

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

TELEPHONIC MEETING OF THE
FINANCE COMMITTEE

OPEN SESSION

Monday, June 27, 2011

11:05 a.m.

Legal Services Corporation
3333 K Street, N.W.
Washington, D.C. 20007

COMMITTEE MEMBERS PRESENT:

Robert J. Grey, Jr., Chairman
Sharon L. Browne
Father Pius Pietrzyk, O.P.
Robert E. Henley, Jr. (Non-Director member)
John G. Levi, ex officio

OTHER BOARD MEMBERS PRESENT:

Victor B. Maddox
Gloria Valencia-Weber

STAFF AND PUBLIC PRESENT AT THE CORPORATION'S OFFICES:

James J. Sandman, President
Kathleen Connors, Executive Assistant to the President
Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
David L. Richardson, Treasurer and Comptroller
John Constance, Director, Office of Government
Relations and Public Affairs
Stephen Barr, Communications Director, Office of
Government Relations and Public Affairs
Treefa Aziz, Government Affairs Representative, Office
of Government Relations and Public Affairs
Jeffrey E. Schanz, Inspector General
Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, Office of the Inspector General
David Maddox, Assistant Inspector General for
Management and Evaluation, Office of the
Inspector General
Charles Greenfield, Program Counsel III, Office of
Program Performance
Bristow Hardin, Program Analyst III, Office of
Program Performance
Thomas Enright, Program Analyst III, Office of
Compliance and Enforcement (by telephone)
Zach Leonardi, Intern, LSC Office of Legal Affairs

Linda Perle, Center for Law and Social Policy (CLASP)
Robert Stein, American Bar Association Standing
Committee on Legal Aid and Indigent Defendants
(SCLAID)
Terry Brooks, American Bar Association Standing
Committee on Legal Aid and Indigent Defendants
(SCLAID)
Ann Carmichael, American Bar Association

C O N T E N T S

OPEN SESSION	PAGE
1. Approval of agenda	Not done
2. Presentation of LSC's Financial Reports for the period ending May 31, 2011	Not done
3. LSC Finance Committee and LSC Staff discussion regarding criteria for the Committee's recommendation to the LSC Board for the FY 2013 budget "mark"	8
4. Consider and act on other business	Not done
5. Consider and act on adjournment of meeting	41

Motions: None

1 PROCEEDINGS

2 (11:05 a.m.)

