

**LSC**  
America's Partner For Equal Justice

Legal Services Corporation  
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# Budget Request For Fiscal Year 2005

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# BUDGET REQUEST FOR FISCAL YEAR 2005

## Legal Services Corporation

The Legal Services Corporation (LSC) is a private, nonprofit corporation established by Congress in 1974 in an effort to provide low-income Americans with access to high quality legal assistance in civil matters. LSC awards federally-funded grants to civil legal services programs nationwide so that they may offer advice and legal representation to the neediest Americans.

By addressing the core legal needs of the poor and implementing Congressional will, LSC has established broad bipartisan support in Congress and enjoys the backing of President Bush. LSC continues to work to find innovative and effective methods to improve the delivery of civil legal services to the poor, closing nearly one million cases each year. In addition, LSC has faithfully implemented and vigorously defended congressional restrictions on grantee activities both in court and through increased oversight, regulatory actions and audits. In return, Congress has solidified its commitment to providing "equal access to the system of justice" for the poor.

LSC is headed by a bipartisan Board of Directors whose eleven members are appointed by the President and confirmed by the Senate. Nine members of the Board were confirmed in 2003, while two other Board members continue to serve as holdover directors pending the appointment of two new directors. In addition, Helaine M. Barnett started as the organization's new president on January 20, 2004.

## Funding Request

For FY 2005, LSC seeks an appropriation of \$352,400,000 to provide funding for civil legal assistance to low-income persons in the United States. This 4% increase over LSC's FY 2004 appropriation partially addresses the increased poverty population in LSC service areas. From 1990 to 2000, the number of people living in poverty in all LSC service areas increased by 5.74%. However, LSC's appropriations have not kept pace with this increase in the number of eligible clients.

LSC awards federally-funded grants to civil legal services programs nationwide so that they may offer legal representation and advice to the neediest Americans.

Line Item Budget	FY 2003 Budget	FY 2004 Budget	FY 2005 Request	Percentage Change
Grants to Programs: Basic Field	\$310,048,000	\$317,471,000	\$332,000,000	+4.6
Grants to Programs: Census Adjustment	\$9,500,000	\$2,500,000	\$0	-100
Grants to Programs: Technology Initiatives	\$3,400,000	\$2,977,000	\$4,000,000	+4.4
<b>TOTAL GRANTS TO PROGRAMS</b>	<b>\$322,948,000</b>	<b>\$322,948,000</b>	<b>\$336,000,000</b>	<b>+4.0</b>
Management & Administration	\$13,300,000	\$13,300,000	\$13,800,000	+3.7
Inspector General	\$2,600,000	\$2,600,000	\$2,600,000	0
<b>TOTAL</b>	<b>\$338,848,000<sup>1</sup></b>	<b>\$338,848,000<sup>2</sup></b>	<b>\$352,400,000</b>	<b>+4.0</b>



This budget request is structured to allow LSC to continue to meet three strategic goals:

- To increase the availability of legal services to eligible persons;
- To ensure legal services clients are receiving high-quality legal assistance; and
- To ensure that legal services programs fully comply with all legal requirements and restrictions.

LSC's budget request continues to emphasize the core work of the organization: maximizing resources available to grantees. For 2005, LSC is requesting an increase of \$14,529,000 over the 2004 pre recession budget for grants to basic field programs. This increase will allow legal services programs nationwide to better address the large unmet need of legal aid for eligible low income people.

The appropriations request zeroes out funding for the Census Adjustment line item that had been part of LSC's budget in FY 2003 and FY 2004. The funding was used to assist programs that were facing significant cuts due to decreases in state poverty populations. The Census Adjustment provided over the last two funding cycles has enabled those programs to gradually adjust to new, lower funding levels over a period of time by reallocating their resources or increasing non-federal funds. For FY 2005, LSC's budget request ensures that funding increases will be proportionately distributed among all programs.

Federal funding makes up roughly half of all funding for the national civil legal services system for the poor. Federal funding is the single most critical component to ensure that eligible low income people in this country have access to civil legal services, as other funding sources have decreased. For instance, funding from Interest on Lawyers' Trust Accounts (IOLTA) has declined significantly due to lower interest rates.

## Use of Funds: Core Legal Needs and Compliance

In order to satisfy LSC's core mission, LSC distributes congressionally appropriated funds to grantees on a competitive basis. LSC then has the responsibility to ensure that the grantees use those funds in full compliance with the law.

### Program Services to Clients

Congress created LSC to "provide equal access to the system of justice in our Nation for individuals who seek redress of grievances" and to "provide high quality legal assistance to those who would otherwise be unable to afford adequate legal counsel."

