

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS

MEETING OF THE FINANCE COMMITTEE  
OPEN SESSION

Friday, January 28, 2011

1:53 p.m.

Legal Services Corporation  
3333 K Street, N.W.  
Washington, D.C.

COMMITTEE MEMBERS PRESENT:

Robert J. Grey, Jr., Chairperson  
Sharon L. Browne  
Robert E. Henley, Jr.  
Martha L. Minow  
Father Pius Pietrzyk, O.P.  
John G. Levi, ex officio

OTHER BOARD MEMBERS PRESENT:

John N.W. Keckler  
Harry J.F. Korrell, III  
Victor B. Maddox  
Julie A. Reiskin  
Gloria Valencia-Weber

## STAFF AND PUBLIC PRESENT AT THE CORPORATION'S OFFICES:

Katherine Ward, Executive Assistant, Office of Legal Affairs

Jeffrey E. Schanz, Inspector General

David Maddox, Assistant Inspector General for Management and Evaluation

Stephen Barr, Director, Media Relations

Lavon Smith, Network/Systems Engineer, OIT

Mattie Cohan, Senior Assistant General Counsel, Office of Legal Affairs

Patricia D. Batie, Corporate Secretary, Office of Legal Affairs (OLA)

Treefa Aziz, Government Affairs Representative, GRPA

Ronald "Dutch" Merryman, Assistant Inspector General for Audits

Laurie Tarantowicz, Assistant Inspector General and Legal Counsel

John Meyer, Director, Office of Information Management (OIM)

Chuck Greenfield, Program Counsel III, OPP

Cynthia Schneider, Deputy Director, OPP

Kathleen Connors, Acting Executive Assistant to the President/Executive Assistant for GRPA, EXEC

David L. Richardson, Treasurer and Comptroller

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

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

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Motions: 4, 5, 18, 50

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

2 (1:53 p.m.)

3 CHAIRPERSON GREY: Ladies and gentlemen, I'm  
4 going to call the Finance Committee to order. I note  
5 for the record that Bob Henley, who is a member, a  
6 non-voting member of the Board and member of the  
7 Finance Committee is present, along with members of the  
8 Board who are members of the Finance Committee.

9 There is an agenda before you in blue. I  
10 would ask for a motion to approve the agenda.

11 M O T I O N

12 MS. BROWNE: So moved.

13 MS. MINOW: Second.

14 CHAIRPERSON GREY: Moved and seconded. All in  
15 favor say aye.

16 (Chorus of ayes.)

17 CHAIRPERSON GREY: Opposed, no.

18 (No response.)

19 CHAIRPERSON GREY: There is also, previously  
20 distributed, the October 19 minutes of the Finance  
21 Committee meeting. If there are corrections or  
22 additions, we would be happy to receive them. If there

1 are none, then I would ask a motion for their approval.

2 M O T I O N

3 MS. BROWNE: I'll move them.

4 CHAIRPERSON GREY: Second?

5 FATHER PIETRZYK: Second.

6 CHAIRPERSON GREY: Thank you. All in favor  
7 say aye.

8 (Chorus of ayes.)

9 CHAIRPERSON GREY: Opposed, no.

10 (No response.)

11 CHAIRPERSON GREY: We are going to move to  
12 item number three, which is consideration to act on a  
13 revised temporary operating budget for fiscal year  
14 2011. And I'm going to ask David Richardson, our  
15 treasurer, to take the floor and give us an explanation  
16 of our -- of this resolution.

17 MR. RICHARDSON: Okay. I will be referring to  
18 the Board book on page 114. And summarized is the  
19 information that you have before you. In October, we  
20 passed a temporary operating budget of \$4,391,000. I'm  
21 sorry, \$431,900 million. I'll talk in round numbers.  
22 That budget was made up of 420 million, which was the

1 continued resolution money, money that we received in  
2 2010 that we continued to receive, the U.S. Court of  
3 Veterans Appeals funds of \$1.8 million, and then a  
4 projection of carryover.

5           At the bottom of that page 114, you'll see  
6 that we now have -- I have the original carryover and I  
7 have the carryover as it now stands after the audit.  
8 There was an increase in that of \$3,500,000. And it's  
9 broken up with a decrease in the U.S. Court of Veterans  
10 Appeals, a decrease in the grants from other funds, and  
11 then we have an increase in the technology initiatives,  
12 since the grants were not made.

13           And then we have an increase in management and  
14 grants oversight, and the inspector general, due to  
15 less spending at the end of the year than we  
16 anticipated -- I just wanted to make sure that we had  
17 enough money to fund expenses in the projection -- and  
18 then carried the money forward into the next year.

19           The amendment that you've got --

20           CHAIRPERSON GREY: Hold on one second. Any  
21 questions?

22           (No response.)

1           CHAIRPERSON GREY:   Okay.

2           MR. RICHARDSON:   Okay.   So basically the  
3 resolution that is before you is to increase the budget  
4 from the 431,900,000, to 435,400,000.   And it is solely  
5 for the adjustment and the carryover.

6           CHAIRPERSON GREY:   So it's the budget that was  
7 previously approved by the Board with these adjustments  
8 since that time; is that correct?

9           MR. RICHARDSON:   That's correct.

10          CHAIRPERSON GREY:   Any questions or comments?

11          FATHER PIETRZYK:   So on your memo, the first  
12 column is the fiscal 2010 numbers.   In the second  
13 column is the TOB that we just passed last time.

14          MR. RICHARDSON:   That's correct.

15          FATHER PIETRZYK:   And then the third column is  
16 the adjustments to that middle column, which make the  
17 first column.

18          MR. RICHARDSON:   That's correct.

19          FATHER PIETRZYK:   Oh.   In comparison between.

20          MR. RICHARDSON:   Right.

21          FATHER PIETRZYK:   Okay.

22          MR. RICHARDSON:   So this \$3,500,000, we now

1 need to add to the budget.