3 CHAIRMAN GREY: Well, we've got Gloria,
4 Sharon, Father Pius, and I think that -- anybody else
5 from the committee?

6 MR. SANDMAN: Robert, it's Jim. You do have a
7 quorum of the committee on the call.

8 CHAIRMAN GREY: Great. So we've got a quorum
9 and we've got -- Jim, will you tell us who's in
10 Washington?

11 MR. SANDMAN: Yes.

12 CHAIRMAN GREY: Or just have them identify
13 themselves?

14 MR. SANDMAN: Yes. Why don't we go around the
15 room.

16 MR. FORTUNO: Victor Fortuno, General Counsel.

17 MR. SCHANZ: Jeff Schanz, Inspector General.

18 MS. TARANTOWICZ: Laurie Tarantowicz, counsel
19 to the IG.

20 MR. CONSTANCE: John Constance, director of
21 Government Relations.

22 MR. RICHARDSON: David Richardson, Treasurer.

1 MR. HARDIN: Bristow Hardin, Office of Program
2 Performance.

3 MR. LEONARDI: Zach Leonardi. I'm an intern.

4 MR. BARR: Steve Barr, Government Relations.

5 MS. AZIZ: Treefa Aziz, Government Relations.

6 MR. DAVID MADDOX: David Maddox, Office of the
7 Inspector General.

8 MR. GREENFIELD: Chuck Greenfield, Program
9 Performance.

10 MR. SANDMAN: And Kathleen is here as well.

11 CHAIRMAN GREY: Terrific. Anybody else on the
12 call joining us?

13 MS. PERLE: This is Linda Perle from CLASP and
14 NLADA.

15 MS. CARMICHAEL: This is Ann Carmichael from
16 the ABA.

17 CHAIRMAN GREY: Terrific. Thank you.

18 MR. MADDOX: Victor Maddox.

19 MR. BROOKS: Terry Brooks from ABA.

20 CHAIRMAN GREY: Welcome.

21 MR. LEVI: I think I heard Victor Maddox say
22 he is on.

1 MR. MADDOX: You did. It's me.

2 CHAIRMAN GREY: Hey, Vic.

3 MR. ENRIGHT: Tom Enright from OCE, on the
4 phone.

5 CHAIRMAN GREY: Good. Welcome.

6 Let's start out -- I don't know whether
7 everybody's got the handouts that we have. Is there a
8 way for those who don't have them -- is there a way to
9 put them on WikiLeaks or post them somehow, or can we
10 just have them sent to folks if they want to see them
11 after the call?

12 MR. SANDMAN: We can do either of those,
13 whichever people prefer.

14 CHAIRMAN GREY: If there's a way to put it up
15 now, that would be terrific. And then we'll let them
16 know when they are available, and then they can get
17 them at their leisure either during the call or after
18 the call. So just let us know when they're up at any
19 time during the call.

20 MR. SANDMAN: Okay. I can also, in my oral
21 presentation, walk people through some of the most
22 important numbers so that even if they don't have them

1 in front of them, they'll be able to follow along.

2 CHAIRMAN GREY: That's terrific. I appreciate
3 you doing that. That would be great.

4 FATHER PIUS: Are there more documents than
5 the ones Jim sent on Friday, the 9th?

6 CHAIRMAN GREY: No. No. There are finance --
7 I take that back. There's some Finance Committee
8 documents, but that's the normal stuff that we go over
9 at the Finance Committee. But there's nothing more to
10 the presentation that Jim is about to do than the
11 documents he sent out for it.

12 MS. BROWNE: This is Sharon. Is this for the
13 fiscal year 2013?

14 CHAIRMAN GREY: Correct.

15 MS. BROWNE: We're not going to go through the
16 normal Finance Committee report for May 2011?

17 CHAIRMAN GREY: We may at the end if we've got
18 enough time. But if everyone on the committee has
19 taken a look at David's submission, there's nothing
20 unusual that I saw about it. I'm comfortable, if you
21 are, that we can go over that in Seattle.

22 We generally go over it beforehand, but I'd

1 like to spend the time that we've got working on the
2 2013 presentation. Then if we've got some time and the
3 committee wants to go over it, I'll be happy to -- we
4 can extend the time or set another time, for that
5 matter.

6 MS. BROWNE: I agree.

7 CHAIRMAN GREY: Okay. Yes, Jim, why don't you
8 get us started. Let's see how far we get. Let's let
9 Jim get through it one time, and then we'll come back
10 and do some questioning. But we'd love to get just,
11 Jim, an overview of the information you provided us,
12 why you provided this, and what you think it means for
13 our consideration.

14 MR. SANDMAN: Certainly. After the
15 committee's last meeting on June 16th, we assembled a
16 lot of the information that the committee had requested
17 and, in addition, provided all of the information that
18 I e-mailed out to the committee and to the full Board
19 on Friday evening.

20 I'd like to review what that information tell
21 us about supply and demand, supply being the capacity
22 of our programs to serve low income Americans, demand

1 being what the extent of the need is to the extent that
2 we're able to quantify it. And then I'll provide you
3 with some information about ranges of numbers that the
4 committee might want to consider in making a
5 recommendation to the full Board.

6 The most important information we have about
7 our programs' capacity is the information we received
8 in response to an e-mail survey we sent out to all 136
9 programs on June 17th. We received responses as of
10 Friday from 97 of 136 programs; that's a 71 percent
11 response rate. The responses are summarized in item 6
12 of the package that I sent out on Friday.