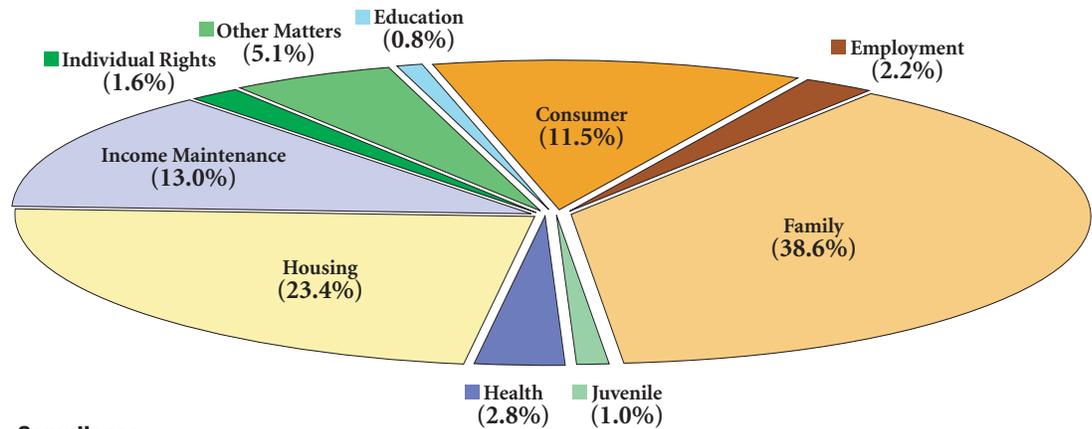
In FY 2005, LSC will allocate \$332,000,000 in grants to state and local legal services programs. The grants will go to approximately 140 legal services programs which serve every county in the nation and the U.S. territories. These programs are committed to addressing basic legal needs of their clients and will close roughly one million cases this year. The types of cases frequently encountered, and resolved, by legal services programs include:

- Assisting women who are victims of domestic violence by securing restraining orders to keep them safe, and resolving other family law matters.
- Ensuring children and disabled individuals obtain needed medical treatment and disability benefits so they can live independently.
- Helping families obtain and retain safe and habitable housing, thereby avoiding homelessness.
- Protecting the elderly and persons of limited education from being victimized by creditors when they engage in illegal and abusive loan and collection practices.

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## LEGAL ISSUES ADDRESSED IN 2002



### Compliance

LSC's Office of Compliance and Enforcement (OCE) was established to ensure that all recipients of LSC funding fully comply with congressionally-mandated requirements and restrictions. OCE's responsibilities include:

- Reviewing compliance by grantees with the LSC Act and regulations.
- Responding to public complaints.
- Approving major expenditures by LSC recipients.
- Conducting accountability training.
- Providing follow-up to findings and recommendations contained in grantees' audited financial statements.

In 2003, OCE performed 35 on-site reviews, surpassing its goal of 30 reviews annually. In 2004 and 2005, OCE plans to conduct a similar number of on-site reviews. OCE's system of performing on-site reviews, investigating public concerns and responding to mandatory audits filed by grantees is designed to ensure that Congressional requirements and restrictions on LSC-funded programs are enforced. The restrictions, enacted in 1996, prohibit grantees who accept LSC funding from, among other things, filing or litigating class action lawsuits, engaging in most types of lobbying, seeking or receiving attorney's fees, litigating on behalf of prisoners and representing undocumented aliens.

### Use of Funds: Expanding and Improving Quality Legal Assistance

The primary functions of the Legal Services Corporation are to provide financial assistance to qualified programs who furnish legal assistance to eligible clients and to insure that those programs receiving financial assistance from LSC provide services that are of the highest quality, comport with professional standards, and comply with the requirements established by Congress.

To insure quality, expand and improve services to clients and maximize limited resources, LSC has undertaken numerous initiatives including, but not limited to, the Quality Initiative; the State Planning Initiative and the Technology Initiative Grant Program. LSC will continue its work on each of these initiatives in FY 2005.



### The Quality Initiative

The LSC Act requires LSC to insure that grants and contracts are made so as to provide the most economical and effective delivery of legal assistance to eligible persons in both urban and rural areas. LSC meets this mandate through:

- A competitive grant application process that measures all applicants against accepted standards and benchmarks that define a high-quality legal services provider;
- Program evaluations and assessments;
- Regular feedback to grantees about issues that may impact upon their ability to deliver quality services;
- Dissemination of best practices; and
- Regular collection and analysis of program statistics and data.

