

ORIGINAL

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

FINANCE COMMITTEE MEETING

OPEN SESSION

Sunday, September 29, 1996

2:10 p.m.

The Legal Services Corporation
750 First Street, N.E., 11th Floor
Washington, D.C. 20001

COMMITTEE MEMBERS PRESENT:

Maria Luisa Mercado, Chair
Thomas F. Smegal, Jr.
Douglas Eakeley (ex officio)

STAFF PRESENT:

Alexander D. Forger, President
Martha Bergmark, Executive Vice President
David L. Richardson, Comptroller and Treasurer
Edouard Quatrevaux, Inspector General

Diversified Reporting Services, Inc.

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P R O C E E D I N G S

1
2 CHAIR MERCADO: Let's start the Finance
3 Committee meeting of September 29, '96, and ask for an
4 approval of the agenda or if there's any additions or
5 corrections to the agenda.

M O T I O N

6
7 MR. SMEGAL: I move the approval of the
8 agenda.

9 CHAIR MERCADO: Okay. All those in favor?

10 (No response.)

11 CHAIR MERCADO: And you've reviewed the
12 minutes of July the 19th; are there any additions or
13 corrections to the minutes?

M O T I O N

14
15 MR. SMEGAL: I move their approval as
16 submitted.

17 CHAIR MERCADO: And we have consensus, right?

18 MR. SMEGAL: Right.

19 CHAIR MERCADO: Committee of two.

20 And then the item 3 is "Review and
21 consideration of budget and expenses through August
22 31st of '96." If we could have Mr. Richardson, our

1 comptroller, review those.

2 MR. RICHARDSON: Okay. For the record, my
3 name is David Richardson. I'm the treasurer
4 comptroller of the Corporation. What I'll be referring
5 is pages beginning 28 and they go back through page 37.

6 Mainly, that this particular budget with the
7 management administration through August were 92
8 percent of the way through the year. We are spending
9 anyway considerably less than that. There is 81
10 percent for management administration and basically 72
11 percent for the Inspector General.

12 I'll refer to page 31, which is their
13 consolidated operating budget worksheet beginning with
14 the delivery of legal assistance. We have a budget of
15 \$270 million. And to date, we have spent all of that
16 except approximately \$175,000. And you see the
17 breakdown there. We have basic field is 269,438,000.
18 We have spent today 269,292,000. That's a balance of
19 \$146,482.

20 MR. SMEGAL: Are some programs on month-to-
21 month? Is that why that --

22 MR. RICHARDSON: There are some funding

1 decisions that have not yet been made within the
2 competitions that will be finalized in the next --
3 probably finalized at this point.

4 MR. SMEGAL: And those determinations do not
5 exceed 150,000?

6 MR. RICHARDSON: They do not. Also, within
7 our special emergency fund, money that we have carried
8 forward from year to year to handle any natural
9 disasters we had in budget, remaining funds coming into
10 this year of \$35,777, and we have awarded \$1,000.

11 The U.S. Court of Veterans Appeal, you'll see
12 that there is a negative there, because at the first of
13 the year, we had an amount available to us of basically
14 \$484 million. We have awarded more of that and
15 expended more of that because during the year, they
16 made more funds available to us.

17 Same thing with the Americorps. We had monies
18 made available to us of \$658,333. And we spent 658,000
19 in '91 because they made an additional \$568 available
20 to us. When we get to the projections to the end of
21 the year and our internal budgetary adjustments and
22 reallocations, you'll see that we have included money

1 for those.

2 Within management administration, we have a
3 total budget of \$8,775,000. Of that, 7,276,000,
4 basically, is for management and administration. We
5 have spent to date \$6,061,000. We have a remaining
6 amount of 1,214,000. That will encapsulate the
7 expenses for September. And there's also money set
8 aside for some renovations that are going on and money
9 for subleasing. And again, we'll cover that when we
10 get to the projections for the year.

11 With the IG's budget the IG was at 1,500,000,
12 and has spent to date 1,078,000, almost 79,000. So
13 there's a balance there of 421,000.

14 MR. SMEGAL: Is there anything in fiscal year
15 '96 -- allocation from Congress that restricts our
16 carryover use of any of these -- what appears to be
17 unexpended fiscal year '96 funds?

18 MR. RICHARDSON: Nothing more than the same
19 language that has been in your appropriations. That's
20 basically subject to reprogramming. One of the things
21 that you'll see -- and again, I'll go over in the next
22 presentation, we talked about expenses and obligations

1 for '96.

2 Because under the government theory of
3 accounting, you can obligate '96 funds even though
4 you're going to expend the money in '97 fiscal year.
5 And --

6 CHAIR MERCADO: Well, like last year, we had
7 funds that were obligated on the contract, which is an
8 IG --

9 MR. RICHARDSON: Two years ago. But yes, that
10 same concept, where there's a contract written, but the
11 terms of the contract have not been fulfilled. They
12 won't be fulfilled until October or November. So we
13 set the money aside and call it "obligated," for
14 government purposes. It's still in our fund balance,
15 but it's a way of basically designating money for that
16 particular purpose.

17 MR. SMEGAL: Is that a change?

18 MR. RICHARDSON: It is not a change. It's a
19 change that we went along with basically two years ago
20 when we adopted the government auditing standards. We
21 had to go to government accounting standards.

22 MR. SMEGAL: Is there some relatively simple

1 explanation of how we are under budget this much? Did
2 we start off thinking we were going to have less funds
3 and, therefore, kind of became a little leaner and
4 remained underweight?

5 MR. RICHARDSON: That has occurred. There was
6 a number of expenses that we thought would occur in the
7 last quarter for the competition initiative. Some of
8 those did come about. Some were actually put off until
9 October because of getting the funding applications and
10 the RFP out and the time table, everything just sort of
11 got pushed into October a little bit. And we did set
12 money aside --

13 CHAIR MERCADO: And, of course, a lot of that
14 was because of all the continued resolutions that we
15 have, also, that sort of prevented some of the work
16 that we should have been doing back then, but we didn't
17 actually have the appropriations for at the time.

18 MR. RICHARDSON: We didn't pass the budget
19 until the middle of May this year. And even at that,
20 we felt that there was money that we would be able to
21 spend during August and September in mainly the
22 competition initiative, and it has not come about

1 completely. You'll see that September expenses will be
2 up, but not to the point of coming anywhere near
3 spending the full amount of money.

4 MR. SMEGAL: We haven't -- I guess the process
5 is over for this year, so maybe it's meaningless, but
6 we haven't weakened our position in arguing for what we
7 need for M&A by the fact that we didn't spend what they
8 gave us last year?

9 MR. RICHARDSON: I don't believe so. Because
10 we knew, for instance, in working of the leases with
11 the one in particular was CCHP, the Capital Community
12 Health Care Plan, we had about \$72,000 in leasing net
13 expenses, net of billed out free rent and so forth.

14 When we look at the one that's coming up at
15 National Association of Attorneys General, we're
16 anticipating almost \$600,000 in up front costs. And we
17 have to try to set some money aside for that. So we
18 have tried to do that.

19 MR. SMEGAL: Okay. Thank you.

20 CHAIR MERCADO: Go ahead.

21 MR. RICHARDSON: The other thing that I'll
22 call to your attention is on page 33. Originally, we

1 had estimated our other funds available at \$375,000
2 through August. It's 452, almost 53,000, so we think
3 there will be about 100,000 short with that. We had a
4 couple of extra grant recoveries that we were not
5 anticipating. And, of course, interest rates went up a
6 little bit during the year, which helped us also, as
7 far as having additional money there.

8 MR. SMEGAL: I'm sorry. You said "short."
9 We're actually not going to be short, we're going to be
10 over?

11 MR. RICHARDSON: Over, yes. I'm sorry. On
12 page 35 and 36, we show the comparison of the budget as
13 revised as 7,276,000 for management administration.
14 The amount that we spent through August is 6,061,000.
15 And it shows that we're at 83 percent of the year.
16 Again, this is 92 percent of the year through the
17 budget.

18 And the same thing with the IG. He is at 72
19 percent of his budget of 1.5 million, having spent to
20 date \$1,079,000.

21 CHAIR MERCADO: Just since Mr. Quatrevaux is
22 here, is some of that money that hasn't been spent, is

1 that a consulting line that you've obligated but you
2 just haven't spent?

3 MR. QUATREVAUX: That's correct. There will
4 be approximately \$275,000 in consulting expenses that
5 don't show up here for the reasons David has been
6 talking about. It just hasn't come to fruition.

7 CHAIR MERCADO: And which one is that?

8 MR. QUATREVAUX: Well, two of them. One is
9 the audit information management system, which is about
10 75,000 of that total and the other is the concept
11 development domestic violence -- I hope to have a
12 contract tomorrow on that, but that's \$200,000.

13 CHAIR MERCADO: What is that, exactly?

14 MR. QUATREVAUX: Well, I'll say more about it
15 to the Board tomorrow, but that is the first concept
16 evaluation resulting from the report on information
17 technology. We met with management, and we wanted to
18 move quickly to accomplish one of these concept
19 evaluation, particularly this first one. And we met
20 with management. We talked about where to cite it,
21 where we're going to go, what the characteristics were.
22 We jointly arrived at the Georgia area, I

1 guess, Georgia as a state. We in August visited with
2 the Georgia grantees and others, started working with
3 Bucky in building some coalitions there. We went back
4 this week to interview people at prospective test
5 cites, shelters, courts. We met with judges, clerks,
6 court administrators, shelter management people.

7 And we are now getting ready to -- we have a
8 prototype already software that's a domestic violence
9 assistance and information, the only that we're
10 eventually going to run a TPO, petition for a TPO. And
11 we have arrived at some conclusions which we want to
12 discuss further with our grantees, but we think they're
13 in agreement about two particular test cites.

14 And what we would do in a shelter environment
15 is place everything there, the hardware, the software.
16 And I've already provided \$10,000 to our two grantees
17 in Georgia to cover and -- not each, 10,000 total -- to
18 cover their out-of-pocket expenses for things like
19 travel around the state, Internet access, things like
20 that, so that they could conduct this, participate with
21 us without really having to take anything out of their
22 ordinary budget.

1 We will be essentially billing a full audio-
2 video interactive piece of software that will be in
3 shelters that the shelter people can sit down with a
4 victim or send victims to unassisted and provide them
5 with a lot of information on services that are
6 available to them, characteristics of Georgia law,
7 walking through diagnostic questions that determine
8 things like marital relationships and things like that
9 that bear on the problem and then tell them whether or
10 not they're eligible under Georgia law to seek a
11 protective order and how that process works.