13 What this information shows is that the 97
14 responding programs anticipate a net reduction in their
15 lawyer count of 201 in 2011, 201 fewer lawyers at the
16 end of this year, this calendar year, than they had at
17 the beginning of the year; 47 fewer paralegals; 123
18 fewer staff. That's close to a 5 percent reduction in
19 lawyer count. You can look at item 7 for the details
20 on the head count.

21 The causes of the reduction are several.
22 First, LSC itself had a 4 percent reduction in funding

1 in fiscal year 2012 that has to be implemented by the
2 programs between April 15th of this year, when we found
3 out what our final number was for the current fiscal
4 year, and September 30th, the end of the fiscal year.
5 Second, our programs continue to see reductions in
6 IOLTA funding.

7 Third, in a number of states there are
8 reductions in both state and local appropriations. In
9 some places like Texas, the amount of state
10 appropriations, if any, is still up in the air. And
11 finally, several programs made reference to the
12 expiration of federal stimulus grants that they had
13 received in 2010 that won't be available in 2011.

14 There are significant variations among the
15 programs in terms of the effect of these reductions on
16 their operations, so I'm painting with a pretty broad
17 brush. But you can see the overall statistics in item
18 6.

19 As a result of these reductions in other
20 sources of funding in the current fiscal year, I
21 anticipate that LSC funding, as a percentage of total
22 funding for LSC programs this year, will go up,

1 reversing a long trend in the other direction. In
2 1980, to go back a ways, LSC was responsible for 88
3 percent of the funding of its programs.

4 Last year, by contrast, LSC funding accounted
5 for only 43-1/2 percent of the funding of its programs.

6 There has been a significant increase in federal
7 funding from other sources in the intervening years,
8 but there also have been very significant increases in
9 state and local funding of our programs.

10 Between (sic) 1980, funding from other sources
11 and nonfederal sources has grown from \$38 million to
12 \$542 million last year. When I give the 43-1/2 percent
13 number for 2010 as the percentage of LSC funding as
14 total revenue of our programs, it's important to keep
15 in mind that that is an average, and there are very
16 significant variations among our programs. In
17 Maryland, for example, the Legal Aid Bureau gets only
18 18 percent of its funding from LSC. In Alabama, our
19 program gets 86 percent of its funding from LSC.

20 We are mindful of the possibility that
21 additional pro bono resources might help to expand the
22 capacity of our programs, and we look forward to the

1 work of the pro bono task force. Nevertheless, I don't
2 think that we should be counting on increased pro bono
3 assistance to offset the reductions in program staffing
4 for two reasons.

5 First, as you can see in item 11 of the
6 materials that I distributed, in a number of states
7 there is a mismatch between the location of the poverty
8 population and the location of the lawyers available to
9 serve them. The two programs represented there, the
10 two states represented there, Georgia and Virginia, are
11 just examples, but I'm confident that the numbers there
12 are replicated in other states around the country.

13 In addition, pro bono lawyers always need the
14 infrastructure support of a program to do intake,
15 screening, training, to provide technical support, to
16 monitor the work of the pro bono lawyers. They can't
17 simply do it alone. It's simply not feasible to tell
18 lawyers in private practice that there are poor people
19 out there who need their help and expect them to go out
20 and find them and serve them on their own.

21 Finally, in terms of the capacity of our
22 programs, I'd urge the committee to keep in mind what

1 the effect in fiscal '13 will be of the census
2 adjustments that we've talked about previously.
3 Because of the redistribution of the poverty population
4 across the states, some programs will see reductions in
5 their percentage of LSC funding, whatever that funding
6 total is, of between 25 and 30 percent at the high end.

7 There will, of course, be other programs that see
8 substantial increases in their funding because of their
9 increases in their share of the poverty population.