### State Planning Initiative

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

The Initiative called for all LSC programs to develop comprehensive plans to coordinate and integrate their work in seven areas: expanding client access and efficiency in delivering high-quality legal assistance; using technology to expand access and enhance services; promoting client self-help and preventative legal education and advice; coordinating legal work and training; collaborating with the private bar; expanding resources to provide more needed legal services; and designing a system configuration that enhances client services, reduces barriers, and operates efficiently and effectively.

Central to the state planning process and consistent with LSC's vision of an effective and efficient statewide delivery system, grantees have engaged in an ongoing process of reconfiguration to maximize the return on federal investment. Over the course of state planning's implementation, the number of LSC grantees will have dropped from 261 in 1997 to 138 carefully selected legal services providers, while the quality of services to clients has uniformly improved. In 2005, LSC will focus its attention and resources to ensure that our grantees continue to provide high quality, effective and economical services to eligible clients.

The restructured legal services delivery system continues to be a model of efficient dispute resolution. Fewer than 10% of LSC-funded cases are resolved by court decision, the majority of which are family law cases that require a court determination. On the other hand, nearly 75% of cases in 2002 were resolved through advice, referral or brief services, maximizing the limited resources available to serve the most clients.

### Technology Initiatives

The Technology Initiative Grant (TIG) program supports projects to develop, test and replicate technologies that enable programs to improve client access to high quality assistance in the full range of legal services, and to improve program efficiency.

In FY 2005, LSC will allocate \$4 million to the Technology Initiative Grant (TIG) program. The TIG program has increased access to legal information, self-help resources and assistance for low-income Americans. Initiated with the FY 2000 appropriation, the TIG program

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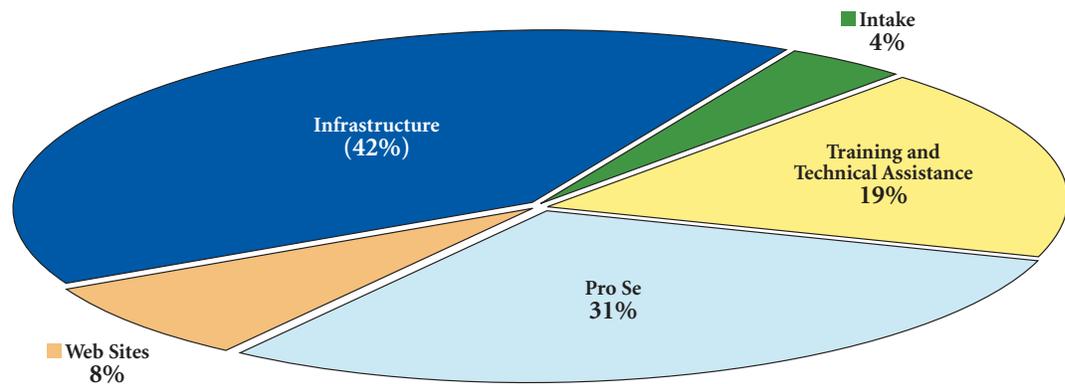


awards grants to eligible LSC-funded grantees through a competitive grant process. In 2003, LSC awarded 51 grants.

LSC has funded and overseen a range of TIG projects.

- Pro se initiatives have equipped clients with the necessary tools and support to protect their legal interests while increasing the efficiency of the courts.
- Web-based systems, videoconferencing and related approaches have increased access to clients in remote areas.
- Newly-designed case management systems and other infrastructure investments have provided increased efficiencies that enable programs to effectively implement a variety of pro se, community education and related initiatives.
- Funding for necessary technical assistance ensures that grantees can effectively utilize TIG's resources.
- Support for the development of Web sites in 49 states has helped build the most efficient mechanisms for providing clients with information about and access to states' legal systems.

## 2003 TIG Funding Requests by Category



**Infrastructure**—Grants which improve the overall technology infrastructure a particular program uses. This can include case management, telecommunications and telephone systems.

**Pro Se**—This category funds projects that use technology to deliver services, such as kiosks, self help products, and self help workstations.

**Training and Technical Assistance**—Grants that provide technology training for our grantees. This includes a mentoring program that encourages experienced technical staff in one program to assist less experienced staff in another.

**Websites**—This category funds the creation of individual statewide websites. This category also funds enhancements to the two website templates our grantees can use.

**Intake**—Grants that improve the process of verifying that a potential client will not only meet LSC eligibility requirements but also the priority areas established by each program.

To assure the effectiveness and efficiency of these grants, TIG staff carefully monitors grantee progress. LSC is also putting considerable emphasis on formal evaluation of grants.