2 FATHER PIETRZYK: Right. Right.

3 MR. RICHARDSON: What I have done, since we  
4 have a new president, is I've laid out the new  
5 memorandum to lay out the key areas within the budget,  
6 and then I have highlighted the changes that needed to  
7 occur to raise the money, raise the budget up to the  
8 MGO funds. I think they are fairly self-explanatory,  
9 but I did want to point out a couple of major changes  
10 here. One is \$70,000 additional money into the  
11 technology line for additional equipment that was  
12 needed there. Actually, it's an upgrade to the website  
13 so that we have a better presence in the field.

14 CHAIRPERSON GREY: David, just so that  
15 everybody -- I mean, just make sure everybody is on the  
16 same page here. You're on page 116?

17 MR. RICHARDSON: 116.

18 CHAIRPERSON GREY: First, let's let everybody  
19 get there first.

20 MR. RICHARDSON: Okay.

21 CHAIRPERSON GREY: And then you've got  
22 bullets. And you've got to tell us which bullet you're



1 on.

2 MR. RICHARDSON: Okay. Next to the last  
3 bullet on page 116 is the increase to the information  
4 technology.

5 CHAIRPERSON GREY: All right. Go ahead and  
6 explain that now.

7 MR. RICHARDSON: There was additional money  
8 that was needed to revise our website to have a better  
9 presence, present our information to the field and to  
10 the users at large, present more vibrant information to  
11 them basically. And it's updating not only our  
12 website, but it's also updating the Larry the Lawyer  
13 legal research website. And there is our RIN also that  
14 our grantees use. And it's also looking at that. So  
15 it's more than just one website that we're updating at  
16 this point.

17 FATHER PIETRZYK: And that's, then, taken from  
18 the carryover.

19 MR. RICHARDSON: That is taken from the  
20 carryover, yes.

21 FATHER PIETRZYK: Okay.

22 MR. RICHARDSON: In addition to that, the

1 bottom of the page, you'll see that the Office of  
2 Program Performance, there was \$200,000 in the  
3 consulting line, and there is 286 in the travel. The  
4 travel has not changed, but we've talked about a change  
5 in the classification of consultants to be temporary  
6 employees. We have used a little bit of the money, and  
7 I wanted to make sure that we had enough money to cover  
8 that in the budget. So we're actually moving a hundred  
9 and ninety thousand of the consulting money and putting  
10 it into a temporary operating budget.

11 At the top of the next page is the other  
12 office that is affected with this change, and that is  
13 the Office of Compliance and Enforcement. They had a  
14 hundred and ninety-two budgeted for consulting. We've  
15 moved a hundred and eighty-two thousand of that into  
16 temporary employee pay for the change in the  
17 classification.

18 CHAIRPERSON GREY: That's legal  
19 classification. I mean, that's a -- the reason we're  
20 doing it is because of a legal determination --

21 MR. RICHARDSON: That is correct.

22 CHAIRPERSON GREY: -- on classification.

1 MR. RICHARDSON: Yes.

2 MS. BROWNE: May I ask a question.

3 Going back to your -- the bullet on the bottom of page  
4 116, you have a hundred and ninety thousand was moved  
5 to the temporary employee pay item. Where do I find  
6 that on your budgeted information? It's on 114, page  
7 114.

8 MR. RICHARDSON: It's not new.

9 CHAIRPERSON GREY: Reclassification.

10 MS. BROWNE: Oh, it's just --

11 MR. RICHARDSON: It's not. It's just a  
12 reclassification.

13 MS. BROWNE: -- okay, moving around. This is  
14 moving around.

15 MR. RICHARDSON: My apologies. I was trying  
16 to say that it was money that was already budgeted and  
17 we're just moving to a --

18 MS. BROWNE: Okay. To another line.

19 MR. RICHARDSON: -- to correct the --

20 FATHER PIETRZYK: This would be on page 122.  
21 Is that what those are on?

22 MR. RICHARDSON: Right. You'll see the change

1 on the 122. You'll see that the change did occur. And  
2 you'll see that the hundred and eighty-two, in  
3 compliance, is actually two thirty for the program  
4 performance because there was already money in that  
5 particular line.

6           Okay. The resolution that is before you on  
7 page 120, or 119 and 120, it lays out the monies that  
8 is -- that are currently available from the continuing  
9 resolution, from the U.S. Court of Veterans Appeals,  
10 the carryover. The total funds add up to, in the third  
11 column where we talk, "Now therefore be it resolved,"  
12 the \$435,400,000, and I've broken it out into the  
13 delivery of legal assistance and the management and  
14 grants oversight, the Herb Garten loan repayment  
15 assistance program, and the Office of Inspector  
16 General.

17           And that will match the information that is on  
18 121. If you would like to look at the chart,  
19 everything ties across at that particular page. And  
20 then when you look at 122, you'll see that the  
21 management and grants oversight, the 21,439 matches  
22 there, and then the IG, the 6 million 351 will match

1 there. So everything is as -- as an auditor would say,  
2 it's ticked and tied.

3 FATHER PIETRZYK: And the president of the  
4 Corporation has reviewed this and he has -- I assume he  
5 has seen this already or does this come to us first?

6 MR. RICHARDSON: Oh, no. It goes to the  
7 president.

8 FATHER PIETRZYK: Okay.

9 MR. RICHARDSON: Everything goes to the  
10 president before it comes into the Board book.

11 FATHER PIETRZYK: Okay.

12 MR. RICHARDSON: Yes?

13 MR. MADDOX: Can I ask a question. David, I,  
14 looking on 117 under Key OIG Budgeted Operational  
15 Areas, it says that we've set aside another \$360,000.  
16 Is that new money that is being set aside to review  
17 grantees' auditors?

18 MR. RICHARDSON: No, it is not. It would not  
19 be enough money. And the money that was increased for  
20 the inspector general was a hundred and fifty-one  
21 thousand dollars. He has repeated, much like we have.  
22 David just didn't bullet how he broke out the hundred

1 and fifty-one thousand dollars. It's just in total.

2 MR. DAVID MADDOX: Yeah. David Maddox, for  
3 the record, from the IG's office. The additional  
4 hundred and fifty-one thousand dollars moved into the  
5 other operating income area for the IG's office. There  
6 were no reallocations of IG money across the budget  
7 lines at this time.