10 So that's a quick summary of what we have on
11 the capacity side.

12 On the demand side, as the committee has
13 discussed previously, hard data on the extent of the
14 need are difficult to come by. I hope that in the
15 strategic planning process, we might be able to
16 identify ways to try to redress that deficiency in data
17 currently.

18 We do know, though, that the size of the
19 population eligible for LSC-funded services is
20 projected to be 65.4 million in 2012, up from 50.8
21 million in 2007 before the recession began. That's a
22 29 percent increase in the size of the eligible

1 population.

2 We assembled at items 8 to 10 information that
3 shows the types of cases handled by our grantees in
4 2010 so you can get some idea of what kind of services
5 we're providing to the eligible population.

6 Next I'd like to provide some information on
7 the range of the request that the committee might
8 consider recommending to the full Board. We are
9 currently, in fiscal year 2011, funded at about \$404
10 million, down from \$420 million in fiscal '10. The
11 President's budget for fiscal year '12 recommends \$450
12 million for LSC.

13 Last week 34 senators, all Democrats, signed a
14 letter requesting \$450 in funding for LSC for fiscal
15 '12, and we have information indicating that there are
16 some Republican senators who may also be willing to
17 commit to support LSC at the level of \$450 million, the
18 President's request. To put this in context, recall
19 that the LSC Board's request for fiscal year '12 was
20 \$516.5 million.

21 In light of the increase in the size of the
22 eligible population, the projected shrinkage in program

1 capacity, the projected decline in funding from other
2 sources, the President's request for 2012, what appears
3 to be the possibility of bipartisan support in the
4 Senate for \$450 million, I would think that \$450
5 million would be the floor that the committee should
6 consider recommending to the Board for funding in
7 fiscal '13.

8 As for the top end of the range that the
9 committee might consider, there's no doubt in my mind
10 that if the magnitude of the need out there were to be
11 the criterion for the committee's recommendation, a
12 number above \$500 million, such as the Board's request
13 for fiscal '12 at 516.5, could be justified. There is,
14 however, the matter of political reality and LSC's
15 credibility in submitting a request.

16 A request that is far in excess of the
17 President's fiscal '12 request and above what
18 supporters in the Senate are currently asking for can
19 be frustrating to supporters. It can foment
20 skepticism. It can have the practical effect of
21 limiting LSC's participation in discussions.

22 If the committee were to recommend a request

1 of something below \$500 million, say \$490 million, that
2 number would reflect a 17 percent increase in our 2010
3 appropriation of \$420 million, a 9 percent increase
4 over the President's request of \$450 million and a 21
5 percent increase over our current level of funding of
6 \$404 million. So I throw those numbers out there just
7 to give you some sense of what others are thinking of,
8 and I'd ask John Constance if he might comment on the
9 realities that we face, both in dealing with the Office
10 of Management and Budget and in dealing with Congress.

11 MR. CONSTANCE: Thank you, Jim. For the
12 record, John Constance, director of Government
13 Relations and Public Affairs.

14 Just to step back a moment, the previous Board
15 did operate from a philosophy of presenting a number
16 that was reflective of the need. And again, given the
17 fact that that was a Board recommendation, we carried
18 that to the Hill, and have certainly pressed that
19 approach over the last several years.

20 That being said, there's an inevitable moment
21 after those numbers have gone to the Hill where we are
22 faced with the reality of being asked a question that

1 goes along the lines of, "Well, what is the real number
2 that you want?" And that, in my experience, has been a
3 constant over the last four years. That, I think, is
4 reflective of the reality that when you start talking
5 about the upper range of numbers that we've presented,
6 in the real world even prior to this Congress, that has
7 been something that is certainly a bridge too far.

8 I think what would be helpful in the process
9 is if, through the deliberations of the Finance
10 Committee and the full board this year, a number could
11 be reached that would make that kind of question less
12 likely to be asked. And I think that anything that
13 starts with a 5 would probably be that bridge too far.