## Need for an Increase

There are more than 43 million Americans who are potentially eligible for LSC-funded services. Unfortunately, a benchmark ABA study conducted in 1994 showed that as many as 80% of them do not have access to civil legal services when they have serious legal questions for which the advice and counsel of an attorney could make a critical difference.

A sample of recent legal needs studies performed on the state level demonstrate that there has been little or no improvement since the ABA study was conducted.

■ **Connecticut:** Only 8% of the legal needs of poor people are addressed by legal services organizations.<sup>3</sup>

■ **Massachusetts:** Only 14% of low-income people in need of legal help are able to secure legal assistance.<sup>4</sup>

■ **New Hampshire:** One party represents him or herself in 85% of all civil cases.<sup>5</sup>

■ **New Jersey:** Legal services programs are able to serve only about 12% of low-income people in need of assistance.<sup>6</sup>

■ **Oregon:** Fewer than 20% of low-income people are able to obtain legal assistance. Of those, legal services programs had the resources to handle only 9.6% of the cases.<sup>7</sup>

■ **Vermont:** 75% of the state's population faced legal problems without help.<sup>8</sup>

■ **Washington:** Low-income people face more than 85% of their legal problems without an attorney. Women and children have more legal problems than the general population—mostly due to matters relating to family law and domestic violence.<sup>9</sup>

The policy implications of the consistently low numbers of legal representation for low-income Americans are important. Low-income people not only achieve better outcomes when they have legal assistance, but they also have higher levels of satisfaction and a greater respect for the justice system when they are represented by a lawyer.

Additionally, courthouses across the country, already overwhelmed with an expanding caseload, experience significant burdens as more and more litigants who can not afford a lawyer represent themselves. A January 2004 study by a New Hampshire Supreme Court Task Force on Self-Representation noted, "Court and staff literally spend hundreds of hours responding to inquiries from pro se litigants. Both judges and court staff are often put in the difficult position of assisting a self-represented litigant without impermissibly giving legal advice."

In the past, the ratio of legal services attorneys to eligible clients was significantly better. In 1980, legal services achieved its goal of two lawyers for every 10,000 poor people. Due to significant budget cuts that occurred in the mid 1990s, there is now only one legal services attorney for every 11,500 poor people.

The amount of LSC funding provided per poor person has suffered a similar decrease. In 1994, inflation-adjusted funding for legal services averaged \$12.48 per poor person. That figure has decreased by over 30%, to only \$8.54 today.

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## Management and Administration

Only \$13,800,000 of LSC's total FY 2005 request will be allocated for Management and Administration, less than 4% of LSC's total budget request.

With a small and efficient staff, LSC's management operates a competitive grants system that promotes the efficient and effective delivery of high-quality legal services. Management also ensures accountability to Congress and the taxpayers through aggressive oversight and enforcement of federal laws and other requirements.

The slight increase over last year's \$13,300,000 appropriation is necessary to continue to ensure compliance with congressional restrictions, to cover increased insurance costs, annual compensation increases of 2% and to continue to provide technical assistance to LSC programs on a wide range of issues.

### Executive Office

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

### Office of Program Performance (OPP)

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

### Office of Compliance and Enforcement (OCE)

The Office of Compliance and Enforcement (OCE) has several major responsibilities. Its mission is to ensure that recipients comply with the provisions of the LSC Act and regulations and any other laws, including appropriations provisions and other directives that apply to LSC funds and/or recipients. In executing its duties OCE conducts on-site reviews of program compliance with Case Service Report, Case Management System requirements and other federally-mandated regulations. OCE also responds to inquiries, complaints, requests for prior approvals, private attorney involvement waivers, fund balance waivers, requests for approvals of sub-grant agreements and matters referred by the Office of Inspector General through the A-50 referral process. In 2003, the Office of Compliance and Enforcement conducted 35 on-site reviews. It plans to conduct a similar number in 2004 and 2005.



## **Office of Legal Affairs (OLA)**

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

## **Office of Governmental Relations and Public Affairs (GRPA)**

The Office of Governmental Relations and Public Affairs (GRPA) is responsible for managing LSC's communications and requests for information from Congress, the Executive Branch, the media, and the general public. GRPA coordinates the production of LSC's Budget Request, Annual Report, and *Equal Justice Magazine*.

