many of them did go into legal
16 services in part because of Reggie. We ought to make sure
17 that that flow of bright lawyers continues. We may need a
18 couple of ways to get at it. But if the president and staff
19 working with the field could give us some options, I think
20 that would be helpful.

21 MS. ROGOFF: Just to conclude, I think one other
22 line that needs to be pointed out -- maybe there are a few

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1 others -- is the PAG mark incorporates a line for client
2 support. This is currently an unfunded line. It is
3 nevertheless one that PAG has historically been committed to
4 and continues to be committed to.

5 The prior clients council that was funded was
6 defunded and no other arrangements were made to try to
7 involve clients in an organized way in the deliberations
8 around legal services. I think that an example of the
9 failure of that has been with all due deliberation that we
10 spend in trying to have just even a video for clients
11 completed.

12 Over the last couple of years, that \$50,000 is
13 really the only amount of money that was even earmarked
14 specifically to address client input and client participation
15 at a national level. So the Project Advisory Group endorses
16 a line item for client support.

17 Of course, we continue Clearinghouse review and the
18 regional training centers. We also include an increase for
19 Management and Administration, although it doesn't appear to
20 be so. The difference is we provide a cost of service
21 adjustment to the basic Management and Administration line.

22 But we do not recommend funding for Board

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1 initiatives and special contingency funds. We think those
2 should not be separately funded.

3 CHAIRMAN DANA: Question from me. I notice that
4 you zero fund law school clinics. With the exception of a
5 distinguished program in Des Moines and in New Orleans for
6 which I'm sure you would make exceptions, what is the
7 rationale for defunding?

8 MS. ROGOFF: Because basically we believe that
9 clinics are educational endeavors that should be funded by
10 the law schools, not that we don't believe in clinics. My
11 own program has a clinic that is funded by the University of
12 Texas, an elder law clinic. We have an instructor who worked
13 on the staff of the law school who is officed at our office.

14 We have from 8 to 10 students each semester. We do
15 not see this as an equitably distributed pot of money. We
16 see this as being really the obligation of the law schools.
17 The law schools should be funding clinical legal education
18 not legal services to the poor.

19 MR. UDDO: I was just going to say that I think the
20 benefit of the legal services clinic grants have been to help
21 get clinics started in places that might not have had
22 clinics. Ultimately, law schools end up taking them over.

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1 In many cases, I'd say in most cases the amount of money that
2 goes to assist a clinic or start a clinic is seed money.

3 MS. ROGOFF: That was true in Texas, I know,
4 because I wrote the grant, and we got the seed money. But I
5 also know that basically there are many clinics in the
6 country that are being funded year in and year out by the
7 Legal Services Corporation.

8 MR. UDDO: I'd be surprised if there is any clinic
9 totally funded by a Legal Services grant. I've never seen a
10 grant big enough to fund what a clinic costs to run.

11 MS. ROGOFF: I'm not saying totally funded.

12 MR. UDDO: Well, there may be some that have gotten
13 grants more than once for creation of different kinds of
14 programs and the like. But I think it's been a successful
15 project, not just because I supported it when it first came
16 before the Board, but I think that some clinics were
17 developed that wouldn't have been developed before.

18 I think that's important for a variety of reasons.
19 Not only in the ideal situation does it usually work hand in
20 glove with the local legal services program to help
21 supplement what the legal services program does, but I think
22 it trains law students in a way that -- at least in our law

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1 school we find does tend to sensitize them to the special
2 problems and needs of the poor.

3 MS. ROGOFF: We don't disagree with any of that.
4 We support the basic --

5 MR. UDDO: So it was a mistake to zero out --

6 MS. ROGOFF: No, no. There are many parts of this
7 country that don't have law schools. Those are the parts of
8 the country that are also hardest for the Legal Services
9 programs to serve. Given that there is such a limited amount
10 of money available to legal services to the poor --

11 I mean, I know this seems like a lot of money, \$350
12 million. But if you look at it in the context of the federal
13 budget, it's a very, very small amount of money to meet a
14 huge need. There are other pots of money. The Department of
15 Education has money, has grants available for law schools to
16 apply.

17 Law schools themselves have greater ability to
18 raise additional money than individual legal services
19 programs do. That's the only point we're making. Law
20 schools should be committed to this. We think that this is
21 something that they should do.

22 In my local community, not only do we have the

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1 clinic, but the University of Texas actually provides funding
2 in the amount of roughly \$40,000 to the central Texas
3 program. So we work hand in glove with both the clinic, with
4 the law school, and with the university.