8 MR. RICHARDSON: Actually, at the bottom of  
9 page 117, in the last bullet, he states that it went  
10 into the other income line. The other information,  
11 it's presented a little bit differently from the way it  
12 was in October, but it was the same information that  
13 was in the October Board book.

14 MR. MADDOX: Okay. Well, I just wanted -- I  
15 mean, I guess what I'm trying to understand is are we  
16 anticipating the OIG spending more money and doing more  
17 travel to go oversee the grantees' audits or not? I  
18 just -- I couldn't tell from the numbers. And in light  
19 of, you know, what has happened in Louisiana and  
20 elsewhere, I wondered if we were planning to do this.

21 MR. SCHANZ: Well, this is the IG. That was  
22 part of that funding. We're trying something novel,

1 and we're piloting it right now. We have proposals in  
2 to get forensic auditors to go in and take a look at  
3 the programs where we've had major frauds, which would  
4 be Baton Rouge, the CALS program, LAB in Baltimore,  
5 Legal Aid of Baltimore, and even some of the smaller  
6 ones that we have had in Southwest Pennsylvania.

7           What we want to do is to be able to leverage  
8 our resources using some carryover money to get  
9 skilled, forensic auditors in there to find out what  
10 the IPAs knew, what they should have done with it, and  
11 when they knew it. Now that's an extension of a work  
12 that we could do, but I don't have the resources to  
13 keep going back as I want to push forward on some of  
14 the other grantees that have surfaced on our risk  
15 assessments.

16           So what we're doing is trying to get, and we  
17 had -- David can talk to it. His office is actually  
18 pursuing the contract. And we've had some quality  
19 candidates to come in to do specifically this type of  
20 work.

21           MR. DAVID MADDOX: Yeah, what Jeff is talking  
22 about there, we've kind of got a prototype in place,

1 but we're looking at an expansion of what we call our  
2 quality control review so the IPAs work. And we're  
3 trying to get a much larger sample than we have in  
4 recent years. That's \$360,000 that you saw in front of  
5 you at the last board meeting as well. We're trying  
6 this pilot. Then we're going to be adding onto that  
7 pilot. We hope to complete somewhere around 20 to 25  
8 in this annual year. And that would be in addition to  
9 what OIG staff reviews have -- can do. So in total, we  
10 expect 25 to 30 by the end of the year.

11 MS. MINOW: Mr. Chair, I just have a question,  
12 or maybe it's a correction to the IG. I don't know if  
13 there has been a charge of fraud to anyone or a  
14 criminal finding of fraud. So if that's not been the  
15 case, then I don't think that the public record should  
16 say that there has been. Am I mistaken?

17 MR. SCHANZ: The programs I've talked about  
18 are on our website and there have been convictions or  
19 plea agreements on those.

20 MS. MINOW: So you're talking about the past.

21 MR. SCHANZ: Yes.

22 CHAIRPERSON GREY: Good point.



1           MS. REISKIN: Are you looking to hire these  
2 forensic accountants like in those local communities so  
3 that they wouldn't have the travel expenses, or are  
4 they going to be -- is it going to be like one person  
5 that works somewhere central and flies around or --

6           MR. DAVID MADDOX: For the larger program, the  
7 details are still being worked out. For the two that  
8 we have planned, these are actual local D.C. based  
9 accountants, them doing the work.

10          MS. MINOW: And just a follow-up from Victor's  
11 question. It wasn't entirely clear to me, on page 117,  
12 what is a request for new funding, what is moving  
13 around the carryover funding. If you could clarify  
14 that, that would be helpful.

15          MR. DAVID MADDOX: The only additional monies  
16 that we've talked about that are on that last bullet  
17 point on 117, the additional hundred and fifty-one  
18 thousand nine hundred and eleven in carryover, and that  
19 was moved into the other operating income line into a  
20 contingency fund.

21          MS. MINOW: Everything else was already --

22          MR. DAVID MADDOX: Correct.

1 MS. MINOW: Thank you.

2 CHAIRPERSON GREY: Questions? Comments?

3 (No response.)

4 MR. RICHARDSON: I ask that the Board --  
5 Committee accept the resolution.

6 CHAIRPERSON GREY: You've heard from the  
7 treasurer. The Committee's preference?

8 M O T I O N

9 MS. MINOW: I move that the Committee  
10 recommend to the Board the adoption of this resolution.

11 CHAIRPERSON GREY: Is there a second?

12 FATHER PIETRZYK: Second.

13 CHAIRPERSON GREY: All in favor, say aye.

14 (Chorus of ayes.)

15 CHAIRPERSON GREY: Opposed, no.

16 (No response.)

17 CHAIRPERSON GREY: The resolution --  
18 recommendation for the resolution is adopted.

19 MR. RICHARDSON: Thank you. That makes the  
20 next agenda item much better to follow since I've  
21 presented the budget to you based on the higher just  
22 adopted budget. I do that because it just makes the

1 information more current, more readable to do.

2 I've laid the memo out just to explain --  
3 again, I did this for the benefit of new members. I  
4 mean, we've got a few that just started with us in  
5 October, just so you get used to reading it. We have a  
6 new president. I've laid it out so that he has an  
7 opportunity to see how it's laid out also.

8 Unfortunately, on page -- let me go down to  
9 the bottom of page 123. The report shows that there is  
10 no basic field grants given in the first quarter.

11 MS. REISKIN: Where is 123?

12 MR. RICHARDSON: After the tab in the Board  
13 book. This is the financial report, first three  
14 months.

15 MS. REISKIN: It's okay. Go ahead.

16 MR. RICHARDSON: Okay.

17 MS. REISKIN: It's okay. Go ahead.

18 MR. RICHARDSON: Okay. At the bottom of page  
19 123, we see that the basic field budget, I've laid out  
20 what it is. There is no spending for the first three  
21 quarters. We have -- I've reported that there is  
22 \$3,392,000 in grants that have been awarded in January,

1    which show as expenses.  I will stop there and state  
2    that while we have a continuing resolution that only  
3    funds us through March 3rd, we handle the grants in  
4    this manner so that we don't have to do contracts every  
5    few months when there is multiple CR's.