12 And we may include a video on what happens in
13 court, who does what, and that sort of thing. But this
14 is one that, as I say, we'll eventually produce a
15 petition for a temporary technical order that the
16 victim could take to the court, it would be pre-
17 approved by the court.

18 CHAIR MERCADO: So it would be pretty much
19 having a pro se type --

20 MR. QUATREVAUX: That's right. It does. It's
21 designed to work, if necessary, that way. But, of
22 course, it also works if assisted.

1 I should tell you that we visited -- Martha
2 and I and our consultant, Richard Zorza -- visited with
3 Justice Department officials on Monday. And they
4 seemed quite enthusiastic about what we were doing and
5 said it was fine to associate them with this effort.

6 Similarly, we met with certain people at the
7 Centers for Disease Control in Atlanta, an organization
8 which has determined that domestic violence is a major
9 national health problem of epidemic proportions and has
10 considerable resources directed at it as a new
11 operation.

12 And they want us to come back and make a
13 presentation. And what we are interested in there is
14 getting the medical community on board and possibly
15 making this legal assistance application available in
16 hospitals and emergency rooms and doctors' offices and
17 things like that.

18 But basically, the \$400,000 or so that Dave
19 shows as a balance there, 100,000 will be eaten up by
20 our regular personnel, meeting the payroll. The rest
21 of it is composed of those two consulting projects.

22 MR. SMEGAL: How much of the occupancy costs

1 for fiscal year '96 that were made in 641 represent
2 this space? In other words, I appreciate we're
3 dragging that elephant along down there on I Street or
4 whatever it is. How much of this number is this space?

5 MR. RICHARDSON: That complete amount.

6 MR. SMEGAL: So what are the rest of our
7 occupancy costs that are represented by our subleased
8 space upon which we're losing money?

9 MR. RICHARDSON: That -- it's gone.

10 MR. SMEGAL: It's gone now?

11 MR. RICHARDSON: That lease expired August of
12 last year.

13 MR. SMEGAL: Oh. Okay. So then why do we --
14 how are we going to get our occupancy costs from fiscal
15 year '96 of \$1,640,000 down to 1,288?

16 MR. RICHARDSON: Going to the next agenda
17 item --

18 MR. SMEGAL: I mean, unless you want to go to
19 this --

20 MR. RICHARDSON: No. We have already
21 subleased space to the Capital Community Health Care
22 Project. They moved in in August, and we have netted

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1 out the sublease payments in the basically 1.286 budget
2 that you have before you for '97.

3 Also, the National Association of Attorneys
4 General, we have negotiated a lease with them, has not
5 been signed completely, but they're supposed to
6 complete that this week so that they can begin
7 construction, because they want to move into this space
8 by December 1st.

9 We also have a Clean Air Project. They're
10 looking at about 3,000 square feet here. again on the
11 11th floor. And they hope to have a lease negotiated
12 and occupied by February 1st.

13 The CCHP space is a sublease. When we look at
14 the National Association of Attorneys General and the
15 Clean Air, and there's also the prospects of APA taking
16 additional space here on the 11th floor, those will be
17 prime leases, and we will be taken out completely of
18 any lease obligation there. And the rent that you have
19 before you reflects that, because we felt that those
20 would be things that would be completed very shortly.

21 MR. SMEGAL: So the million, 2-8-8 is netted
22 for fiscal year '97?

1 MR. RICHARDSON: That's correct.

2 MR. SMEGAL: Anticipating all these things are
3 going to happen, and that's what's left?

4 MR. RICHARDSON: That's correct.

5 CHAIR MERCADO: Now, in that million, two that
6 you're talking about -- because I was going to ask Mr.
7 Quatrevaux another question on the 11-month period
8 ending on occupancy costs, it has \$1,000 in occupancy
9 costs for the IG. But I don't assume that --

10 MR. SMEGAL: He is.

11 CHAIR MERCADO: I'm sorry.

12 MR. QUATREVAUX: I'm sorry.

13 CHAIR MERCADO: We're trying to --

14 MR. RICHARDSON: She's asking about the 1,000
15 occupancy --

16 CHAIR MERCADO: The \$1,000 in occupancy costs.
17 I don't assume that that means the monthly costs,
18 right?

19 MR. QUATREVAUX: No, no, no. All that is is a
20 figure we have kept in there each year in the event
21 that we would need to rent hotel conference space to
22 conduct interviews during investigations or audits,

1 which to my knowledge, I don't think we have ever used
2 it. But that's what it was in there for.

3 CHAIR MERCADO: Okay. So it really didn't
4 deal with the operating costs of your offices, then?

5 MR. QUATREVAUX: No, it doesn't. And that's
6 an issue we have talked about from time to time.

7 CHAIR MERCADO: Well, because one of the
8 things that I was sort of looking at and going back,
9 looking at the appropriations stuff, and we have it for
10 the proposed FY '97 appropriations is that as opposed
11 to other years where the IG has -- all their funding
12 has been incorporated in the M&A line, now you have
13 specific line item, 1.5 million that they're proposing
14 to do that.

15 Then does that mean that, in effect, if that
16 is your line item, that it anticipates that whatever
17 overhead it takes to run that office, that that's
18 included in part of the cost?

19 MR. QUATREVAUX: I don't --

20 CHAIR MERCADO: I mean, that would seem like
21 that's what it means. I mean, if you're getting a
22 particular line item, then that's for you to do that.

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1 And I'm just saying, from looking at other agencies and
2 stuff and how --

3 MR. QUATREVAUX: Well, we have looked at other
4 agencies, too, and it's done all kinds of ways. But my
5 response would be that what they did this first time
6 did not anticipate that lease space liability. I think
7 it's worth talking about whether we want to do it that
8 way.

9 And if we do, I think what we have to do is to
10 submit a budget request that makes it clear to the
11 Congress that we're changing basically our internal
12 accounting and that what have heretofore been carried
13 under management administration with a separate line
14 ought to be an entry into OIG ledger.

15 MR. SMEGAL: It looks like were there to be an
16 apportionment, if I read fiscal year '97 correctly, you
17 have 16 people. Management and the office programs has
18 70. So it's about a sixth.

19 So we're talking about -- if the number that I
20 understood David as asking about is correct, it sounds
21 like about \$200,000 would be an apportioned amount of
22 rent for your operation, out of what I understand to be

1 an entire rent that will be paid in fiscal year '97.
2 But we're talking about a couple hundred thousand
3 dollars, roughly.

4 MR. QUATREVAUX: Yeah. I think that's the
5 correct order of magnitude. I think that probably --
6 and without getting into it today, there are probably
7 lots of different ways to estimate that apportionment,
8 different bases of comparison. But I think that --

9 CHAIR MERCADO: Because you're generally
10 looking at occupancy at that level. I mean, because if
11 you -- occupancy alone is different from actually
12 looking at the overhead of running the shop, basically.
13 I mean, because you're talking about supplies, the
14 telephone, and all that kind of stuff and how --

15 MR. SMEGAL: This would appear to be the
16 bigger part.

17 CHAIR MERCADO: Yeah. The bigger part's
18 obviously occupancy.

19 MR. QUATREVAUX: Some of the larger OIGs with
20 separate appropriations actually have that in their
21 budget. And, I mean, they'll have line for line for
22 real estate, because they have a separate

1 appropriation, the bigger ones.

2 MR. SMEGAL: Right.

3 MR. QUATREVAUX: And some of them maintain
4 offices separate from their agencies. It's different
5 all over. My principal concern would be that we do --
6 you know, that if we decide that we wanted a change --
7 I'm not sure there's any particular benefit to it, but
8 should we decide that we want to make a change, we do
9 it in a way that's orderly that provides Congress with
10 the information that they need to understand what we're
11 doing.

12 And I guess the corollary is for them to make
13 a decision based on that information that considers
14 that information.

15 MR. SMEGAL: David, if I understand your
16 September 24th issue in this document of fiscal year
17 '97 correctly, you're anticipating that we will get out
18 of this Omnibus bill that may have been voted on by the
19 Senate Saturday night and may be voted on by the House
20 on Monday that we would get 7.1 billion.

21 My question isn't with respect to that but
22 with respect to the fact that this year, we got 7.275

1 billion, so we're down 175,000. Is there some
2 justification that some committee up on the Hill has
3 gone through to reduce us by 175,000, such as are rents
4 lower this next year?

5 MR. RICHARDSON: No. Actually, the
6 appropriation last year is the same amount, 7.1 The
7 difference, the 175 was the carryover, those funds that
8 were unobligated.

9 MR. SMEGAL: Oh, it was 7.1 last year?

10 MR. RICHARDSON: That was cleared this year.
11 Our 7-1 figure will go up as a result of any carryovers
12 that we have this year, provided that's the final
13 amount that is appropriated.

14 MR. SMEGAL: Well, the subject here, do we
15 have some aid as a Board in sort of looking at this
16 issue if there were some apportionment to go on, I
17 appreciate what Ed is saying, that he would feel he
18 should go back to Congress and get more than a million
19 and-a-half. You're just going to have to pick up the
20 overhead burden.

21 I'm curious, Ed. I've done some crude, rough
22 math here and come up with 200,000. I would appreciate

1 knowing what the number is, what we're talking about.
2 And I just counted heads. Now, maybe if that space is
3 disproportionate to the head count -- I mean, you could
4 have --

5 MR. QUATREVAUX: Sometimes, it is.

6 MR. SMEGAL: I mean, you could have --

7 CHAIR MERCADO: Well, the other factor to
8 consider, too, is that -- I mean, you know, all our
9 grantees have been cut significantly. And the main
10 line has been cut significantly. And one would
11 naturally think that that also, unfortunately, goes
12 down to the IG, as well.

13 MR. QUATREVAUX: I wouldn't --

14 CHAIR MERCADO: I know you wouldn't assume
15 that. But I'm just saying that if everyone's getting
16 cut --

17 MR. QUATREVAUX: But we're not. We were
18 increased, Madam Chairman.

19 CHAIR MERCADO: Yeah. Then the amount of
20 money that you have to work with would include the
21 overhead and then may mean that you may have one or two
22 less people. I don't know whether it would equal to

1 that. Or maybe you don't have the consulting language
2 you would have. I mean, I don't know what that means
3 in your budget.

4 MR. QUATREVAUX: Well, it's significant.

5 MS. BERGMARK: This is Martha Bergmark. I
6 have a process suggestion, which is I think perhaps
7 picking up on your suggestion that we have some
8 discussions about this, this is -- we don't yet even
9 know for sure that we have 7.1 and 1.5.

10 This will be back before the committee and the
11 Board to adopt a COB once we have that information and
12 that what we could do is have some conversations
13 between IG and management reporting those to you and
14 making us -- making two separate suggestions, but
15 giving you a basis for the Board to make a decision
16 about what the budgets should be.