## **Office of Financial and Administrative Services (OFAS)**

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

## **Office of Human Resources (HR)**

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

## **Office of Information Technology (OIT)**

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

## **Office of Information Management (OIM)**

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



## Office of Inspector General

The Office of Inspector General (OIG) requests \$2,600,000 for FY 2005, the same amount as the FY 2004 appropriation. This year the OIG will continue to concentrate on performing its core mission as defined by the Inspector General Act and various LSC appropriation acts. The amount requested is needed to maintain the current OIG operating levels and to provide for occupancy costs.

### FY 2005 Plan

The OIG has developed a strategic plan outlining a series of operational projects, which were formulated based on the OIG's risk assessment of the legal services program. The risk assessment determined that the OIG should allocate a majority of resources to assessing compliance with the prohibitions and restrictions on LSC grant recipient activities and to promoting the effectiveness of the legal service delivery system. The risk assessment indicated that the threat of significant monetary losses through fraudulent activities is low. However, the OIG will answer all written complaints and maintain a nationwide telephone hotline for LSC employees, grantee employees and private citizens to report thefts or potential fraudulent use of LSC funds.

The OIG's plan includes mandatory and discretionary projects. Mandatory projects are those required by statute. Discretionary projects are OIG-initiated projects undertaken in fulfillment of the OIG's mission.

Mandatory projects include the annual audit of LSC's financial statements, investigations of crimes and referral of evidence for prosecution, and review of proposed legislation and regulations. Fiscal year 2003 saw an increase in the OIG investigations undertaken as a result of Congressional requests and complaints about grantees from private citizens. Based on the prior years experience the OIG anticipates at least three inquiries will require extensive review in 2005.

The OIG will conduct reviews aimed at the preventing and detecting grantees' noncompliance with statutory restrictions. The OIG plans to conduct six on-site audits of grant recipients' compliance with program integrity requirements of 45 CFR 1610 for separation of grant recipients from organizations that conduct prohibited or restricted activities.

The OIG will perform four audits of the private attorney involvement (PAI) program under which grant recipients devote 12.5% of their basic field grants to the involvement of private attorneys in the delivery of legal services. The objectives of the audits are to determine if the grantees are complying with 45 CFR Part 1614 and how effective grantees have been in involving private attorneys in the program.

The OIG will review approximately 140 grantee audit reports produced by independent public accountants (IPAs), refer significant findings to LSC management, and track the progress of corrective actions. The OIG will continue to maintain the Audit Guide and Compliance Supplement, which provide audit guidance to the IPAs.

The OIG plans to perform 10 audit service reviews (ASRs). These reviews examine the IPAs working papers to determine whether the IPAs properly reviewed grant recipients' compliance with 14 restrictions and prohibitions imposed by Congress. The OIG plans to continue indefinitely its annual ASR program because it provides an extra measure of assurance that the audits are done properly and that grantees are complying with LSC regulations.



The OIG also will conduct several discretionary activities including performing two technology grant audits. The audit objectives will be to determine: 1) whether the grant recipient spent funds in accordance with the grant terms, 2) what technology, hardware, software, or technical support was purchased, and 3) what impact the grant had on the delivery of services to clients.

The OIG will continue the evaluation of mapping's utility in support of legal services planning and activities at the local, state and national levels. Future phases will refine and test the legal services mapping methodologies in the nation's most extreme urban and rural low-income environments. We will assess potential rollout strategies including adding mapping capability in case management systems, desktop mapping software or Internet-mapping technologies. Depending on the results, additional FY 2006 activities may be undertaken.

<sup>1</sup> A 0.65% rescission decreased the final figure to \$336,600,000.

<sup>2</sup> Two rescissions of 0.59% and 0.465% decreased the final figure to \$335,300,000, a net reduction of \$1,300,000 from 2003.

<sup>3</sup> Civil Legal Needs Among Low-Income Households in Connecticut, A Report by CSRA at the University of Connecticut, April 2003.

<sup>4</sup> Massachusetts Legal Needs Survey, Submitted to the Massachusetts Legal Assistance Corporation, May 2003.

<sup>5</sup> Challenge to Justice, A Report On Self-Represented Litigants in New Hampshire Courts, New Hampshire Supreme Court Task Force On Self-Representation, January 2004.

<sup>6</sup> Legal Problems, Legal Needs, A Report from the Poverty Research Institute of Legal Services of New Jersey, 2002.

<sup>7</sup> The State of Access to Justice in Oregon, Submitted to the Oregon State Bar, March 31, 2000.

<sup>8</sup> Report On Investigation of Need & Assessment of Resources, Vermont Committee on Equal Access to Legal Services, 2001.

<sup>9</sup> The Washington State Civil Legal Needs Study, Task Force on Civil Equal Justice, Washington State Supreme Court, September, 2003.