6                We write the contracts in that if the funding  
7    changes, that we have the authority, pursuant to the  
8    contract, to be able to increase or decrease the  
9    grants, as may be necessary.  And I should have pointed  
10   out in the resolution, that was a part of the  
11   resolution that you just passed also gives the -- gives  
12   us the authority to do that.

13               There is also no awards to the U.S. Court of  
14   Veterans Appeals at this time.  It is underway.  This  
15   should be done, if not done today, it will be done  
16   early next week in awarding this particular money.  And  
17   there is no money from the grant's mother funds, but we  
18   do have \$644,000 that is available to address emergency  
19   situations that may occur.  And certainly, we've been  
20   talking about many of those in regards to the Gulf  
21   area.

22               CHAIRPERSON GREY:  When you go to the next

1 page, tell everybody you're going to the next page.

2 MR. RICHARDSON: I'm sorry.

3 CHAIRPERSON GREY: That's all right.

4 MR. RICHARDSON: 124. Yes.

5 Item 4 on page 124, there is an error that I  
6 need you to correct. I was correcting something --

7 MS. MINOW: This is Arabic 4 not 014.

8 MR. RICHARDSON: This is number 4, not --

9 MS. MINOW: But you have two 4s on this page.

10 So it's the first --

11 MR. RICHARDSON: So number 4, for the  
12 technology initiative, that reads 5,359,985. That is  
13 actually the amount that should be in the MGO in roman  
14 numeral II.

15 CHAIRPERSON GREY: It's a typographical error.

16 MR. RICHARDSON: It's a typo there. I caught  
17 it, but I corrected it in the wrong area therefore  
18 creating a second error.

19 CHAIRPERSON GREY: Okay.

20 MR. RICHARDSON: The amount should be  
21 6,736,613. And then when you look at roman numeral II  
22 on the second line, you'll see that the budget

1 allocation is 7 million 146 for MGO. That should be  
2 5,359,985. All the other numbers do check out as far  
3 as adding and subtracting the percentages and  
4 everything.

5 MS. MINOW: You're just letting us know you're  
6 human.

7 MR. RICHARDSON: I apologize. I'm -- yes, I'm  
8 human. Thank you.

9 MGO has spent an amount that is 20 percent  
10 under the budget. We do have contracts of  
11 approximately a hundred and twenty-five thousand  
12 dollars that we have entered into, most of them dealing  
13 with the video conferencing equipment and the website  
14 development. And the LRAP, we have not forgiven any  
15 particular loans this year. And I imagine those will  
16 start in February/March. We'll be going through that  
17 process. So you'll see expenses coming into that  
18 particular budget very shortly.

19 In the OIG, their budget and their spending is  
20 actually 39 percent under budget at this point, and  
21 they have a small amount of contracts in place, \$8,200  
22 at this point.

1           When you look -- and I'll go to page 125 at  
2 the top -- I would like to not only give you the  
3 comparisons and the total of the -- each cost center,  
4 but also any adjustments or highlight any overspending  
5 in a particular area. We do have, in one particular  
6 cost center, human resources. Actually two,  
7 information technology we're over budget. That's  
8 because of projects that they've undertaken in the  
9 first quarter. And while we just divide our budget by  
10 1/12th, it appears they're over budget, but yet when  
11 you look at their annual spending, they're well within  
12 the limits that they have available to them.

13           Same thing when you look at -- and I've laid  
14 out, in the HR, it was the audit of the 403(b) plan.  
15 It's the first time it's ever been done. It was  
16 completed and we paid the bill in November. So that  
17 money appears that it's overspent on the line, but it  
18 is not. Additional, with the installing the video  
19 conferencing equipment and updating some -- the  
20 computer network, it's the same thing for OIT.

21           When you look at those two lines and then you  
22 look at the other capital expenditures, my particular

1 budget, the Office of Financial Administrative  
2 Services, adds to the amount of capital expenditures  
3 that are over because we have just completed the  
4 renovation of the first and second floor where we  
5 removed some walls, did some carpeting, and updated to  
6 make it more useable for us. But again, that's well  
7 within the budget. And when you look at the annual  
8 budget, there is not an issue there.

9 I hope you've had opportunity to look at that  
10 prior to the meeting. I know you did not get the Board  
11 books until I think it was Tuesday of this time. And I  
12 apologize for Julie for yours not being in there, but  
13 if you do have any particular questions, whether you  
14 ask them now or if you would like to send me an e-mail  
15 or call, I would be glad to answer any particular  
16 questions you may have.

17 CHAIRPERSON GREY: Any questions?

18 MS. MINOW: Have you thought about using  
19 footnotes to explain things like the lumpiness or not?  
20 I mean, when we get the book in advance and we have a  
21 question like that, some of that might be something you  
22 could handle with a footnote.



1           MR. RICHARDSON: I try to lay it out like at  
2 the top of page 125, the two paragraphs, I've laid that  
3 out in there. Instead of footnoting, I mean, I could  
4 do that, but I've just tried to explain it there. And  
5 I can experiment with different things as we work to  
6 make sure it's clear to you. I'm not opposed to that  
7 at all.

8           CHAIRPERSON GREY: I think Father Pius made a  
9 comment under his breath.

10           (Laughter.)

11           CHAIRPERSON GREY: As true as it is, lawyers  
12 like footnotes. So to the extent that it is helpful, I  
13 think the Board would appreciate explanations of things  
14 that are not apparent from a visual examination of the  
15 numbers you're presenting.

16           MR. RICHARDSON: Okay.

17           CHAIRPERSON GREY: Any other questions of  
18 David?

19           (No response.)

20           CHAIRPERSON GREY: Let me -- while he's here,  
21 the -- I want to advise the Board that the Finance  
22 Committee wants to do an orientation to have an

1 examination with our technical board advisor, Bob  
2 Henley, on how to read the financial statements and to  
3 go over the placement of items to get a glossary on the  
4 terminology with regard to some of the financial terms  
5 that are used. Some are government specific, some are  
6 accounting specific, but to give us a better handle on  
7 seeing the narrative and being able to turn to a page  
8 and look at something and say oh, I know what that is.  
9 That's this. And maybe eliminate, Father and Dean, the  
10 need for lots of footnotes. Maybe just a few.