17 CHAIR MERCADO: Because I think there was some
18 confusion on as far as -- or not clarity, I suppose,
19 when Congress decided to line item the IG's Office,
20 whatever that means, it's a line item for them to take
21 care of their whole shop or merely if that person were
22 a consultant --

1 MS. BERGMARK: Well, we need to inform the
2 appropriations committees of what we're doing as we go
3 along. I mean, if we're making proposals, to say,
4 "This is how we're handling it," that's how we have
5 done it with respect to other aspects of our
6 enforcement of restrictions and other things. We have
7 done it that way, and either they have decided to give
8 us guidance or not according to what they --

9 CHAIR MERCADO: And just to follow up, when
10 you are discussing how this will be handled -- I mean,
11 you had an increasing amount -- I mean, part of the
12 increase as we're talking about the budget was because
13 of taking over the audit responsibility.

14 And now there's a question of compliance and
15 how you envision that that budget allows you to do that
16 or not do that. And I don't know what amount of
17 personnel and resources is required for you to do that.
18 And maybe that's something we would sort of like to
19 see, whether, in fact, that piece of it where you were
20 given greater authority to do is going to be able to be
21 accomplished with what you've got.

22 MR. QUATREVAUX: The best I can do is, I

1 suspect, that whoever came up with that figure, 1.5
2 million, presumed ceterus pares, all other things being
3 equal, transfer. I just think it's important that if
4 and when we want to change our basic accounting
5 budgeting structure on which our appropriation request
6 is based, that we inform the Congress of what we're
7 doing and leave it to them to decide what they want to
8 do.

9 I really -- and we'll get into the talks and
10 come back to you, but I really think the appropriate
11 opportunity is the submission of the '98 appropriation
12 request which we're going to do after the 1st of the
13 year. But we'll talk. And I think Martha has made a
14 good suggestion.

15 CHAIR MERCADO: Well, I do, too. You know,
16 it's just that I know that you have these additional
17 responsibilities and trying to figure out, looking at a
18 budget, where those are going to be dealt within your
19 budget as far as the additional compliance and auditing
20 obligations that you now have.

21 MR. QUATREVAUX: Uh-huh.

22 MR. SMEGAL: Just a personal footnote to the

1 conversation here a minute ago about counting the heads
2 and counting the space. I once took over a lease from
3 the comptroller of the currency in San Francisco. They
4 decided to vacate an adjacent floor to my office at
5 that time.

6 And the two long sides of the building on one
7 side of the building had their officers, and there were
8 five offices that went to the building. On the other
9 side, there were 16 auditor offices, little cubbyholes.
10 Anyway, just an observation.

11 MR. QUATREVAUX: Well, I understand today
12 if --

13 MR. SMEGAL: I appreciate it. You've got your
14 people in very small offices. And that's the analogy I
15 was making.

16 MR. QUATREVAUX: Actually, the offices our
17 folks have are about the same size a full colonel is
18 authorized to have. It's rather tight over there. No
19 visitors to the desk side.

20 MR. SMEGAL: Thank you.

21 CHAIR MERCADO: We were actually on page 36,
22 but we started jumping a little bit to that FY '97 to

1 deal with the differences in the occupancy costs. So I
2 guess we're now on page 37, right? No?

3 MR. SMEGAL: Not unless we have completed it.

4 CHAIR MERCADO: No? Or did we miss --

5 MR. RICHARDSON: This just shows the
6 percentage that each office has spent.

7 CHAIR MERCADO: What page?

8 MR. RICHARDSON: On 37. But it is some of the
9 other reports.

10 MR. SMEGAL: Madam Chair, do we need a motion
11 to approve the -- does this require approval of --

12 MR. RICHARDSON: It does not.

13 MR. SMEGAL: It's just information?

14 MR. RICHARDSON: That's correct.

15 CHAIR MERCADO: It's informative for us, and
16 we're accepting his report. And you talked already
17 about the subletting in the LSC office, unless you just
18 want to go over it again? Or if there's any particular
19 part that we didn't patch, maybe Doug might --

20 MR. EAKELEY: That's okay. Doug -- don't
21 repeat anything in my --

22 MR. SMEGAL: Subletting is going well, Doug, I

1 think was the bottom line.

2 MS. BERGMARK: Actually, Joan was prepared to
3 give you a brief report on this, and she's still
4 working on personnel policies in the other room, I
5 think. But David has covered the main components of
6 the subletting that we have -- subletting and prime
7 leases that we are in process on to try to reduce the
8 overall rent obligation to what we project for the
9 coming year will be 1.22 million and hopefully a little
10 less after that.

11 CHAIR MERCADO: It turns out that it will
12 probably be like a little over \$600,000 that we're
13 going to have to have up-front costs for the National
14 Associations of Attorneys General.

15 MR. EAKELEY: And we have identified sources
16 for those funds?

17 MR. RICHARDSON: Yes, we have.

18 MR. SMEGAL: Ed's budget.

19 MR. EAKELEY: I thought that's what I came in
20 on.

21 (Laughter.)

22 CHAIR MERCADO: We're trying to figure out,

1 how are we going to pay for that.

2 MR. RICHARDSON: Actually, that's a good lead-
3 in to number 5 on the agenda, because there's a memo
4 before you that is dated September 25th, and it's
5 entitled "Internal Budgetary Adjustments."

6 MR. SMEGAL: 25th or the 24th?

7 MR. RICHARDSON: 24th. Excuse me.

8 MR. SMEGAL: It is 24th?

9 MR. RICHARDSON: That's entitled "Internal
10 Budgetary Adjustments and COB Reallocations." We have
11 gone through and done projections of spending through
12 tomorrow. And actually, some of the spending may not
13 occur until October, because we have subsequent events
14 prior to the close of the financial statement such as
15 the signing of the NAAG lease.

16 If an asset is impaired, we can then go back
17 and accrue those costs into the year-end financial
18 statements. So the NAAG cost is included in the
19 projections that we have before you.

20 What I've done in the presentation is on page
21 5, I've summarized some of the activities in pages 1
22 through 3 of the memo, but let me go ahead and

1 summarize a little bit as to what's going on with the
2 delivery of legal assistance, and then I'll go back
3 into management administration, and we'll look at
4 those.

5 When we spoke regarding August, I had
6 mentioned to you in regards to the Court of Veterans
7 Appeals, the additional money that they have made
8 available to us this year. There's an additional
9 amount of \$5,345 that we'll add to that line. I was
10 actually told at 5 o'clock on Friday that there could
11 be an additional \$10,000 that would come into that
12 line, but the court has to make that decision on
13 Monday, tomorrow.

14 MR. SMEGAL: We're just a pass-through for
15 those funds; isn't that correct? We just pass it on to
16 others?

17 MR. RICHARDSON: Yes. And the --

18 CHAIR MERCADO: We don't get an even get an
19 administrative cost out of that line, do we? Do we get
20 an administrative fee out of that?

21 MR. RICHARDSON: We do get the time that our
22 liaison, which is Adam Goldberg at this time, what time

1 he spends in meetings negotiating any contracts with
2 him, they do reimburse us on an hourly rate for him.
3 And his is the only cost that is charged back to them.

4 Within the Americorps, they had originally
5 made available to us at the 1st of the year \$658,333.
6 They have now made available an additional \$3,068. So
7 we have about \$2,500 left there. Again, this is a
8 pass-through. It doesn't really affect our bottom
9 line. If they choose not to give us the \$2,500, it
10 does not affect our budget for next year.

11 On page 6, I've got a summary of the expenses
12 that we have for management administration by the
13 different offices within, for instance, the Board of
14 Directors. We have spent through August \$84,000. We
15 had a budget of 120,000.

16 Within the remaining funds to 23,000, that is
17 taking out 12,600, because we didn't feel that this
18 Board meeting and the additional costs that --
19 reimbursements that are due Board members would cost
20 any more than that. So we're suggesting that those
21 funds would help support the subleasing expenses, the
22 build-out, and the technology.

1 MR. EAKELEY: I'm sorry, David. Which funds,
2 the June budget revisions, or the remaining funds?

3 MR. RICHARDSON: The June budget revisions.
4 Sorry. The 12,600. So what we have done is we have
5 allocated the money based on what was remaining at the
6 end of August or end of September after we have
7 projected the September expenses.

8 So you'll see that within the executive
9 office, we have a net amount of \$10,400 that we felt
10 would not be spent; within general counsel,
11 approximately 42,000. And I'll skip the next line, the
12 plus; in comptroller's office, 1,500; and then in the
13 program operations, \$195,625.

14 To give a little further breakdown, we can
15 turn over -- and I've got these numbered. Page 10,
16 you'll see, for instance, in the Board categories, we
17 actually look in the revised requirement. The way this
18 is set up, we have got their June expenses. The
19 accrual is the July expenses. And then the budget plan
20 is the September expenses, what we're projecting for
21 this month.

22 Because after we got into this, we based it

1 first on June. Before we got any reports completed, we
2 had closed July and August, so we have been able to
3 accrue those to the point where we can show that there
4 is a two-month budget plan for August and September in
5 the budget plan. Accrual is actually July. So we have
6 got June accrual, July. Budget is August and
7 September.

8 So we see that the August requirement, the
9 full requirement for the year is 106,807. So even if
10 we spend everything that we feel would be coming in, we
11 still have a small cushion there for unanticipated
12 expenses, about \$600.

13 When we look at the executive office, again,
14 we have got the June expenses over to the revised
15 requirement. So we feel that we would spend \$710,933.
16 And as a result of that, we were able to take 10,400
17 out and move to the other expenses that we anticipate.
18 Again, there's a cushion there in case there's any
19 unanticipated expenses.

20 Page 12 in the general counsel, revised
21 expenses was \$383,663. I can tell you that there's two
22 trips that have come about in the last week that Vic

1 had not anticipated in his budget projections, so the
2 cushion there, the 2,300, the majority of that will go
3 into his travel because of the travels he has had to
4 make recently to New England to litigate some cases
5 there in regards to the class action suits issue that
6 we had before the court.

7 And there's still \$42,000. It looks like he
8 has not hired any external counsel. That's what the
9 consulting line is there. So that 30,000, along with
10 the other lines, a total of 42, could go to support
11 other expenses during the year.

12 The Office of Administration, human resources,
13 here's where you're going to see that there is a
14 substantial amount of money and occupancy needed. And
15 this is because of \$355,000 in monies that were needed
16 for build-out as long as NAAG does go ahead and sign
17 the lease, and we are anticipating that in the next
18 week or so.