5 I think it's very, very appropriate to do that just
6 as a matter of policy. The Steering Committee of the Project
7 Advisory Group does not see that as the role of the Legal
8 Services Corporation.

9 CHAIRMAN DANA: Thank you both very much. I do not
10 think that time permits or consideration permits our taking
11 any vote on your recommendation tonight, but I expect we will
12 be in due course. We appreciate it.

13 MR. STEINBERG: Thank you.

14 MS. ROGOFF: Thank you.

15 CHAIRMAN DANA: Thank you. I think I'll jump over
16 item 7 and move to item 8. Let's see, some of us have looked
17 at some space. Let me start off by saying that a year and a
18 half ago, the issue of a new home for the Legal Services
19 Corporation was first brought up. That has progressed to the
20 point where there is a proposal sort of on the table.

21 Mr. President, I don't know how you wish to proceed
22 with this, but for the benefit of those in the audience, some

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1 of us have seen the proposal. Some of the rest of the Board
2 are going to have an opportunity to go see it tomorrow noon.
3 I defer to you and the comptroller as to who you wish to
4 proceed this evening.

5 MR. O'HARA: Thank you, Mr. Chairman. I think
6 you've had the advantage of working through the current space
7 occupied by the Corporation, and you've got to actually look
8 at the broom closets that some of our staff are working in.
9 It's a very difficult situation that a lot of our attorneys
10 and accountants and auditors and professional staff find
11 themselves in.

12 The prior president, David Martin, had initiated
13 the view to purchasing a piece of property in the District of
14 Columbia. That was pursued by David Richardson and David
15 Martin and Ken Boehm of the executive office staff for a
16 period of months.

17 They didn't find anything that was readily for sale
18 within the pocketbook reach of the Corporation. They did
19 find some property that we looked at that had some advantages
20 and some disadvantages. We now are looking at a piece of
21 property which we feel may be beneficial to the Corporation
22 both monetarily and physical-wise as far as the corporate

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1 staff in giving them some decent working space.

2 David, would you like to take over and inform the
3 committee what you have accomplished to date? I think David
4 can talk more in terms of the figures which, after all, would
5 be the basis for any move. It would have to be beneficial to
6 the Corporation in terms of numbers, not only in terms of
7 working space for the Corporation but in terms of lesser
8 expenses and looking down the road at the situation we now
9 face and the location where we now are situated.

10 MR. RICHARDSON: Thank you. First of all, I've
11 asked Ken Boehm to join me. We have looked collectively with
12 Mr. O'Hara's predecessor, of course, Mr. Martin. A contract
13 was signed with Charles E. Smith to be our broker of record,
14 you might say, looking into the community.

15 We've looked at a number of properties. As you are
16 aware, we have now found something that appears to be a very
17 good property, something that we might be able to move into
18 the middle of next year, and with some economic advantages
19 built into it, that we're more or less breaking even with.

20 It may cost us a little bit of money in the long
21 run, but I'm a little more conservative in looking at it than
22 maybe some others might be. We looked at properties from Van

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1 Ness here in town, if you're familiar, which is a
2 considerable ways out, to the downtown District.

3 The property that you previewed today, 750 First
4 Street, is a property that the District of Columbia has
5 allowed to be built basically with a tax abatement on it
6 because of trying to keep not-for-profit corporations in the
7 District. So the first five years the taxes on that piece of
8 property are zero. For the next five years, they are half of
9 the market at that time.

10 Some of the driving factors in looking at our
11 particular space, of course, is with the addition of the IG's
12 office, we felt we needed some space. We looked internally
13 within the building that we are now in. There is space
14 available. There is an additional 4,000 feet in the basement
15 level of the building.

16 They have offered that piece of property to us at
17 \$28 to \$29 a square foot plus additional pass-throughs, rent
18 as far as operational, the taxes, of course the cleaning and
19 security. There would have to be some modifications to that.
20 In looking at that piece of property, it looks like to move
21 to that -- I'm going to give you a monthly figure.

22 Our rent right now per month is approximately

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1 \$106,000, almost \$107,000 a month. That includes the rent,
2 operations and taxes. The Computer Science Center is the
3 space we're talking about moving into. Many of you may have
4 seen it in your going through the building.