11           So we're going to work on that and we're going  
12 to advise the Board of the time of that orientation so  
13 that you may also weigh in and take advantage of it.  
14 We will also have, Mr. Chairman, monthly meetings,  
15 monthly conference calls, once David has produced the  
16 monthly numbers, so that the Finance Committee can be  
17 kept apprised, on an ongoing basis, and with Bob Henley  
18 so that we can stay abreast of the current trend and  
19 revenue and expense issues of the Corporation.

20           Is there anything else that --

21           MS. MINOW: Just thank you.

22           MR. MADDIX: I have one question, Mr.

1 Chairman.

2 David, looking at attachment B, page 1 of 3,  
3 it shows the variances --

4 MR. RICHARDSON: 103?

5 MR. MADDOX: 1 of 3.

6 MR. RICHARDSON: Oh, it's 1 of 3. What's the  
7 page at the bottom?

8 MR. MADDOX: It's page 127. I think we  
9 touched on this at a prior meeting. The variances,  
10 both in 2010, total year over year, I think, and then  
11 in fiscal year 2011 for the existing quarter, they're  
12 pretty dramatic in every category. I mean, is there --  
13 is that the way your budget is routinely run or is  
14 there something, you know, extraordinary that doesn't  
15 happen all the time?

16 MR. RICHARDSON: It's the way that they  
17 normally run. When I present the reports to you, we  
18 basically take the budget that has been approved by the  
19 Board and then divide it by 1/12th and then multiply it  
20 by however many months we are into the year.

21 Some of the spending doesn't take place until  
22 early spring/summer when the travel period opens up.

1 There is more travel, for instance, in January to  
2 September than there is in October, November and  
3 December because of the holidays. You can't get into a  
4 program because of people being off, and so forth. You  
5 have your ABA meetings, your NLADA meetings. Those  
6 happened later in the year.

7 We did have a NLADA in November, but there is  
8 three additional meetings that occur in the next nine  
9 months that are budgeted that would be a part of these  
10 numbers, which show the variance being larger.

11 Additionally, you've got --

12 MS. MINOW: Can I just interrupt. I think  
13 there are two different questions here. One is a  
14 variance month in the quarters. And the second is --

15 MR. MADDOX: Yeah, this is all for the one  
16 month, the third month.

17 MS. MINOW: Right.

18 MR. MADDOX: Maybe to cut through it, is there  
19 somewhere where we see for the total year over year  
20 budget, 2009 and 2010, so we can see how well the  
21 budget process worked?

22 MR. RICHARDSON: Well, that's the column nine.

1 You'll see that there is spending for 2010, and column  
2 three is the spending for 2011. So the comparison is  
3 there. So you'll see that we spent \$5.359 million.  
4 Well, last year at this time we spent 5.125.

5 MR. MADDOX: I'm sorry. I'm not following.  
6 What column now?

7 MR. RICHARDSON: Column three on page 127.

8 MR. MADDOX: Right.

9 MR. RICHARDSON: You'll see the total  
10 management --

11 MR. MADDOX: 5.3, right.

12 MR. RICHARDSON: -- and grant oversight. That  
13 column three total, the 5 million 359, this is spending  
14 this year.

15 MR. MADDOX: Right.

16 MR. RICHARDSON: Column eight is the spending  
17 last year.

18 MR. MADDOX: Okay.

19 MR. RICHARDSON: So we do have the comparisons  
20 year to year there. Last year we had a carryover of  
21 1.469 or a carryover of remaining funds. And this year  
22 it's 1.087. So we try to show you the trends in

1 spending are pretty much the same. The reason we're  
2 spending more is we have more employees at this point.  
3 Last year, remember, we were hiring people into the  
4 compliance area in legal affairs and program  
5 performance. So there is more salaries being spent is  
6 the main area that we're looking at as far as  
7 comparisons.

8 MR. MADDOX: Thank you.

9 MR. RICHARDSON: I mean, if there is something  
10 you would like to see, just let me know. Give me a  
11 call and I can perhaps maybe give you last year's  
12 spending.

13 CHAIRPERSON GREY: Well, you know, that's an  
14 interesting point because one of the things we don't  
15 show you is a prior year versus this year's spending.  
16 We do an in-time analysis. And we talked about doing  
17 that. So we're going to look at that and see if that  
18 doesn't help us with better appreciated understanding  
19 of what we're doing. Good catch.

20 Any other questions for David?

21 (No response.)

22 CHAIRPERSON GREY: Thank you, sir.

1 MR. RICHARDSON: Okay.

2 CHAIRPERSON GREY: John, you want to --

3 MR. CONSTANCE: Mr. Chairman, for the record,  
4 I'm John Constance, director of government relations  
5 and public affairs. As has been reported, we are  
6 currently operating under a continuing resolution,  
7 Public Law 11-322, which is funding us at 2010 levels.  
8 That law expires. As Dave says, it runs through March  
9 the 3rd; expires March 4th, and will need to be renewed  
10 with either another short-term continuing resolution or  
11 one that will carry us to the end of the fiscal year.

12 We spent two days on the Hill this week with  
13 John, John Levy, and Jim Sandman. And I spent part of  
14 the day yesterday and this morning on the phone with  
15 obviously a lot of these things changing. It still  
16 seems to be pick your rumor with a number of different  
17 options available. And let me outline where those  
18 options are between now and the end of the year.

19 Again, up until a couple of days ago, I think  
20 there was an assumption that there would probably be  
21 another short-term continuing resolution. Within the  
22 last 48 or so hours, I think, you know, there is a lot

1 more discussion about trying to put together a, on the  
2 House side, a year long CR that would represent cuts to  
3 the 2008 level. That is the starting point, I think  
4 right now, for the House leadership.