19 MR. EAKELEY: Why are these broken out? Is
20 that the consulting occupancy and capital expenditure
21 lines?

22 MR. RICHARDSON: Right, when you -- yes.

1 MR. EAKELEY: What are we spending 94,000 in
2 consulting on?

3 MR. RICHARDSON: Well, I was going to go on.
4 There's an amount of money in the occupancy for the
5 build-out, but then we have got commissions for the
6 real estate. And that's what the 194,000 is -- where
7 the 94,000 is needed, because we anticipate commissions
8 and also the consulting fees, the OPM helping us with
9 the personnel management of about 148,000.

10 There is some capital expenditures. There's
11 50,000 there, because we're having to refurbish part of
12 the 10th and 11th floor to accommodate our needs in
13 moving all the employees or the majority of the
14 employees onto the 10th floor.

15 There is -- the executive office, I'm sure
16 you're aware, we're going to be maintaining much of
17 that space from the board room over. And we'll be
18 basically retrofitting that to move general counsel and
19 his staff into that area and making some new offices
20 there and reconfiguring the board room. Instead of
21 facing longway as it is now, it will be lengthway into
22 the building. So try to accommodate to have Board

1 meeting facilities.

2 Within my office, there is just a small amount
3 that we anticipate not using. There's still a cushion
4 there in case there's something that would occur that
5 we were not aware of at the end of the year. Those
6 things sometimes do happen, but we have a revised
7 requirement of basically \$380,000. So we're reducing
8 our budget to accommodate for that.

9 In the program operations, we were speaking
10 before about allocating money. And I should back up
11 and just complete my thought here on the Office of
12 Administration on 13.

13 Even though we don't have firm contracts with
14 the National Association of Attorneys General at this
15 time, as long as we can have that contract signed prior
16 to the issuance of our year-end financial statements,
17 we can accrue those expenses into this budget. And,
18 therefore, we're showing that as an expense here.

19 Outside of that, it's pretty difficult -- we
20 have done everything that we can to obligate the funds,
21 to expend the funds through the year. So it's up now
22 between NAAG and Trammell Crow to work out the final

1 areas of contention to sign that lease.

2 If we are remotely sure that that's a probable
3 expense, that that's going to occur, we can still
4 possibly accrue those into this financial statement,
5 and we'll just have to review that as we go through and
6 complete the year-end statements.

7 Program operations. You'll see that the
8 budget as approved by the Board in March was the
9 2,693,000. We have a revised requirement of 2,431,000,
10 so we have -- basically, we have identified 195, almost
11 \$196,000 in funds that were not spent during the year
12 and don't anticipate being spent that we can move into
13 either the administration or into Office of Technology.

14 I'm netting the two out, because in the Office
15 of Technology, we have also identified a need for
16 monies there, also. And that is the last one that's
17 involving the national administration on page 16.

18 CHAIR MERCADO: Now, is there a significant
19 difference in not expending this amount of money -- was
20 that also due to the problems that we had with
21 continuing resolutions and check bounces and so forth
22 and not getting so much of these expenditures done at

1 this time?

2 Yes, Martha?

3 MS. BERGMARK: Go ahead, David.

4 MR. RICHARDSON: It is because we were late in
5 the year. Again, it was May before we got a budget
6 passed. We anticipated some activities revolving
7 around the competition initiative that we thought would
8 be completed by September.

9 But some of those will now not be completed
10 because of the moving the RFP back and so forth until
11 the end of October or perhaps the middle of November.
12 So we have had to delay some expenses because of the
13 delay in total funds.

14 CHAIR MERCADO: But wouldn't those funds be
15 obligated?

16 MS. BERGMARK: But we haven't anticipated
17 spending that. We have contracted -- in fact, some of
18 what will show up at the end of the year is having
19 contracted for consultants who will be making site
20 visits and doing readings of applications. But not all
21 the travel will be accomplished. That will be
22 happening in October and November.

1 And we did a -- we were keeping the House
2 committee staff in particular well-apprised of that.
3 They have a statement from us about what we anticipate
4 the overall cost of implementing '97 competition
5 process to be, even though some amount of this is going
6 to be incurred in October or November.

7 The cost -- actually, what we had projected is
8 the consulting and travel and transportation costs that
9 are those sort of big-ticket items. Actually, what we
10 projected really based on not very hard information
11 because we have not done it before, we're pretty close.
12 The main difference is going to be when we expend them.

13 We had hoped to expend those before the end of
14 the fiscal year, and some of those costs are going to
15 be incurred in October or November. But the overall
16 projected amount for consulting and travel is pretty
17 close and anticipates budgeting similar numbers for the
18 '97 fiscal year.

19 MR. RICHARDSON: On page 16, the information
20 technology, the main needs that we saw there was some
21 capital equipment in regards to the technology
22 initiative that we have undertaken.

1 And there's a need for about \$100,000, as you
2 see there, an additional transfer of 37, but total
3 expenses for the year of about 110,000 we anticipate
4 for programming, land management, in regards with their
5 technology initiative that we have undertaken.

6 Again, that is something that we thought would
7 be completed quicker during the year, but it looks like
8 it will go into October, so there will be some monies,
9 maybe even an increase over this that will be
10 available.

11 And what we'll do is any funds that's
12 obligated will be added to the 7.1 budget, the
13 temporary operating budget that we'll look at next.

14 We'll look at the IG's budget line. Ed is
15 here. He might want to speak to that, but it's my
16 understanding of the \$1.5 million, we will have
17 contracted or obligated almost all of those funds for
18 that in his particular budget.

19 MR. EAKELEY: Well, can we -- am I reading
20 this correctly, 228,000 of personnel compensation is
21 unexpended as of whenever this report was, and 266 of
22 the consulting is unexpended as of the date of this

1 report?

2 MR. RICHARDSON: That's correct.

3 MR. EAKELEY: Do you want to address those?

4 Those are the two large ones.

5 MR. QUATREVAUX: Well, we have 100,000 a month
6 in payroll, and that represents two months. That's all
7 that is.

8 MR. SMEGAL: This is August?

9 MR. QUATREVAUX: Right, August and September.

10 MR. SMEGAL: Doug, this is not today.

11 MR. EAKELEY: Oh, this is not today?

12 MR. EAKELEY: Even though it's dated
13 September.

14 MR. QUATREVAUX: End of July.

15 MR. EAKELEY: Well, how about the consulting,
16 266 to 293?

17 MR. QUATREVAUX: The consulting, we have a
18 contract to develop the audit information management
19 system. That takes 75,000 of that. And there is
20 approximately another 200 I expect to obligate tomorrow
21 on the last day of the fiscal year for concept
22 evaluation for domestic violence. And I need to bring

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1 the Board up to date on something that has been moving
2 very rapidly in that area.

3 We have actually made several trips to
4 potential test areas and interviewed people and are
5 ready to essentially begin work. We have already
6 developed a prototype software application, which is
7 the basis for discussion and refinement in prototyping.
8 So basically, the money is committed.

9 MR. EAKELEY: What's the 200,000 for?

10 MR. QUATREVAUX: It's for software and
11 development. It's primarily -- it's for this whole
12 project, the concept evaluation domestic violence which
13 produces a working piece of software to provide over
14 the Internet and to kiosks. In this case, we're
15 talking about shelter environments and court
16 environments.

17 So there won't be the full stand-alone. There
18 might be more like a big-screen TV and some other gear
19 on the table top. But basically, it's for hardware and
20 for software but primarily for software development.

21 MR. EAKELEY: Is there a write-up -- and I'm
22 sorry I came in late. And if it has been already gone

1 over, forgive me a second time. Is there a write-up
2 for this, or --

3 MR. QUATREVAUX: No, there isn't. It's a
4 continuing --

5 MR. EAKELEY: Is there a request for bid sort
6 of process that --

7 MR. QUATREVAUX: No, no. We're going -- using
8 Richard Zorza at the Fund for Save New York, which he
9 was the person who served as the consultant on our
10 study, and he was the one who has -- we're sole
11 sourcing it, to answer that question. And, in fact, we
12 have a sole source justification already prepared for
13 that. I don't know if you've seen it yet, David.

14 But no, we're not going to compete it. First
15 of all, it would take too long. And second of all,
16 we're not going to find anybody to do a better job than
17 this.

18 CHAIR MERCADO: Are we required to bid?

19 MR. SMEGAL: There's an exception to the
20 bidding requirements called sole source?

21 MR. RICHARDSON: Yes, there is.

22 MR. QUATREVAUX: That's correct. And

1 basically, what sole source is when you determine the
2 competition will not identify anybody who could do the
3 job better.

4 MR. EAKELEY: I'm not -- are we going to get a
5 write-up? Or maybe it would just be easier to --

6 MR. QUATREVAUX: We're going to get a
7 discussion.

8 MR. EAKELEY: Is this in the nature of a
9 grant?

10 MR. QUATREVAUX: No.

11 MR. EAKELEY: It's a \$200,000 contract for
12 software development of, what, the interactive kiosk
13 type --

14 MR. QUATREVAUX: Legal assistance.

15 MR. EAKELEY: Legal assistance?

16 MR. QUATREVAUX: Uh-huh. Things have moved
17 very, very rapidly. Earlier -- was it still this week?
18 It has been a long week. We visited -- earlier this
19 week, we visited the Justice Department, and they have
20 agreed to lend their name to this project and perhaps
21 more. That's to be determined.

22 And we had an initial meeting yesterday in

1 Atlanta with the Centers for Disease Control, which is
2 very interested in our going back to make a
3 presentation with them. But they have also agreed to
4 join in this project.

5 MR. EAKELEY: Has this been developed with
6 Corporation Management?

7 MR. QUATREVAUX: Yes, it is.

8 MR. EAKELEY: Is it a joint undertaking?

9 MR. QUATREVAUX: Yes, it is.

10 CHAIR MERCADO: Because one of the things we
11 had talked about --

12 MR. EAKELEY: I understand you don't have a
13 lot of information.

14 MR. QUATREVAUX: Right. Or a lot of it broke
15 this week.

16 MR. EAKELEY: And I'm in favor of the project.
17 I have more process questions and authority questions
18 and was this something that was part of the original
19 budget when proposed, are we tagging it on the last day
20 of the fiscal year. It's a large item.

21 MR. QUATREVAUX: Yes.

22 MR. EAKELEY: Are we tagging it because we had

1 unexpected funds, and we want to obligate --

2 MR. QUATREVAUX: No.

3 MR. EAKELEY: Those are questions that I'm not
4 guessing what the answers are. I'm sure they're
5 legitimate. I just --

6 MR. QUATREVAUX: Well, we did have a six-
7 figure entry on that at the last -- through the third
8 quarter, I think some documentation we submitted in
9 June or July.