5 It's going to cost us an additional amount, with
6 the \$29 a square foot, of like \$10,300 just for the rent of
7 that space. The taxes will be about \$1,000 a month. I'm
8 looking at some calculations that I've looked at. The
9 operations, it's going to be approximately \$2,000 to \$2,300.
10 Basically, we've got 49,000 square feet of space.

11 If we would move to this, it would add 4,000 square
12 feet. We would be at 54,000 square feet level. Many of you
13 have seen the cubicles that people work with on the second
14 floor. You see that we have attorneys sitting in a 52 square
15 foot space.

16 Based on that, we started looking around, quite a
17 bit of looking for property. This was the driving factor
18 because with the IG needing space in the space we have, we
19 spent \$11,000 last year on modifications to that building.
20 We knocked out partitions in areas and created office space.

21 We've talked to the building about that and to
22 create three new spaces, it's going to cost us at this point

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1 about \$12,000 to \$14,000. We bidded out last year. The high
2 bid was \$19,000. The low bid was \$11,000. So based on that,
3 looking at space, the property that we're looking at, the 750
4 First Street, is a brand new building.

5 We got Board approval, of course, to continue to
6 look. A few weeks ago we were talking with Mr. Dana as to
7 entering into at least a negotiation on this building. We
8 have done that. It's in a proposal. I think you have the
9 proposals.

10 Basically that proposal is showing you, of course,
11 the space and then there is a letter of intent there to enter
12 into a lease negotiation. Tramell Crow is the developer
13 along with the American Psychological Association. The
14 American Psychological Association will be on the first six
15 to seven floors.

16 They have a couple of other tenants that is going
17 in to the property. We're looking at the top two floors.
18 This is approximately 61,000 square feet of space. In the
19 negotiations that we have entered into, we would get one
20 year's free rent.

21 They have given us up to basically \$35 for moving
22 to the property and redoing it. We figured that original

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1 estimates was somewhere around \$22 to \$24 a square foot to
2 build the property out. There might be some special
3 considerations such as, for instance, a room that we could
4 handle our Board meetings in, have our sound equipment in,
5 have our telephones already worked out.

6 So it may cost a little bit more to do that but not
7 much. Again, I've very conservative in my estimates. I show
8 that we would get approximately \$5 in additional rent
9 abatement from them which is about \$300,000. It could
10 actually go up to \$10 a square foot which would be an
11 additional \$300,000.

12 That would be spread over the term of the lease.
13 Basically, what I'm getting to is it looks like about a
14 break-even possibility or we would be able to move in it with
15 same dollars that we have now. Included in this proposal,
16 again I'm very conservative, looking at the rent in the
17 building that we're in now, we're paying approximately \$26.50
18 for taxes, operations, security and the rent.

19 I've been told that we could rent the building
20 easily for \$30 a square foot. My conservative nature is I'm
21 saying \$2 a square foot. So that's what I've built into my
22 projections. It still looks like a break-even projection or

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1 break-even as far as moving.

2 I've gone through the figures. Of course, you've
3 looked at the building. I'm going to let Ken go over a
4 little bit more with you as to some of the things he would
5 like to discuss with you. We have present value tables and
6 figures, projections that Charles E. Smith has run. We
7 actually have Penn White with us today and Tim Hagus with us
8 today. We'll try to answer any questions that you may have.

9 One of the reasons that we're having this on the
10 agenda today, and, of course, we're in a time constraint
11 here, our original letter of intent that we signed basically
12 a month ago to give us a month to enter into some
13 negotiations, we've done that.

14 The letter that you now have in front of you
15 unfortunately they'd like to have tomorrow.

16 MR. UDDO: Dave, let me ask you a few questions.
17 Maybe we can shorten this a little bit. What about the
18 prospects of a meeting space in that area? I mean, is it
19 pretty clear that we would have a place where the Board would
20 be able to meet?

21 MR. RICHARDSON: Yes, sir. Actually, there's two
22 possibilities. With the building the way it is, we could

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1 have it built in to the building. We are doing that as far
2 as --

3 MR. UDDO: You would have the square footage to do
4 it?

5 MR. RICHARDSON: We would have the square footage.
6 There is also conference facilities next door and they've
7 offered it to us at a minimal cost. From what we're told,
8 it's used very little. It would be open anytime we wanted
9 it, basically.

10 MR. UDDO: All right. In terms of growth space, do
11 you pick up enough extra square footage that if some of these
12 new positions that are being asked for were going to be
13 filled, you wouldn't be pushed to the limits within a year or
14 something like that?