5           They have announced their goal of cutting  
6 current spending by 55 to \$60 billion. To do so at the  
7 midyear is very, very difficult, obviously, with the  
8 impact that that would have on programs. And so for  
9 that reason, there is clearly a lot of pushback,  
10 obviously, in the House, and there will be, I think,  
11 longer term from the Senate in that regard.

12           I would say, as an aside, there has been an  
13 awful lot of publicity. There has been an awful lot of  
14 news coverage of the more radical recommendation of a  
15 cut of 100 billion in the current year that has been  
16 proposed by the Republican Study Committee. That's the  
17 one that specifically names Legal Services Corporation  
18 for elimination, along with many other federal agencies  
19 and entities.

20           I would say that our discussions this week  
21 with both Republicans and Democratic members of the  
22 Appropriations Committee, including Republicans that



1 are members of the Republican Study Committee, have  
2 indicated that this proposal is probably in the very  
3 unlikely category right now. But the cut to the 2008  
4 levels is the starting point, I think for right now,  
5 for the House leadership. That is where they're coming  
6 from.

7           The counterproposals. Certainly I think the  
8 Senate counterproposal going in will be a year long CR  
9 at current levels. And I think the expectation is that  
10 at the end of the day, right now I think most people  
11 think that it will be a year long CR at some level of  
12 cuts, but that really being unspecified at this point  
13 in terms of what level that would be.

14           All I can promise is that we will try to  
15 continue to keep everyone currently and fully informed  
16 going forward. As to what that process is going to be,  
17 I can tell you that just from the traffic we've gotten  
18 in terms of e-mail and questions in the last 48 hours,  
19 it's clear that there is an effort underway to try to  
20 get 2011 done as quickly as they can and not go to  
21 another short-term CR.

22           The President's budget will go up to the Hill

1 on February the 14th, and I think there is certainly a  
2 sense, on the part of the Committee, that they really  
3 don't need to be working with two fiscal years at the  
4 same time. So I think there is a professional push to  
5 get this done. And certainly everybody is very, very  
6 interested in it. But when you go from the -- and I  
7 hope this doesn't sound editorial.

8 I mean, I think it's factual that when you go  
9 from the, you know, from the speeches to the practical  
10 position that we're in of six months into the fiscal  
11 year, while the goals are the goals, they're just very  
12 -- going to be very, very difficult to implement and  
13 not severely affect operations in the latter half of  
14 this fiscal year.

15 So I think that's, you know, kind of what the  
16 professional side are telling us, both the Republicans  
17 and the Democrats are telling us, that they're  
18 grappling with right now.

19 CHAIRPERSON GREY: Mr. Fortuno?

20 MR. FORTUNO: I was just going to say that the  
21 -- my impression of those that we met with, even on the  
22 Republican side, was that there is not even clarity as

1 to what it means to go back to 2008 as to whether it  
2 will be -- if that's a global strategy, and that a  
3 scalpel may be used as it relates to certain programs.  
4 And so it isn't clear that we would be going back to  
5 2008, although I suppose it could be worse than that  
6 because, depending on how they allocate the numbers.  
7 But there is no clarity on that.

8 I heard no -- I want to second what John said.  
9 From the Republican leadership that we met with, I  
10 heard no interest in anything that had to do with  
11 elimination of LSC and the recognition rather clear of  
12 LSC's importance.

13 MS. REISKIN: The time line sounds a little  
14 strange. The President's budget gets delivered on the  
15 14th and the continuing resolution runs out on March  
16 4th? I mean --

17 MR. CONSTANCE: The President's budget is for  
18 the next fiscal year, 2012.

19 MS. REISKIN: Okay. Okay. Nothing in  
20 Washington happens in two weeks.

21 MR. CONSTANCE: No.

22 MS. REISKIN: Okay.

1           MR. CONSTANCE:  It's the 2012 budget of the  
2  President.  That's the, you know --

3           FATHER PIETRZYK:  He's going to submit his  
4  budget for next year before they've ever voted on a  
5  budget for this year.

6           MR. CONSTANCE:  And this -- I would like to  
7  tell you that that's the first time that this has  
8  happened in the history of the Republic, but  
9  unfortunately that would be a lie.

10          MS. REISKIN:  Is it possible that there is  
11  going to be something in the middle, that there will be  
12  a resolution that is not for the whole rest of the  
13  year, but like two months or, I mean --

14          MR. CONSTANCE:  Yeah.  That's what I mean by  
15  another short-term, continuing resolution, which they  
16  could, in fact, do.  But as I say, there has been a lot  
17  of activity the last couple of days that would indicate  
18  they're trying to get to the negotiating table sooner  
19  rather than later and avoid that.

20          FATHER PIETRZYK:  Just a couple points.  The  
21  first is, obviously, the President is coming out with  
22  his next fiscal year budget.  Does it come down to as

1 low line items, and I assume that there are contexts  
2 with the Office of -- the President's Office on Budget  
3 to talk about our numbers.

4           And then I suppose I can -- correct me if I'm  
5 wrong, but it seems to me the two most likely scenarios  
6 for the rest of the current fiscal year is either we're  
7 going to stay at the same level or we'll get reduced to  
8 the 2008 level. As we currently look at the political  
9 landscape, those -- this is obviously something that  
10 could change, but those seem to be the two most likely  
11 scenarios in terms of our budget for the rest of the  
12 year.

13           MR. CONSTANCE: I wouldn't -- let me answer  
14 the second question first, and I'll save the other one  
15 on 2012 until I'm going to transition here to the 2012  
16 report.

17           I would not agree, Father Pius, that those are  
18 the two most likely. I mean, a continuing resolution,  
19 a short-term is the most likely, given the fact that  
20 they have a tendency to put their work off. The second  
21 most likely --

22           FATHER PIETRZYK: But that would be at the --

1 still at the current level.

2 MR. CONSTANCE: At the current level. Second  
3 most likely is a year long at some level of cuts, but I  
4 think what they're staring eyeball to eyeball at right  
5 now is if they were to try to do 2008 level at the  
6 midyear, I mean, that -- Draconian is the first word  
7 that comes to mind, even those on the Republican  
8 Appropriations side that are, you know, the most  
9 anxious to see, you know, the budget go toward that  
10 level.