10 MR. EAKELEY: But was it on the technology
11 initiative?

12 MR. QUATREVAUX: Yes.

13 MR. RICHARDSON: There was \$293,000 originally
14 budgeted in the IG's consulting language. It was
15 increased by \$2,000 up to \$293,000.

16 MR. RICHARDSON: I'm not talking about the
17 consulting line itself but whether -- that conceptually
18 we had some advance notice so the Board was learning as
19 we went or conceptually approving or advised or
20 involved or management was advised and involved. I
21 don't know. I don't know whether those are even real
22 issues. I just -- I --

1 CHAIR MERCADO: I think I see it had money for
2 technology.

3 MR. QUATREVAUX: Since your last meeting --

4 CHAIR MERCADO: That was going to be done that
5 was not explained.

6 MR. QUATREVAUX: We met in, I think, even July
7 with management about the first concept evaluations and
8 how to go about that. And we met again in August and
9 talked about specific locations where we might rapidly
10 move to do something.

11 And we agreed initially -- I'll say here --
12 that Georgia would be a good potential candidate site,
13 for various reasons, one of which is the strength of
14 the programs and their ability to react, one that it's
15 principally a state-wide organization as opposed to
16 being fractured. Court support was another
17 consideration.

18 MR. EAKELEY: I mean, is there an agenda item,
19 a presentation or something somewhere?

20 MR. QUATREVAUX: Within the IG report, I plan
21 to cover it.

22 MR. EAKELEY: Martha, I interrupted you.

1 MS. BERGMARK: I just want to say that we have
2 been -- management has been being patient with IG
3 office on this project. We are very supportive of the
4 notion of pushing the technology and some technology
5 initiatives to help improve service at a time when
6 there may not be other ways to do it.

7 I do think we have some issues to resolve
8 about how we go about this, particularly with the
9 prospect of some support, possibly even some financial
10 support from other sources that raises lots of
11 questions that I think the Board needs to be well-
12 informed on, exercise its oversight responsibility for
13 how we go into that and add up those.

14 Whether -- I know we're up against the end of
15 the fiscal year. We have not seen anything in the way
16 yet of a proposed contract on the software, not that we
17 necessarily need to, but we're moving, as you noted,
18 very quickly on this project without necessarily all of
19 the processing that it might benefit from.

20 CHAIR MERCADO: Well, there's two questions
21 that I had. One, is this same guy -- we had already
22 expended, I don't know, \$100,000 or more or whatever

1 where he did the actual evaluation report that was
2 given to us regarding technology?

3 MR. QUATREVAUX: He was a consultant to the
4 project. He did not write that report.

5 CHAIR MERCADO: He did not write it? He was a
6 consultant to that?

7 MR. QUATREVAUX: That's right.

8 CHAIR MERCADO: Okay. So I'm just trying to
9 figure out in my mind budget-wise -- we had already
10 appropriated -- was it around \$100,000 that we did that
11 evaluation or assessment?

12 MR. QUATREVAUX: No, we didn't expend that.
13 That had been budgeted. The money that we spent on his
14 services came out in dribs and drabs throughout the '95
15 and '96 budget years.

16 CHAIR MERCADO: The document we received
17 was --

18 MR. QUATREVAUX: The document we received was
19 prepared by the Office of Inspector General. I wrote
20 the report, in fact. We printed it and paid for its
21 printing and everything else.

22 CHAIR MERCADO: Okay. So that was --

1 MR. QUATREVAUX: All he ever got was some
2 time-related and out-of-pocket expenses like travel and
3 that sort of thing.

4 CHAIR MERCADO: I don't have my former budget
5 papers with me, so I was trying to remember how much we
6 had spent already on that.

7 MR. QUATREVAUX: We had budgeted for this
8 software development project for some time now
9 \$100,000.

10 CHAIR MERCADO: Right. And this was \$100,000.

11 MR. QUATREVAUX: Right, because all we're
12 doing is increasing the figure. We're not increasing
13 it because there happens to be some money left over.
14 We have been planning all year long. We have dealt
15 with the continuing resolutions like the rest of --

16 MR. EAKELEY: I didn't mean to suggest it was
17 getting thrown out at the last minute. There is always
18 a question that will be asked, and, therefore, all the
19 more reason why we need an explanation and need a
20 briefing and need an understanding of the process and
21 what's going on.

22 CHAIR MERCADO: But in addition to process, I

1 think one of the things that sort of keeps hanging
2 there in the back of my mind -- and I don't know how we
3 deal with it or how we handle it -- for example, you
4 mentioned that there was a possibility that we might
5 get funding from the Center for Disease Control
6 perhaps, perhaps seeing some funding from DOJ. I'm not
7 sure, the Department of Justice.

8 How do we as an entity and as an LSC entity --
9 is it the whole entity, Board of Directors who
10 negotiates and contracts to get the additional money,
11 and we're responsible to them? And does it have all
12 these obligations and restrictions that Congress has
13 put up on us?

14 I mean, those are bigger pieces, I suppose,
15 that other than we're getting the money to do the
16 software that you're talking about, how does that work
17 procedurally and how we account for it? Where?

18 I think that it's great that you're looking
19 for money, but I'm just trying to figure out how then
20 do we as a Board as overseeing the Corporation deal
21 with how that's accounted for and whether or not that's
22 within our priorities and programming that we need. I

1 mean, I'm not sure how that is --

2 MR. QUATREVAUX: Well, I think if we got --
3 first of all, I think that our office and management
4 needs an opportunity to consider if -- and I don't want
5 to spend a lot of time talking about money that may not
6 appear.

7 CHAIR MERCADO: Right.

8 MR. QUATREVAUX: And no one has said that
9 they're going to give us money. I should emphasize
10 that. But yeah, sure. Should that prospect really be
11 real, then we have to work out how to handle it, how to
12 control it within-house and account for it, which David
13 will have to do somehow.

14 But that money, I assure you, will not be
15 provided to provide basic legal services or anything
16 like that, but it will be for expenses associated with
17 this experiment.

18 MS. BERGMARK: And we have internal staffing
19 issues, as well, both in terms of -- we have designated
20 someone on management staff to work with Ed on this
21 project. Ed's staffing needs -- I don't know whether
22 you want to go into in terms of your staffing needs,

1 those have perhaps grown beyond what were initially
2 anticipated.

3 So we're in a posture with this project of
4 needing to make an assessment, I think, of where we
5 stand with it before it mushrooms beyond what we had
6 anticipated. That's --

7 MR. QUATREVAUX: Mike, the person management
8 rep on our team, was unable to make this trip in the
9 last few days down to Atlanta.

10 MR. EAKELEY: Do you need actually to -- do
11 you have to obligate the funds by Monday before some of
12 these other managerial issues are resolved, or is it
13 something that -- I mean, I don't think you're going to
14 lose the funds with the end of the fiscal year.
15 There's a carryover, assuming there's a permitted
16 carryover.

17 MR. QUATREVAUX: But they need a contract to
18 really begin with working.

19 MR. EAKELEY: Right.

20 MR. QUATREVAUX: They're doing a lot of work
21 in advance on my assurances that I would provide them
22 some level of funding.

1 MR. EAKELEY: But if there are a few more
2 days' worth of working out the details, it may be
3 prudent just to get everybody up to speed and a
4 consensus up to the Board that can --

5 CHAIR MERCADO: See, and that dovetails with
6 my question. I don't know whether you were here at the
7 time that I was raising this question with Mr.
8 Quatrevaux is that the IG in the last year has acquired
9 a lot more responsibilities as far as the audits, as
10 far as compliance and stuff.

11 And whether or not looking at his budget, is
12 it in such a way -- and I don't know that. That's
13 something that I guess he needs to tell the Board,
14 whether or not those new obligations and
15 responsibilities that the IG has are going to be met
16 with what it has and still be able to do this software
17 stuff, or it is really -- some of the money ought to be
18 going the compliance aspect? I mean, I don't know.
19 You need to tell us.

20 MR. QUATREVAUX: Well, my job is to execute
21 the IG out of Legal Services Corporation. I have to do
22 it within the resources that now have been provided by

1 appropriation in that line item. And that's not just
2 one responsibility but several.

3 And they're all of a nature, frankly, that
4 requires whoever is in that position to make decisions
5 about relative importance and risk, replacing resources
6 against those risks.

7 MR. EAKELEY: But there's still -- I don't
8 think the Board can take any of the million, 5 away
9 from the Office of the IG that the Congress has
10 allocated to it. But I do think that -- nor can the
11 Board involve itself in the investigatory processes of
12 the IG that are your unique responsibility under the IG
13 Act.

14 So there's still somewhere lurking an
15 oversight responsibility that is as much as for your
16 protection as it is for the Corporation's benefit.

17 And it seems to me that it's still useful to
18 know when something like this is happening and also if
19 there are implications for not only your own staff --
20 and obviously, the presumption is you've made the
21 judgement, and we should support it -- but if this is
22 one of those areas of intersection where what you do

1 not only has a fiscal consequence but also has
2 operational significance for the other part of the
3 Corporation. And that's why it's just important to
4 understand what's going down before it goes down.

5 MR. QUATREVAUX: I do think that the
6 opportunity sometimes that we have before us don't --

7 MR. EAKELEY: And sometimes, you may be right.
8 That's why I ask, can this wait a couple of days. Or
9 if it needs a couple -- I don't even know whether it
10 does, but I just -- if it can wait for a few days so
11 that this can be written up and whatever outstanding
12 open operational issues might be resolved, that may be
13 better. I don't know. I just --

14 MR. QUATREVAUX: Well, I don't think we have
15 any operational issues as concerns this first
16 increment. Should we get funding from elsewhere? I do
17 definitely think --

18 MR. EAKELEY: Is this an incremental contract,
19 or is it a \$200,000 contract?

20 MR. QUATREVAUX: We're working on how to
21 structure it.

22 MR. EAKELEY: If you can take it in pieces,

1 then that may alleviate some of the --

2 MR. QUATREVAUX: Well, one possibility is to
3 structure it as a 150 with a 75 increment. We have
4 discussed that with the people we're dealing with.
5 That's one possibility.

6 What the \$75,000 increment involves is going
7 from what is a scaled-down version of the concept
8 evaluation in terms of the software. The software
9 would not go to the extent of full audio and of
10 interactive video development that's required to reach
11 illiterate people. \$75,000 is -- right now what we're
12 talking about is the increment necessary to bring that
13 about, that expansion.

14 This week, we learned very rapidly on site
15 that we have to do that. The opinion on site in the
16 field is that we have to do that. We can't go with
17 anything less than that kind of full accessibility sort
18 of model, given our target populations. And that's
19 expensive stuff to program. Do it right, and you have
20 a movie production facility.