14 That being said, I agree with Jim that I
15 think, due to the efforts of John Levi and Alan
16 Houseman and others, I do think the 450 number last
17 year was an achievement and also a reflection of the
18 reality of what the demand is and what the need is.
19 And that should still be considered as what the floor
20 is for this effort.

21 CHAIRMAN GREY: There is also, Jim -- I think
22 you alluded to this -- but there's still the notion

1 that, from a strategic standpoint, trying to get an
2 overarching assessment that the demand in America,
3 separate and apart from what is the reality for a
4 current -- for any current -- for any fiscal year ought
5 to be kept in line. Do you still agree with that?

6 MR. SANDMAN: Yes, I do.

7 CHAIRMAN GREY: And so when you put it in that
8 context -- or, rather, put it differently -- it gives
9 you a context with which to understand what is really
10 needed out in society versus what is the reality of
11 dealing with this issue on a given fiscal year. And
12 that context is important because it recognizes -- I
13 think what you end up doing is appreciating the impact
14 that you are having vis-a-vis the demand that either is
15 increasing or decreasing in society as a whole.

16 But that's a discussion for the planning
17 committee, which we are going to -- I think the Finance
18 Committee will talk about in Seattle and hopefully
19 maybe have some conversation today on it about giving
20 to the strategic committee.

21 Jim, any other comments from you?

22 MR. SANDMAN: I'd be happy to answer

1 questions, but that's my summary.

2 CHAIRMAN GREY: Thank you very much. That
3 gave us -- that's exactly what the committee asked for
4 from you last time, and so we appreciate your diligence
5 on that.

6 The floor is open to committee members first
7 about this. Are there any questions from the
8 committee?

9 MS. BROWNE: This is Sharon. I have just two
10 questions, both for Jim.

11 You mentioned -- and this kind of follows up
12 with what you were saying, Robert -- is that we really
13 need to look at the demand for legal services
14 throughout the country. But Jim mentioned that we do
15 not have in hand hard data that shows the size of the
16 eligible population; we're estimating that it's
17 somewhere around 65.4 million, which is a 29 percent
18 increase, which is tremendous.

19 But the fact that we don't have hard data, is
20 that going to have an impact on how we come up with a
21 recommendation of a number to provide to OMB for our
22 2013 budget?

1 And putting that together with my next
2 question is, we're still looking at the census material
3 and we don't have a good idea of the number of eligible
4 persons yet. Do we have a timeline for when we will
5 have that number?

6 MR. SANDMAN: Yes. I want to distinguish
7 between two things, data on the size of the eligible
8 population, people who by income level are qualified to
9 be served at LSC-funded programs, and data on the
10 extent of need for legal services, which would probably
11 be some subset of that population.

12 We do have, I believe, pretty reliable data on
13 the size of the eligible population. It's estimates
14 for the most recent numbers, but all of the estimates
15 are coming from good census data, data other than the
16 decennial census because, as you know, in 2010 they
17 didn't track income information, but information from
18 the American Community Survey and from the Small Area
19 Income and Poverty Estimates.

20 Bristow Hardin is here. Bristow has prepared
21 those estimates, and I believe that those are just
22 standard estimates based on the most recent census data

1 that we have. So I feel pretty good about those
2 numbers. Yes, they are estimates, but they are pretty
3 solid, as distinguished from some number reflecting how
4 many lawyers might be necessary to serve all of the
5 legal needs of the eligible population. That's a much
6 more difficult number to arrive at.

7 CHAIRMAN GREY: That's part of the strategic
8 planning that we want to -- or that's part of the
9 information that we want the strategic planning to
10 consider, Sharon, in terms of how might we go about
11 doing that, as opposed to -- I don't know that we know
12 exactly right now. But that's -- I think we have to
13 deal with that.

14 MS. BROWNE: I agree. Yes. And that to me is
15 one of the really critical areas that I feel that we
16 need to focus on in putting together a recommendation
17 to the Board, is the demand side. We know that the
18 population, eligible population, is tremendous, and
19 it's increasing constantly. So we really don't have
20 that information yet on the hard data on the extent of
21 that need.