11 I think there is more likelihood that the 2008  
12 -- and again, here we go. Let me back up. It is my  
13 opinion that the more likelihood on the 2008 will be in  
14 the 2012 budget debate and budget battle. There you've  
15 got a full year that those kind of cuts could be  
16 absorbed, or some level of cuts. But I think what will  
17 happen -- I mean, the two lines right now are year long  
18 CR current levels, year long CR 2008 levels. What is  
19 the most likely scenario is, you know, year long CR at  
20 some level of cut, but, you know, not at current levels  
21 and not at 2008. I mean, I think that's the compromise  
22 position.

1           MR. LEVI:   And that position is the position  
2 of the House.

3           FATHER PIETRZYK:   Right.   No, that's what I  
4 mean.

5           MR. CONSTANCE:   Right.

6           FATHER PIETRZYK:   I'm just trying to see what  
7 the things that we're floating about were.

8           MR. CONSTANCE:   And what we're seeing from the  
9 Senate is their -- you know, their opening position is  
10 certainly, and that, I think, is what is being debated  
11 right now within the -- on the Senate Appropriations  
12 Committee.   And that is either go in at full year or  
13 current levels or go in already with a show of good  
14 faith with full year at some level of cuts.

15           FATHER PIETRZYK:   My question goes to the  
16 point of do we have any firm basis on which we can make  
17 financial plans for the rest of the fiscal year.   It  
18 sounds like we've got kind of two things.   One that  
19 seems kind of likely, one that seems unlikely,  
20 something in the middle, and we have no idea what that  
21 number would be.

22           MR. CONSTANCE:   Yeah.   I mean, I think we're

1 very similar to the American public sitting at the  
2 kitchen table at this point, in that regard. And I'll  
3 let Dave answer how he mysteriously comes up with us  
4 when I bring him back such firm news, as I oft times  
5 do.

6 MS. MINOW: But I take it that -- I very much  
7 appreciate Father Pius gets the ban within which this  
8 may happen. But I take it if the scalpel approach is  
9 used, we don't even know the bans because we could be  
10 taking a bigger hit if others are not taking any hit at  
11 all.

12 MR. LEVI: Or we could take a lesser hit.

13 MS. MINOW: Or we could take a lesser hit. So  
14 we really don't know.

15 MR. CONSTANCE: You know, the thing that, from  
16 a practical standpoint in the length of time that they  
17 have to do this, in the length of time that they really  
18 have to do to examine a trillion dollar budget and to  
19 make these kind of decisions, you know, it often is  
20 percentage across the board here, percentage across the  
21 board there.

22 So that's the -- you know, that is the way,



1 typically, they handle this after they have either made  
2 cuts to specific programs, you know, basically said  
3 that other programs are going to be held completely  
4 harmless and off the table, which they have already  
5 discussed, obviously, in terms of some national defense  
6 and national security areas. And then the rest, the  
7 only way that they can get to yes is by making across  
8 the board cuts with the rest of the program.

9           So however, we are part of this week and part  
10 of every moment from now until we hear what the  
11 decision is made for us, is the education process that  
12 we go through with these people every day and staying  
13 in touch, on a proactive basis, to let them know, you  
14 know, what we do and how important these numbers are to  
15 us. They're not just numbers. They're people.

16           MS. BROWNE: So John, are you anticipating,  
17 for the 2012 budget, that there will be a cut for LSC?

18           MR. CONSTANCE: Mr. Chairman, can you -- why  
19 don't I just go ahead and transition to your next  
20 agenda item, if that would be --

21           CHAIRPERSON GREY: That is the next agenda --  
22 are you finished with 2011?

1           MR. CONSTANCE: I've told you everything I  
2 don't know about 2011, yeah. Let me move on to 2012.

3           CHAIRPERSON GREY: We feel fully informed to  
4 2011.

5           MR. CONSTANCE: Thank you, Mr. Chairman,  
6 You've been way too kind.

7           MR. LEVI: I should say that his staff works  
8 really hard and spent -- I've been out here for two  
9 days longer than the rest of you being escorted around  
10 by Mr. Constance and his staff. And it is -- if any of  
11 you wish to join me in future such, you will be as  
12 exhausted as I think any. It's not a -- it takes a  
13 little time, but I think it's all well worth it.

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

15          For the 2012 budge, let me tell you where we  
16 are right now. We're -- my staff: Steve Barr, Treefa  
17 Aziz, Sean Driscoll, Marcus Navaro are hard at work  
18 preparing the budget justification for our 2012 request  
19 for funding. As you know, this board approved a  
20 request for an increase in funding to reflect the unmet  
21 need of both our eligible clients that are turned away  
22 every day from our programs, and the increasing need

1 that still stands outside the door of our programs.

2 In recognition of the budget environment, this  
3 board voted to submit the same request for 2012 that  
4 the previous board had submitted for FY-2011 with no  
5 increase in that request. Those numbers, just to  
6 refresh everyone's memory, are as follows: 484.9  
7 million for basic field; 6.8 million for technology  
8 initiative grants; 1 million for loan repayment  
9 assistance; 19.5 million for management and grants  
10 oversight; and 4.35 million for the Office of the  
11 Inspector General.

12 We have received -- again, just to refresh  
13 everyone's memory in this, we are independent in this  
14 regard as far as providing our request to the Hill.  
15 What we do provide, our same justification that is  
16 presented to this board, and the result of this Board's  
17 action, we do present those to the Office of Management  
18 and Budget. We have a budge examiner assigned to us  
19 like any other federal entity. We have a chain of  
20 command that we work in in the Office of Management and  
21 Budget, and we work with them, along with Dave, to  
22 provide that information to that chain of command.

1           So when the President does pick a number for  
2 the President's budget, it is informed by what we have  
3 provided up the chain to -- through OMB. We have  
4 received the President's budget mark for LSC and while  
5 the information is still embargoed, and I'm not in a  
6 position to share in public session, I would just say  
7 that there is an increase recommended for LSC by the  
8 President's budget, an increase over the previous  
9 year's request of \$435 million. And I do think that it  
10 reflects the President's statement and the State of the  
11 Union not to balance the budget on the backs of those  
12 that can least afford it.