21 CHAIR MERCADO: And the question is -- or I
22 guess could you hire an attorney to do big-time what

1 some paralegals do big-time, massive protective orders,
2 and how many women could you service.

3 Because that's -- once you have that
4 particular kiosk set up, it's set up for only that
5 physical area, right? I mean, it's not something
6 that's going to be tested if it's going to Mississippi
7 or whatever? I mean, the laws are being applied for
8 that state.

9 MR. QUATREVAUX: That's true.

10 CHAIR MERCADO: So, I mean, the money and the
11 setup is good for that particular region or state that
12 you're in. So conceivably, you would have 50 type
13 centers that you would have to set up. And I guess
14 part of what you're balancing the cost of, how many
15 clients could you service with actual lawyers and
16 paralegals or whatever versus doing this particular
17 type of kiosk --

18 MR. QUATREVAUX: Well, I'm not in the delivery
19 of legal services business, so I'm not --

20 CHAIR MERCADO: Well, I know. But if we're
21 looking at spending \$200,000 on a kiosk, how much
22 personnel can we do to represent people in those kinds

1 of cases or other kinds of cases? I mean, that's sort
2 of the balance that I would need to look at.

3 MR. QUATREVAUX: That's what that whole report
4 is about. And what the real problem is, you don't have
5 enough money to provide the attorneys to do that.

6 MR. EAKELEY: This has provisions consequences
7 of first magnitude and all for the best, I think. But
8 why isn't this a grant?

9 MR. QUATREVAUX: Why isn't this a grant?
10 Because we're seeking services -- we're not contracting
11 with anyone to provide legal services.

12 MR. EAKELEY: You're contracting with someone
13 to develop a software program for the delivery of legal
14 services.

15 MR. QUATREVAUX: Which is being based on the
16 materials being provided --

17 MR. EAKELEY: The Corporation is contracting
18 with someone to develop a program for the delivery of
19 legal services.

20 MR. QUATREVAUX: The inspector general is.

21 MR. EAKELEY: You don't have independent legal
22 authority to execute contracts for grants, do you?

1 MR. QUATREVAUX: I have --

2 MR. EAKELEY: If this --

3 MR. QUATREVAUX: I --

4 MR. EAKELEY: Wait, wait. Take it half a step
5 at a time. If this were a grant, I think the Legal
6 Services Corporation Act provides that only the
7 president can make grants on behalf of the Corporation.
8 Maybe it's just because we don't know enough about
9 this.

10 MR. QUATREVAUX: I would argue "grant" because
11 it's not explicit in the IG Act. It can be argued from
12 the language that it's inclusive of grants. But I'm
13 not sure I understand what the --

14 CHAIR MERCADO: Well, and we get into the
15 issue of are you doing program functions or are you
16 doing inspector general functions.

17 MR. EAKELEY: My only point in trying to raise
18 it -- I'm sorry, Maria Luisa.

19 CHAIR MERCADO: I know. I'm --

20 MR. EAKELEY: No. My only point in raising it
21 was just, this is something, it's new. It's new to a
22 lot of people. It implicates different areas of the

1 Corporation, and I appreciate that it's fast-breaking
2 and it's worthwhile, but it's still worth making sure
3 that everyone is up to speed on this.

4 MR. QUATREVAUX: It's my job to keep you fully
5 informed, and that's certainly what I intend to do. At
6 the moment, we are still working out the details. And
7 we're working them out with management, management's
8 participation. A management representative was unable
9 to accompany us on this trip.

10 Otherwise, management would know as much as we
11 know right now. I intend to try to take care of that
12 as soon as possible. Some of the other points, I
13 suppose I let slip away from me now. But I'm in the
14 process of determining or attempting to evaluate the
15 utility of kiosks to some degree and use of the
16 Internet in the delivery of legal services so we can
17 provide that information to management so that they can
18 develop policies and organizational structures that
19 make for use of that technology.

20 CHAIR MERCADO: Well, I mean, that's what I
21 hope the evaluation would bring out, what were the
22 costs versus what paralegals could do, what's the level

1 of cases or kinds of cases you can handle versus this
2 particular model, or could you do both, complimenting,
3 doing a very narrow arrow of lobbying. I don't know
4 what all he's going to be doing.

5 MR. QUATREVAUX: What we hope to do is to try
6 to determine how many more victims of domestic abuse
7 receive some legal assistance than is currently the
8 case, as well as what is the difference in outcomes of
9 court proceedings and, if we're real fortunate,
10 outcomes in victims' lives, which is a much more
11 difficult thing to measure.

12 MS. BERGMARK: I guess what I'm hearing here
13 -- and it relates to conversations, Ed, that you and I
14 have had in our conversations with the Justice
15 Department folks and so forth -- this is an area of
16 involvement that has great potential, I think. Your
17 involvement in it has been or at least begins with the
18 notion of wanting to test a concept, to evaluate a
19 concept.

20 But, as you've seen, and as the brief report
21 you just gave me about your visit to Georgia indicates,
22 it has huge implications for delivery, that just in

1 designing the software alone, it's not that simple a
2 project. It does have a great impact on delivery in
3 general, so it does -- I think, to succeed, if we're
4 going to make a good use of \$200,000 or for whatever
5 amount of money it is --

6 MR. QUATREVAUX: Would you rather me spend it
7 on the audit of federal funds?

8 MS. BERGMARK: I'm not saying that, and I
9 don't think that's what the Board is saying. I think
10 the committee is saying --

11 MR. EAKELEY: I would rather see you spend it
12 with maximal participation by all aspects of the
13 Corporation who either have expertise in the area or
14 have some responsibility for outcomes in that area.

15 MR. QUATREVAUX: We certainly want to do that.

16 MS. BERGMARK: To the extent that the project
17 grows to be in some ways more than a concept, maybe
18 that's fine. But I think folks are saying, we need
19 more information about it. We need to make sure we're
20 considering the implications of how it has grown before
21 we leap into doing it. I think that's --

22 CHAIR MERCADO: Right. Because you've got all

1 this --

2 MR. QUATREVAUX: I think once we go beyond the
3 OIG budget, the first evaluation that we have talked
4 about -- I mean, Alex has indicated that he would like,
5 resources permitted, to undertake concept evaluations.
6 That's fine. I mean, we're only doing this because we
7 think that the Internet and kiosks are the big things
8 along with help lines.

9 MR. EAKELEY: I don't think there's a dispute.

10 CHAIR MERCADO: Yeah. There's not a
11 disagreement, Ed. It's just that if we're getting into
12 delivering legal services, then there's a whole lot of
13 the aspects as far as responsibility from the Board and
14 from Legal Services as an entity on how it's going to
15 handle that and with what partners, whether it's
16 Department of Justice or the Atlanta Disease Control
17 Center or what have you.

18 I mean, there are other processes financed,
19 other types of issues other than just the concept of
20 the evaluation itself, the setting up of the software.
21 I mean, it has bigger implications than just the
22 software itself.

1 MR. QUATREVAUX: We would hope so.

2 CHAIR MERCADO: We would, too.

3 MS. BERGMARK: The point, I think, is in terms
4 of Board oversight and opportunity for informed
5 oversight of your budget of the 1.5 million in the
6 sense of its allocation among the technology project on
7 the one hand, for example, and other things on the
8 other, that's what I hear the committee saying is that
9 it needs greater information to be able to exercise
10 that.

11 MR. QUATREVAUX: Well, that's what I think is
12 part of the problem here. We're in a Finance Committee
13 meeting dealing with a budget.

14 MR. EAKELEY: Yes.

15 MR. QUATREVAUX: And you outlined some ifs
16 before. And I disagree with your premise about the
17 Corporation's oversight responsibility for the
18 inspector general function. I don't believe that
19 responsibility is there.

20 MR. EAKELEY: Who's responsible for making
21 sure you spend your money -- who's responsible for
22 approving your budget, just the appropriations,

1 Congress?

2 MR. QUATREVAUX: I believe so. I believe so,
3 at this point.

4 MR. EAKELEY: And who is responsible for
5 making sure that the money is wisely expended?

6 MR. QUATREVAUX: I believe I am.

7 MR. EAKELEY: And are you not accountable to
8 anybody -- you're not accountable to the Board on the
9 budget, are you saying?

10 MR. QUATREVAUX: If the budget comes in the
11 form of separately identified funds by the Congress, I
12 believe I'm responsible to the Congress for it.

13 MR. EAKELEY: And did you in making your
14 proposal for a separate line item tell the Congress,
15 "This means that the Board will no longer be
16 responsible for oversight of my budget"?

17 MR. QUATREVAUX: No, I don't believe I did.
18 What I'm trying to tell you, Mr. Chairman, is the way I
19 believe it operates throughout the federal government.
20 I just -- I mean, there's an appropriation for the
21 Department of Defense, and there's an appropriation for
22 the Department of Defense Inspector General.

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1 MR. EAKELEY: But here's --

2 CHAIR MERCADO: So what does the head over?

3 MR. EAKELEY: This is important to get the
4 agency head. There's this one narrower issue of
5 reporting relationships between IG, Congress, and
6 agency head with respect to appropriations for
7 functions required by the Inspector General Act. But
8 separate from that issue -- and it's an issue. It's a
9 complex issue.

10 But separate from that is the question of
11 oversight responsibility when it comes to the
12 expenditure of other funds appropriated for non-IGA-
13 specific purposes which the Congress has deemed fit to
14 allocate to the Office of the Inspector General within
15 the Legal Services Corporation.

16 And I don't think that's certainly not an open
17 and shut question. And nobody's saying don't do it.
18 But I am saying the Board needs to know in advance
19 what's happening and get a sense of it. I mean, you
20 said to begin with that you're prepared to obligate
21 \$200,000 in funds on Monday and maybe address the Board
22 in your briefing by the IG tomorrow without writing

1 about it. And that's just --

2 MR. QUATREVAUX: You know, the process really
3 is, we establish a budget at the beginning of the year,
4 and we have certain identified points, milestones
5 during the year, where the Board reviews the progress
6 to date and makes decisions. But the presumption is
7 that we operate according to that budget.

8 And I have taken that 1.5 million -- what I
9 hope is 1.5 million which we finally got approval for
10 in '90 -- and attempted to operate on that basis.

11 MR. EAKELEY: I'm not --

12 MR. QUATREVAUX: That's all. And I have not
13 in the past consulted the Board about how much of it
14 should go for audits versus investigations or --

15 MR. EAKELEY: Well, but this is here -- here,
16 though, Ed, is the one exception to the -- I mean, the
17 budgeting process has been fine.