22 CHAIRMAN GREY: But did Jim answer your

1 questions?

2 MS. BROWNE: Yes, he did. I'm still trying to
3 get my arms around how to go about setting up the
4 request for appropriations because looking at Jim's
5 data -- and I must admit this report is tremendous that
6 he sent to us -- is that we've got basic field grants,
7 technology initiative grants, LRAP management and
8 grants, Office of the Inspector General. And we've
9 come up - - there's the budget history for LSC.

10 And I'd like to hear from the staff what they
11 think should be the basic -- what the amount should be
12 for these different budget categories for 2013.

13 CHAIRMAN GREY: Well, let's --

14 MS. BROWNE: Or is that going too far?

15 CHAIRMAN GREY: Well, no. I think that may
16 be -- I think the specific categories -- I mean, how
17 you slice and dice it is a different question, I think.
18 We don't really need to ask them to do that today.
19 But I think that in order to get to a number, you
20 certainly have to do that.

21 I think in the past, we've had a pretty good
22 formula for doing that. I don't know that that's going

1 to change substantially. I mean, I don't think we're
2 going to put -- I don't think we're going to take the
3 TIG grant and increase it by 50 percent against field
4 grant money.

5 So those are things that I think we can noodle
6 on as we get into the specifics in Seattle. I think
7 the key today is, are we comfortable with the range and
8 the way that the staff has proposed getting to a range
9 that we can work with? And we can zero in on the
10 specifics later.

11 Do we have the right information? Do we have
12 quality information? Do we feel comfortable with the
13 recommendation that we're in a range that will allow us
14 to come up with a number when we have an opportunity to
15 sit down and talk about it in more detail? That's what
16 I need the members of the committee to ask questions
17 about right now.

18 MS. BROWNE: So our range is going to be 420
19 -- or \$404 million to \$516 million? Is that the range
20 that you're referring to, Robert?

21 CHAIRMAN GREY: I am looking at the range. I
22 think it was 450, though --

1 MR. SANDMAN: Yes. That's right.

2 CHAIRMAN GREY: For the bottom.

3 MR. SANDMAN: That's right. That's what I
4 suggested that the floor should be.

5 MS. BROWNE: Okay. Well, I would like to go
6 back to the 2010 budget year of 420 and make our range
7 420 to 450. I think that, from what -- we know what
8 the bipartisan support will be, is a maximum of 450.
9 So I would like to start at the 420 range and limiting
10 that to the 450 range.

11 CHAIRMAN GREY: That's the purpose of this
12 call, is to have that discussion.

13 FATHER PIUS: Before we get there, can I just
14 ask a question first? This is Father Pius.

15 CHAIRMAN GREY: Who's speaking?

16 FATHER PIUS: This is Father Pius. What is
17 the final end -- I mean, I wasn't involved in the
18 budget discussions last year. What's the final end
19 product? I mean, we just don't send them a 3x5 card
20 with a number on it. Is it a letter? Is it a report
21 with appendices? I mean, how extensive is our
22 transmittal to Congress in terms of the budget

1 recommendation?

2 CHAIRMAN GREY: John?

3 MR. CONSTANCE: It is in fact a formal
4 document that has the recommended numbers, that
5 demonstrates some budget history, as well as has a
6 justification for the funding levels. And I think the
7 range of the kinds of information that have been
8 presented to the committee in the transmittal from Jim
9 on Friday evening is the kind of information that we
10 would be putting forward in support of the request.

11 CHAIRMAN GREY: Does that answer your
12 question, Father?

13 FATHER PIUS: Yes. And about how long was it
14 the last time around? I mean, how extensive did you go
15 in terms of providing the justification? Are we
16 talking about two pages? Are we talking about a
17 50-page report?

18 MR. CONSTANCE: Yes. I would say our last
19 submission, which has been pretty typical, is about a
20 15-page document.