15 MR. BOEHM: I could address that one. It's 61,000
16 square feet as opposed to the 49,000 now. But also in there
17 is expansion possibilities at the fifth year. With the
18 additional remaining space, we would have about three
19 quarters of the 10th floor and all of the 11th floor.

20 Well, that unused spot that is on the 10th floor,
21 we would have an option that we'd pay nothing for and we
22 could pick it up at our discretion if we needed it halfway

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1 through the lease period. So there is additional on top of
2 the fact that it is an additional 11,000 or 12,000 over what
3 we have now.

4 That is a difference, as Dave was pointing out,
5 with our current space. The only space we have now to expand
6 is the Computer Science's space, which is basement level and
7 windowless.

8 MR. UDDO: I don't think there is any doubt that
9 the current building is not a good facility for us. I think
10 that's pretty clear.

11 MR. RICHARDSON: To answer your question, there is
12 growth, even in the 61,000 square feet for additional office
13 space. Yes, there is. It's a very good possibility that
14 we're negotiating to have that space available to us if it's
15 needed. It may not be needed.

16 MR. UDDO: The configuration is such that you'd be
17 all on two floors? I mean, it wouldn't be spread throughout
18 the building?

19 MR. RICHARDSON: That's correct, sir.

20 MR. UDDO: You said they're giving you a \$35 square
21 foot moving and build-out allowance?

22 MR. RICHARDSON: Yes, sir.

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1 MR. UDDO: Is that cash or is that over the lease
2 or what?

3 MR. RICHARDSON: That's cash. Let me add, when I
4 talked about the build-out, for the walls, for all the
5 electrical current and everything, it's been running, I've
6 been told, not only by these gentlemen from Charles E. Smith
7 but others, that it's running about \$22 a square foot.

8 So the additional amount, the additional \$13, you
9 could buy new equipment with. You could refurbish, for
10 instance, your phone system, copy facilities, update some
11 other things that you may need, any variety. However, there
12 is a cap that only up to \$10 would be rebated through the
13 lease for additional rent rebates. We would basically have to
14 use up to \$25 to get full value of it.

15 MR. UDDO: Wait. Tell me that again.

16 CHAIRMAN DANA: If you don't spend it all, you get
17 some of it back.

18 MR. RICHARDSON: If you spend \$22 of it, you can
19 only get up to \$10 of it in rent abatement. You would lose
20 to \$3.

21 MR. UDDO: How long is our lease on the current
22 facility?

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1 MR. RICHARDSON: It ends August of 1995.

2 MR. UDDO: And you feel pretty confident it can be
3 sublet?

4 MR. RICHARDSON: Actually, we've already had people
5 walk through facilities. Of course, NASA is going into a
6 building within the block of where we're at, where we're
7 located at this point. They have a standing, it's my
8 understanding, RFP for additional space. There is 650,000
9 square feet located in that building. They need in excess of
10 750,000. So we do have a ready market. There is less than 1
11 percent vacant space in our market.

12 MR. UDDO: You think it would sublet at least \$2 a
13 square foot above what we're paying?

14 MR. RICHARDSON: Well, I've been told --

15 MR. UDDO: It would be more, but you think that a
16 conservative estimate would be?

17 MR. RICHARDSON: Yes, sir.

18 MR. BOEHM: Excuse me. I think, David, it's also
19 true that the people who subcontract to NASA and also to DOT
20 have to be within a two or three block radius of the
21 building.

22 MR. UDDO: So it creates more demand for it.

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1 MR. BOEHM: More demand for it.

2 MR. UDDO: I'd move that the committee recommend to
3 the Board that the Corporation enter into the lease that's
4 been discussed and proposed and negotiated, and let's not
5 lose the chance to get some prime space like this.

6 CHAIRMAN DANA: May I interpret that motion to be
7 to enter into the letter of intent proposed?

8 MR. UDDO: Is that all we need to do immediately?

9 CHAIRMAN DANA: All we need to do.

10 MR. WITTGRAF: Dated November 15, 1991.

11 MR. BOEHM: Then there's a provision that the
12 president negotiate up to December 1st before signing a final
13 lease.

14 MR. UDDO: We're not going to meet again before
15 then.

16 MR. BOEHM: It could be done in consultation with
17 the Board over the phone. I mean, there's a variety of ways
18 that could be accommodated without a meeting prior to that.