18 But here's one area where I think what you're
19 proposing to do, from the sound of it, is at least
20 somewhat different than what the Board had approved in
21 approving that consulting line previously and has these
22 other implications that just raise questions that would

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1 be helpful to have answered prior to the obligation of
2 the funds.

3 I'm not trying to create a theological debate
4 here or a Constitutional issue or crisis. And I'm
5 conceptually comfortable with the project. But the
6 process has questions themselves that would benefit
7 from just a better informed discussion.

8 MR. QUATREVAUX: Well, if I had met with you
9 three days ago, I wouldn't have even had the issue.

10 MR. EAKELEY: And you said it was fast-
11 breaking. And there's nothing wrong with fast-breaking
12 stuff. But if there's time to be spent -- if we can
13 find a little extra time to take to provide the
14 necessary information, I think we're going to come out
15 the same place.

16 But it's -- had it been so fast that you had
17 signed it in advance, I think we would have even more
18 process problems.

19 MR. QUATREVAUX: Well --

20 MR. EAKELEY: But we don't need to -- this is
21 maybe angels dancing on the head of a pin, but I think
22 we should come back to this or find a way to provide

1 the Board with the information in your briefing
2 tomorrow, but just something --

3 MR. QUATREVAUX: Sure.

4 MR. EAKELEY: And I would like to get
5 management's view of it. And I would like to
6 understand what the open issues are, if any, and the
7 implications for the future if this develops as
8 everyone hopes it does.

9 MR. QUATREVAUX: Will do.

10 MR. EAKELEY: Are there any other --

11 CHAIR MERCADO: Comments?

12 MR. EAKELEY: Well, no. Other than this one
13 \$200,000 of the unexpended balances, are there any
14 other elements of the \$666,000 of unexpended balances
15 that will not be expended in due course?

16 MR. QUATREVAUX: No, I don't believe so. Most
17 of that's accounted for by personnel. The 600,000, at
18 least half of it is personnel.

19 MR. EAKELEY: Sorry.

20 CHAIR MERCADO: That's fine. Okay. I guess
21 we're through with Item number 5.

22 MR. SMEGAL: No, we need a recommendation on

1 it to the Board.

2 MR. RICHARDSON: And actually, Item 6 is that
3 recommendation.

4 CHAIR MERCADO: So we recommended to the
5 Board --

6 MR. SMEGAL: Wait a minute. Now, on 5, we're
7 developing a recommendation; 6, we're also developing a
8 recommendation to the Board.

9 CHAIR MERCADO: One is the internal budgetary
10 adjustments. But with the budgetary adjustments, you
11 have a reallocation of those adjustments.

12 MR. RICHARDSON: That's correct.

13 CHAIR MERCADO: And it's the allocations that
14 we need to address.

15 MR. RICHARDSON: It has been a practice of the
16 Board to approve those reallocations. Actually,
17 according to our guidelines, it's not necessary, but it
18 has been a practice of the Board to approve those.

19 M O T I O N

20 MR. SMEGAL: I move we approve the
21 reallocations that we have been discussing.

22 MR. EAKELEY: I second.

1 MR. SMEGAL: The ones set forth in that
2 document for 1996 by Mr. Richards.

3 MR. EAKELEY: I second that.

4 CHAIR MERCADO: And included in that is the
5 resolution that we need submitted?

6 MR. SMEGAL: No, no, not yet. That's 6.

7 CHAIR MERCADO: Oh, I'm sorry. Okay. I
8 forgot.

9 MR. SMEGAL: Yes.

10 CHAIR MERCADO: All in favor?

11 (Chorus of ayes.)

12 CHAIR MERCADO: Opposed?

13 (No response.)

14 CHAIR MERCADO: Okay. Now, we go to Item 6.

15 M O T I O N

16 MR. SMEGAL: Now, I'll move that we approve
17 the staff-proposed fiscal year 1996 COB reallocations.
18 And tell the chairman of the Board that the resolution
19 found at page 4 of the September 24 document, the
20 approval --

21 MR. EAKELEY: I think the recommendation ought
22 to go to the Board rather than just the Chair, since

1 the Chair has the vote on this one.

2 MR. SMEGAL: Please, that's right. I
3 apologize. I misspoke.

4 CHAIR MERCADO: Right.

5 MR. SMEGAL: To the Board.

6 MR. EAKELEY: I second that.

7 CHAIR MERCADO: All those in favor?

8 (Chorus of ayes.)

9 CHAIR MERCADO: Opposed?

10 (No response.)

11 CHAIR MERCADO: Okay.

12 MR. EAKELEY: David, that's a very nice job,
13 by the way. It's smiling through a very difficult
14 year.

15 MR. SMEGAL: Excellent work.

16 CHAIR MERCADO: Keeping us and those numbers
17 afloat.

18 MR. EAKELEY: Just keeping the numbers afloat
19 is keeping the ship afloat.

20 MR. RICHARDSON: Thank you, sir.

21 CHAIR MERCADO: Number 7.

22 MR. RICHARDSON: Item 7 is the beginning of

1 the new year. We talked about '96, now we're going to
2 open '97.

3 MR. EAKELEY: Has anybody heard what our
4 number is? Do we know what came out of yesterday?

5 CHAIR MERCADO: We're not sure, right?

6 MR. RICHARDSON: Late Friday, we had received
7 word that there was going to be an amendment to freeze
8 the budget, but we do not know how discussions -- I'll
9 turn to Ms. Bergmark to see if she has heard anything
10 since then.

11 MS. BERGMARK: I'm sorry. I --

12 MR. RICHARDSON: 278?

13 MS. BERGMARK: Approximately 283. But this is
14 all -- we don't know.

15 MR. EAKELEY: Right, we don't know.

16 MS. BERGMARK: Right. We haven't heard from
17 -- I know that "no" was the last I heard at about 11
18 o'clock last night. So we don't know.

19 CHAIR MERCADO: So this is really just a
20 proposed budget, assuming that we have this amount of
21 money?

22 MR. RICHARDSON: Yes.

1 CHAIR MERCADO: So we --

2 MR. EAKELEY: But we assume 7.1 and 5.3?

3 CHAIR MERCADO: 7.1 and 5.3

4 MS. BERGMARK: We haven't had time for --

5 CHAIR MERCADO: I'm sorry. 7.1 and 1.5 for
6 the IG.

7 MR. RICHARDSON: I hope you've had opportunity
8 to read the memo. Let me just sort of highlight what
9 the memo is referring to in this particular budget. We
10 did assume a 7.1 budget, a freeze budget for the year.
11 We have projected five Board meetings, two day meetings
12 here in Washington.

13 There's 33 staff members projected in the
14 program operations area. There's 37 staff members in
15 corporate management and administration that's other
16 than, of course, program operations. We have projected
17 an annual increase of 5.8 percent on the annual
18 salaries to be given January 1st.

19 And within that, we are -- as you're aware, a
20 year and-a-half, two years ago now almost, we went to
21 an eligible leave vacation where employees were not
22 vested in their vacation benefits. And as you heard

1 this morning, with the personnel manual, we're
2 recommending that we go back to an accrued leave
3 situation.

4 And when that does happen, normally you will
5 have employees who will bank a certain amount of time
6 to save for future periods. And we have just averaged
7 three days for employees at this time.

8 There's a 10 percent increase in our insurance
9 for health, disability, dental. The rent that we have
10 discussed, 1.286, basically, is a net of subleases and
11 deferred rent incentive. In the Office of General
12 Counsel, we have added one additional attorney -- or
13 legal assistant, I should say, at this point, and a
14 replacement for an attorney that left the end of
15 August.

16 MR. SMEGAL: That's two different people?

17 MR. RICHARDSON: That's two different people,
18 but it's a net gain of one person, because the one
19 person did leave at the end of the year, basically.

20 MR. SMEGAL: Yeah. The legal assistant is not
21 going to replace the attorney? There's going to be an
22 attorney coming?

1 MR. RICHARDSON: That's correct. In the
2 Office of Administration Human Resources, there's two
3 positions. We have been operating basically for a year
4 without a corporate receptionist. And that position is
5 added. And we have also operated without a personnel
6 benefits specialist. We have added that person in the
7 mix, also.

8 So we're here today to recommend the 7.1 based
9 on those changes within the budget. And there is a
10 resolution that's attached, also. If you would like to
11 review the budget further to add to, it is temporary.
12 We will do it again in August -- or excuse me, in
13 January at the annual meeting.

14 MR. EAKELEY: I have a question, if I could.
15 Have you budgeted anything for a presidential search?

16 MR. RICHARDSON: We have not. Of course, this
17 was prepared prior to Mr. Forger's announcement.

18 MR. EAKELEY: I think we need to.

19 MR. RICHARDSON: That's something that we will
20 address and any other provisions that the Board feels
21 that we should, at this point. But the presidential
22 search is one thing that we'll need to look at.

1 MR. EAKELEY: And do we have a similar
2 proposed budget for the Office of the IG?

3 MR. RICHARDSON: It is attached to the very
4 last tab of this. It is \$1.5 million.

5 MR. SMEGAL: It is in here.

6 MR. EAKELEY: Thank you.

7 MR. EAKELEY: Could we just ask, Ed, are there
8 any -- I don't know whether there are any salient
9 assumptions you want to point out that go into the
10 allocation of your 1.5 or not.

11 MR. QUATREVAUX: Well, I think probably one
12 that might be worth mentioning is we reduced our
13 projected consulting expenses in this 1.5 budget from
14 what has been on the order of 1 to \$2,000 a year for
15 the last few years. I'm trying to get to it here.

16 MR. SMEGAL: To 80?

17 MR. QUATREVAUX: To 80,000.

18 MR. SMEGAL: Is that by an increased in fixed
19 personnel, or --

20 MR. QUATREVAUX: Primarily, the tradeoff has
21 been travel, increasing travel, because we think that
22 these two audits that we plan to do in the next three

1 months -- in fact, the starting two audits we're going
2 to do are going to consume an awful lot of travel
3 money, perhaps as much as 50, 60, \$70,000. So -- let
4 me just say 50,000.

5 MR. EAKELEY: And new hires, too, Ed?

6 MR. QUATREVAUX: We're struggling to locate
7 that particular one.

8 MR. RICHARDSON: There's one new hire, and
9 then there's a replacement for an employee who left in
10 August.

11 MR. SMEGAL: So is the new hire the chief of
12 program assessments?

13 MR. QUATREVAUX: That's someone who left.

14 MR. SMEGAL: That's the left?

15 MR. QUATREVAUX: Yeah. The new hire is an
16 attorney to work with -- well, to regulate the whole
17 compliance-related thing, to work with the regs, to
18 help shape the guidance, to answer auditor questions,
19 to help resolve issues as they come up related to
20 compliance requirements.