21 FATHER PIUS: Okay.

22 CHAIRMAN GREY: It looks like our financial

1 report that we go over every month. It gets into the
2 details to the extent that we get into the details on
3 our finances.

4 FATHER PIUS: But in terms of the budget
5 request, it just goes to the top line item numbers? It
6 doesn't go any deeper than those?

7 MR. CONSTANCE: It goes to the top line item
8 for basic field, for LRAP, for each of those
9 categories.

10 FATHER PIUS: The category. Okay.

11 CHAIRMAN GREY: Right, right, right.

12 FATHER PIUS: And how much are we involved as
13 a Board in everything outside the numbers in terms of
14 the justifications and crafting that? I assume we
15 approve that. The staff prepares that and we approve
16 that?

17 MR. CONSTANCE: Yes. Again, we're in a little
18 bit different order, Father Pius, this year. This is
19 John Constance again. In past years, management has
20 made a formal recommendation with that justification
21 attached thereto.

22 This year, the process that we're in is the

1 Board and the Finance Committee receiving testimony,
2 receiving material from outside LSC, as well as the
3 kind of information that's been provided to you now
4 with the committee and the Board coming up with the
5 direction that they want to take, and again, I think in
6 that discussion the kind of justification that the
7 committee and the Board feel comfortable with carrying
8 forward. And we'll go ahead and create a document that
9 tracks that.

10 FATHER PIUS: That was just a little bit of
11 background for me. But let me just give you -- I'll
12 just talk about the way I'm approaching think about
13 these numbers.

14 I understand that the Board in the past has
15 tried to put a number that reflects the real need, and
16 I think that's been the history. But I think we're in
17 a different world now, and I think we're in a very
18 different budgetary world now. And I just don't think
19 that's possible.

20 I would agree with John that if we were to put
21 a 516 number out there, even if it reflects real need,
22 no one would take us seriously. I mean, no one would

1 take us seriously to put out a number like that. So I
2 think that we shouldn't even consider that as a
3 ceiling. That's just a fantasy number.

4 What I think we should do is to target a
5 number that's a bit more real, something that does seem
6 to have more bipartisan support, something that could
7 reflect an actual increase in the money that we have,
8 yet is a targetable number.

9 And some of the reasons I'm asking the
10 questions about the report is I hope that the report
11 might be able to reflect a little bit more clearly to
12 Congress why we're asking this number, not because we
13 think we need less than \$516 million but because we
14 think this has more of -- it has broader support within
15 the community and even in Congress; but that the report
16 to Congress make clear, or our budget request to
17 Congress make clear, that if they really want to
18 address the issue in terms of finances, that this
19 number is going to be -- there's going to be a lot more
20 money next fall.

21 And we can give them an indication of what
22 that funds might be, but that the number that we

1 request reflects the reality of the budget situation,
2 and frankly, the reality of the current economic
3 situation in terms of an inability of the federal funds
4 to finance.

5 I mean, the Wall Street Journal came out today
6 with the fact that public debt is now 100 percent of
7 GDP. I mean, we are in a whole new world when it comes
8 to getting money from Congress and for the U.S. to put
9 out this kind of money. And I think that that means
10 our approach has to be different than what it was
11 before. And that means we have to change that to
12 something that is a little bit more realistic.

13 So that's, I guess, my view on the situation.

14 So to put 516 as the ceiling of our discussion I think
15 is way too high.

16 CHAIRMAN GREY: That's very good. Father, did
17 you have any other questions?

18 FATHER PIUS: Oh, actually, just one real
19 quick -- just a very technical point, Jim.

20 In your graph on sources of non-LSC funding
21 2008 to 2010 --

22 MR. SANDMAN: Yes?

1 FATHER PIUS: -- in the 2010 bar, there's a
2 figure that's not in the other two, and that is filing
3 fees.

4 MR. SANDMAN: Yes.

5 FATHER PIUS: Which is a significant chunk
6 that appears in -- I'm worried that might -- were there
7 no filing fees in previous years? Or we just never --

8 MR. SANDMAN: There were, but they weren't --
9 yes. They were, but they were incorporated into state
10 funding. We only asked programs to begin to break that
11 out as a separate item last year.