19 CHAIRMAN DANA: Is it envisioned that we would
20 enter into a definitive lease within the next three weeks?

21 MR. RICHARDSON: That is what Tramell Crow is
22 pushing to do at this point.

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1 MR. UDDO: Why don't we do this? Why don't we make
2 the motion, as Mr. Dana says, to enter into the letter of
3 intent and add as a proviso or a condition that you attempt
4 to get Tramell Crow to give us until -- we meet in St. Louis
5 on December 9 and 10 -- the 11th before the lease would have
6 to be signed.

7 MR. RICHARDSON: Let me turn to our brokers for a
8 comment. Penn, would you like to come up and address that?
9 This is Penn White and he is representing Charles E. Smith in
10 our negotiations.

11 MR. WHITE: Sure. Good afternoon. If I hear that
12 question correctly, I think if a lease document were to be
13 signed by December 10th or 11th, would that be --

14 MR. UDDO: In other words, right now they are
15 telling us that you want a lease signed by December 1st. We
16 don't meet again until December 9th. I think we would just
17 like to -- it may even be required. I don't know -- to have
18 a chance to approve the lease before it's signed.

19 MR. WHITE: I think their main intent, sir, is to
20 get a letter of intent signed, again by tomorrow because of
21 certain time constraints that we've talked about. That
22 December 1 date is a little bit flexible. So, I don't think

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1 there's a problem with that at all.

2 M O T I O N

3 MR. UDDO: That's fine. Then my motion would be
4 that we recommend to the Board that the president be allowed
5 to sign the letter of intent as proposed and negotiate a
6 lease or attempt to negotiate a lease and request that we
7 have until December 11th or 12th, whatever day it would be,
8 before the signing of the lease, so that the Board would have
9 an opportunity to meet again before the lease would have to
10 be signed.

11 CHAIRMAN DANA: Is there a second?

12 MS. WOLBECK: I'll second that.

13 CHAIRMAN DANA: Discussion?

14 (No response.)

15 CHAIRMAN DANA: Let me say that I will vote for
16 this motion. I have a fair amount invested in this,
17 including a suit which was destroyed the first time I viewed
18 the space. It is superb space. Frankly, the reason I'm
19 voting for it is because I believe the comptroller, that he
20 is going to be able to bring the total cost of this space in
21 under what we are paying now.

22 So this is not an increase in cost. The cost is

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1 very, very much better than the current space we have. So it
2 has in-building parking. It has access to the Metro for our
3 staff. It's really excellent space. Our consultants in
4 Tramell Crow should be commended for bringing it to us.

5 I think we have to be fiscally concerned that the
6 costs do not exceed what we're paying now. With that, is
7 there any further comment? Mr. President, do you have any
8 views?

9 MR. O'HARA: No.

10 CHAIRMAN DANA: I would also thank the comptroller
11 and Ken who have done an excellent job in bringing this
12 opportunity forward. All those in favor say aye.

13 (A chorus of ayes.)

14 CHAIRMAN DANA: Opposed?

15 (No response.)

16 CHAIRMAN DANA: It's a vote. Thank you all.

17 MR. UDDO: Will you entertain a motion to adjourn?

18 CHAIRMAN DANA: I think that's appropriate. The
19 last item on the agenda, which we haven't dealt with, is a
20 consideration of guidelines used for unsolicited proposals
21 for Corporation grants. I guess we should leave that on the
22 agenda. We're going to be meeting again in St. Louis.

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1 MR. WITTGRAF: Mr. Chairman, I'm just wondering if
2 that issue, much like the utilization of the migrant funds in
3 certain states issue, is not one perhaps more properly
4 brought before and deliberated upon by the Committee for the
5 Provision of Services rather than the Audit and
6 Appropriations Committee? I wonder if you want to consider
7 asking that committee to deal with that issue instead of your
8 committee.

9 CHAIRMAN DANA: I think that would be wonderful.

10 MR. HALL: Yes. That would be wonderful.

11 CHAIRMAN DANA: So, if we could do that, that would
12 be great.

13 M O T I O N

14 MR. UDDO: I move we adjourn.

15 CHAIRMAN DANA: Is there a second?

16 MS. WOLBECK: Second.

17 CHAIRMAN DANA: All those in favor say aye.

18 (A chorus of ayes.)

19 CHAIRMAN DANA: It's a vote. Thank you.

20 (Whereupon, at 5:47 p.m., the committee meeting was
21 adjourned.)

22 * * * * *

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