21 M O T I O N

22 MR. EAKELEY: I move we adopt the --

1 CHAIR MERCADO: Proposed --

2 MR. EAKELEY: Proposed temporary budgets for
3 FY '97.

4 MR. SMEGAL: Second.

5 CHAIR MERCADO: All those in favor?

6 (Chorus of ayes.)

7 CHAIR MERCADO: Opposed?

8 (No response.)

9 CHAIR MERCADO: The motion carries. We'll
10 also get the resolutions.

11 MR. EAKELEY: I think we need a separate
12 resolution on the mark.

13 MR. QUATREVAUX: Madam Chair, I don't think I
14 had a role in the last item.

15 CHAIR MERCADO: In the --

16 MR. QUATREVAUX: And the Provisions Committee
17 Chair is requesting me to go over there, if that's all
18 right with you.

19 CHAIR MERCADO: Oh, okay. We will excuse you.
20 That's fine.

21 MR. FORGER: Do you want to talk to me?

22 CHAIR MERCADO: Go right ahead.

1 MR. FORGER: I have sought to engage in
2 conversation with OMB in respect of a proposed OMB view
3 as to what would be appropriate.

4 MR. SMEGAL: Is there some continuity over at
5 OMB? Are you talking to the same person?

6 MR. FORGER: Yes, Jack Laster, who has been
7 acting and may well become the permanent director, has
8 been there. But he has been much engaged, as you must
9 recognize, for the last few days in some very serious
10 negotiations with the Hill, so I have not had a
11 conversation directly with him.

12 And I'm not certain that we need to agree in a
13 fixed way on a mark that couldn't change. But for
14 purposes of coming up with a figure, if we need to, for
15 '98. We don't yet know what our figure for '97 is,
16 although the rumor has it's anywhere from 278 to 283.
17 But it will be within that range, I expect. The
18 administration was asking 305. And as you will
19 recall --

20 MR. SMEGAL: That's where I came in.

21 MR. FORGER: For FY '96 in negotiations, they
22 were asking. In the FY '96, the Board had suggested a

1 396 mark. The rationale for that was it was a 10
2 percent reduction from the 440 which had been an
3 earlier level of request and that this was a 10 percent
4 reduction to bring us down to 396.

5 But OMB decided that it would not go for 396.
6 It went to 340. We filed an appeal, and it was
7 rejected. So we then modified our proposed mark for
8 '96 to 340. And, of course, in the proceedings before
9 the appropriations subcommittee, they wanted to compare
10 what we were asking to what we were then receiving and
11 said, "How can you expect to go from 278 to 340?
12 That's a 25 percent increase."

13 The reality is that we took more of a
14 reduction than virtually any other program. And I
15 would rather look at it from where we were rather than
16 what has happened to us today. So that's how I would
17 formulate a proposal for '98, in that we were at a 400
18 level after the rescission for about two years. We
19 knew that that was not adequate to serve the needs of
20 our population, but realistically, that's where we
21 were.

22 I think that the fact is that we ought to be

1 prepared to take some reduction as every other program
2 in government, and I think a 10 percent reduction is a
3 fair enough figure. I know Justice has gone up, and
4 I've always considered us to be part of Justice. But
5 we're not viewed in the same way from the law
6 enforcement point of view.

7 And yet I think we ought to have a figure that
8 has some recognition of the fact that we have been in
9 the 280s and that we're not going to bounce back, I
10 don't believe, in stature to where we were before.

11 So I would suggest a figure of 360, which is a
12 10 percent reduction from our 400 level that we had for
13 two years until we hit the current climate which had
14 very little to do with the needs of the program, and it
15 had virtually nothing to do with the needs of the
16 government.

17 I think it was basically reducing us to 278
18 because of the lack of popularity of the program. And
19 in the view of most people, I think it is an essential
20 program that should be sustained. We could certainly
21 justify asking for a lot more than 360, but I just
22 think the political reality is we would not likely

1 bounce back that high. So I would think 360 is a good
2 figure to replace.

3 MR. SMEGAL: The 360 represents a 10 percent
4 reduction from 400. Why aren't you at 415 with the
5 Smith -- we had 415 in a particular year. There was a
6 rescission done, in fact, on 400?

7 MR. FORGER: Right. Because Hollings on the
8 floor and others say we shouldn't have gotten that 15.

9 MR. SMEGAL: We shouldn't have gotten it?

10 MR. FORGER: Right, so to bring us back to
11 400. We had two years at 400. I think when the new
12 Board came in, we were at 357 and went to 400 in that
13 FY '94. And the Administration had then asked for 5
14 and-a-quarter when we were asking 848. And then we
15 went back to 5 and-a-quarter. So that was a high water
16 mark back in the good old days.

17 MR. EAKELEY: So to speak, a fairly wading
18 level.

19 MR. FORGER: Yes.

20 MR. EAKELEY: What is the timing in terms of
21 when OMB wants budget marks in?

22 CHAIR MERCADO: October the 15th.

1 MR. FORGER: They usually ask in October.

2 MR. RICHARDSON: October 15th.

3 MR. FORGER: But when we had our final for FY
4 '96, that was fairly recently.

5 MR. RICHARDSON: Usually, what we would do is
6 like last year, when we went with the 396, we had
7 until, as I recall, around the first week in December
8 before they actually started asking for a breakdown.
9 And then it went even further. It went into January,
10 1st of February to finalize it.

11 MR. FORGER: Yes. Our winter Board meeting, I
12 think we changed from 396 to conform to the 340 that
13 they were then asking.

14 MR. RICHARDSON: This is something that we're
15 sort of giving them for guidance, but it's something
16 that we are not wedded to. We do have the opportunity
17 later to change the number.

18 MR. SMEGAL: Yeah, but both up and down?

19 MR. RICHARDSON: Both up and down. I would
20 recommend, quite honestly, if it were me, to be at that
21 mark or lower. I wouldn't think we would go above, but
22 it has been done.

1 MR. SMEGAL: I don't know what Doug was going
2 to say, but the climate might change with an election
3 in November, which comes after October 15th. It seems
4 to me we might want to have the flexibility of coming
5 down from the higher number if the climate isn't as
6 favorable as it might be. I think it would be harder
7 to raise the number in a favorable environment.

8 MR. EAKELEY: I'm ambivalent. I don't want
9 the Board to do anything that would impair the
10 credibility of the Corporation with Congress. And I
11 suppose there's always a risk if we're perceived to be
12 reaching for the stars that our credibility will be
13 impaired.

14 CHAIR MERCADO: Now, if we're up there in the
15 800 and some million or billion, which will be maxes,
16 then I could see that, but we're not even anywhere near
17 that.

18 MR. EAKELEY: On the other hand, I believe
19 that we had a very legitimate point in appealing the
20 OMB decision that cut us below where we were. And it
21 seems to me that the choice should be either the
22 management recommendation of 360 or staying with the

1 396 because if we look to see what has changed since
2 then, what has changed essentially is welfare reform.

3 And welfare reform is creating even more of
4 it. I'm not talking about lawyers to challenge welfare
5 reform or lawyers to implement class actions to deal
6 with one aspect or another of welfare reform. But I'm
7 talking about an enormous number of new clients who
8 don't have a clue as to where to go and how to apply
9 and need just basic assistance day-to-day.

10 CHAIR MERCADO: Day-to-day, working better
11 issues as they call them.

12 MR. FORGER: I think need is more or less
13 irrelevant to our funding.

14 CHAIR MERCADO: But it's just a problem.

15 MR. EAKELEY: But are we better off staying
16 with the 396?

17 MR. FORGER: I mean, then it gets into
18 strategy, I guess. And I don't know whether -- and it
19 didn't get us very far with OMB last year. We didn't
20 want to diverge from OMB. I would like to get an
21 impression from OMB where they think we might go.
22 Certainly, in this, as I heard the news this weekend,

1 significant more money was put into Justice.

2 Again, in FY '96, they got 1.6 billion more in
3 the Justice budget. Again, I think they're getting
4 more monies put into the Justice budget. And somehow
5 or other, we're disconnected from that process.

6 CHAIR MERCADO: Well -- and maybe we need to
7 visit with OMB. Because one of the priorities of the
8 Administration, one of the areas in which Justice has
9 gotten an increase, is this whole issue of dealing with
10 domestic violence.

11 And one of the greatest percentage of cases
12 that we do is dealing with domestic violence in Legal
13 Services, that that in and of itself would justify at
14 least staying even, at any point, with what we have.
15 Because the numbers are going to be greater of people
16 that are going to be needing Legal Services.

17 MR. FORGER: Well, it's hard to know where to
18 come out on this.

19 MR. EAKELEY: Do you think we would impair our
20 credibility if we were to opt to stay at 396?

21 MR. FORGER: I don't think so. I mean, I
22 think we can rationalize it as having been the amount

1 we requested in the prior year. We're not asking, like
2 Justice, for an increase over our historical
3 appropriation. And the need is there, and it continues
4 to grow. And we really are part of the system of
5 Justice and need to be brought back because we were
6 reduced for reasons having virtually nothing to do, I
7 think, with the merits of the program.

8 M O T I O N

9 MR. SMEGAL: Madam Chair, I would move that
10 the Finance Committee recommend to the Board of
11 Directors a fiscal year 1998 budget mark of 396.

12 CHAIR MERCADO: Second?

13 MR. EAKELEY: I'll second.

14 CHAIR MERCADO: Any further discussion on the
15 motion?

16 (No response.)

17 CHAIR MERCADO: Hearing none, all those in
18 favor?

19 (Chorus of ayes.)

20 CHAIR MERCADO: Opposed?

21 (No response.)

22 CHAIR MERCADO: Abstention?

1 (No response.)

2 CHAIR MERCADO: Motion carries. Thank you,
3 Mr. President.

4 MR. EAKELEY: It's more to send a message to
5 OMB, frankly.

6 CHAIR MERCADO: It's nothing against you
7 personally.

8 MR. FORGER: If it were my money, Maria --
9 (Laughter.)

10 MR. EAKELEY: Are we closer to being able to
11 move to an air conditioned room?

12 CHAIR MERCADO: Any other business to come
13 before the Finance Committee?

14 (No response.)

15 CHAIR MERCADO: Hearing none --

16 MR. SMEGAL: Harrison, did you want to speak
17 on the 396 before we voted?

18 MR. McIVER: No. I'm very pleased. 396 has
19 been the first option of -- in our ballpark, because we
20 saw that -- it was a 6 percent decrease in trending as
21 opposed to 30 percent that LSC receives. So that's --

22 MR. SMEGAL: All right.