13           And I would say this of what we have been  
14 told -- we haven't seen any of the rest of the  
15 President's budget, obviously, but we have been told by  
16 our chain of command in the Office of Management and  
17 Budget that we will see a definite contrast between the  
18 number that has been presented for LSC in the  
19 President's budget and many other programs that, by  
20 virtue of the budget environment and the budget  
21 situation, have been cut or held at current levels. So  
22 I think we will stand out in that regard.

1           We'll be taking our proposal, on behalf of  
2 this Board, to the Hill the week of February the 7th.  
3 We always try to get up there at least a week before  
4 the President's budget. We find it a little bit more  
5 quiet. We can spend a little bit more time with the  
6 staff at that point before the thundering heard arrive.

7           I would also add that this year, Chairman  
8 Frank Wolf, of our Appropriations, our House  
9 Appropriations Committee, did reach out to us. And we  
10 were told that we were the only program in the entire  
11 CJS bill, of all of his other programs, that we were  
12 the only one that he did, in fact, reach out to. And  
13 that outreach was to offer his assistance in somewhat  
14 of a clarion call for more pro bono in the field to  
15 augment the services of LSC's funded programs.

16           He has sent a letter, as yet not received, by  
17 the American Bar Association. When that letter is  
18 received by them, if they wish to release it, they  
19 will. We'll talk about that in terms of -- and I  
20 believe we are going to be copied on that letter. And  
21 essentially, it is offering Chairman Wolf's  
22 encouragement to the American Bar Association to

1 continue their long and hard work that they have done  
2 over the years on pro bono and encouraging more of that  
3 in light of the budget situation that we have facing us  
4 right now.

5           So that's what I have at this point. And if  
6 that answered the questions that came up earlier, fine.  
7 If not, I would be more than happy to answer.

8           CHAIRPERSON GREY: Mr. Chairman, I think it's  
9 -- I think the conversation in the Committee was such  
10 that we encouraged you and the president and the rest  
11 of the staff to be very vigilant about this and to be  
12 prepared, as they say, as these matters come to  
13 fruition.

14           MR. LEVI: And I want to say when Mr.  
15 Constance refers to the call with Chairman Wolf, I  
16 spoke with him. I was on that call and so was Jim  
17 Sandman. And we introduced ourselves and had a very  
18 productive and good call. And I look forward to  
19 continuing that.

20           CHAIRPERSON GREY: I think I speak for the  
21 Committee when I say we are heartened by the fact that  
22 the chairman of the Appropriations Subcommittee would

1 have us in mind as we are looking at these -- as we're  
2 looking at -- staring at the barrel of what is bound to  
3 be a very difficult discussion, the budget.

4           And we will follow your advice as we meet more  
5 on a monthly basis and would ask you to guide us in our  
6 discussions. We are going to have a call meeting, Mr.  
7 Chairman, at the end of the current resolution, the  
8 current continuing resolution, so that we're prepared  
9 to address, John, anything that you want us to address  
10 as a board, and we can make a recommendation in a  
11 timely manner.

12           So we look forward to working with you.

13           MR. CONSTANCE: Thank you.

14           CHAIRPERSON GREY: Are there any other  
15 questions?

16           MR. CONSTANCE: If I could add -- Mr.  
17 Chairman, if I could just add one more thing. I will  
18 tell you the advice that we gathered as we were doing  
19 our rounds on the Hill this week. There was one theme  
20 that came through, again, both sides of the isle, and  
21 that was with 83 new members of the Congress. One of  
22 the challenges that was presented to us was certainly

1 the education effort that is going to be necessary with  
2 83 new members as to just who we are.

3           Hopefully we're not going to have to rely on  
4 calls for our elimination to have that opportunity.

5 But in all seriousness, many, many folks, both  
6 Republicans and Democrats, said to us, "Get out. Get  
7 on the street. Talk to these folks."

8           And I would thank the members of this Board  
9 who have already reached out to me to offer their  
10 assistance in doing that. And I can assure you that  
11 when you divide 83 by 1, as opposed to dividing 83 by a  
12 pick a number, anything would be appreciated. And your  
13 professional contacts and the people that you know from  
14 your communities and your backgrounds at your  
15 distinguished, professional careers are going to be  
16 most helpful to us going forward in this.

17           So I thank you, thank you in advance.

18           CHAIRPERSON GREY: We accept the opportunity  
19 to work and share the load with you.

20           MR. CONSTANCE: Thank you.

21           MR. LEVI: Anything else?

22           MS. MINOW: I think we need to finish because



1 we have another committee meeting and then we have a  
2 panel.

3 CHAIRPERSON GREY: Okay. Public comments?

4 (No response.)

5 CHAIRPERSON GREY: Any other business?

6 (No response.)

7 CHAIRPERSON GREY: Motion on the resolution?

8 I'm sorry.

9 MR. RICHARDSON: I could, during the audit  
10 committee this morning and some of you were not here.  
11 We handed out the first seven pages, or six pages, of  
12 the Form 990. They're here available for you if you  
13 would like to look at those and have it for your  
14 records. It is a draft and once it is final, I'll  
15 provide it to everyone.

16 FATHER PIETRZYK: And for those of us who  
17 don't remember government number codes, Form 990 is?

18 MR. RICHARDSON: Is the tax return for a not  
19 for profit.

20 CHAIRPERSON GREY: Any other questions or  
21 comments?

22 (No response.)

1 CHAIRPERSON GREY: Move to adjourn?

2 M O T I O N

3 MS. BROWNE: So moved.

4 MS. MINOW: Second.

5 CHAIRPERSON GREY: All in favor say aye.

6 (Chorus of ayes.)

7 CHAIRPERSON GREY: Opposed, no.

8 (No response.)

9 CHAIRPERSON GREY: We're adjourned.

10 (Whereupon, at 2:25 p.m, the Finance Committee  
11 was adjourned.)

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