12 FATHER PIUS: Okay. If we were to use this as
13 a report to Congress, I would probably want that
14 footnoted.

15 MR. SANDMAN: We can do that.

16 FATHER PIUS: Because it looks like state
17 funding goes way down, when the fact that -- when
18 they're combined together, it actually goes up.

19 MR. SANDMAN: Yes. We can -- it should have
20 been --

21 FATHER PIUS: Of course, combined with --
22 IOLTA goes down.

1 MR. SANDMAN: It should have been footnoted.

2 FATHER PIUS: I would just want that number
3 that -- it's sort of strange -- to footnote it.

4 MR. SANDMAN: Yes. It would be easier to
5 understand the chart if we combined state and filing
6 fees just for purposes of consistency over the last
7 three years. We'll --

8 FATHER PIUS: Yes. Yes.

9 CHAIRMAN GREY: And in a footnote, which
10 you're talking about, Father. Right?

11 FATHER PIUS: No, no. What Jim is saying is
12 just combine them, which I think is a fine way to do
13 it.

14 CHAIRMAN GREY: Oh, I see. Okay.

15 FATHER PIUS: It would make it more apples to
16 apples.

17 CHAIRMAN GREY: I got it.

18 Gloria?

19 PROFESSOR VALENCIA-WEBER: Excuse me. I'd
20 like to have maybe your next committee or maybe when we
21 do the strategic planning to focus on what both Sharon
22 and Father Pius have brought up, and that is how we

1 substantiate the request, and perhaps consider more
2 fully the separating out of what is the actual need and
3 what is the political reality number we are asking for
4 so that, presumably, the same report might sensitize
5 Congress to this is nowhere near the real need, but
6 we're dealing with the realities of the U.S. economic
7 and budget situation.

8 And in terms of need, I think we need to be
9 more careful about what we're using. Jim mentioned
10 that we have harder, firmer data, for instance, on the
11 numbers of poor people who qualify. And I think that
12 is harder, firmer data. You can even amplify that with
13 the increasing numbers of people who have lost their
14 jobs, who have lost their homes. And that data is
15 coming in at state levels as well, and that is what is
16 increasing the eligible number of poor people.

17 Now, as to need/demand, they're two different
18 things in terms of what would be the ideal number of
19 pro bono lawyers or lawyers needed to serve those
20 folks. And I do not know how exactly that is done, but
21 we can talk about it. And secondly, consider whether
22 there is any data on numbers of poor people who seek

1 legal representation but are unable to obtain it.

2 And so we're going to have to try to firm up
3 the demand part.

4 CHAIRMAN GREY: Okay.

5 MR. LEVI: I would like to speak for just a
6 second.

7 CHAIRMAN GREY: Is this John?

8 MR. LEVI: Yes. Can you hear me?

9 CHAIRMAN GREY: Yes. Go ahead.

10 MR. LEVI: I think all of this discussion has
11 been very important, and I think the impact -- one
12 thing that was said earlier, the impact of the census
13 as certain states lose population and it means they get
14 further cuts, and other states are entitled to
15 increases in funding because of the increase in
16 population, those precise numbers I'm not sure are
17 fully known yet. And one of the things that an
18 increase could do is help to cushion those states that
19 would other be getting a decrease to at least hold
20 even.

21 One thing that I feel our Board needs to --
22 and in light of what Jim said, I want to be clear to

1 all of you where I'm coming out, which is certainly
2 below the number we requested last year and more in the
3 range that Jim seems to be talking about of the 450 or
4 so.

5 But I don't think that for those of us who are
6 on this Board, that the -- and I recognize the public
7 debt issues; I recognize the other political issues
8 that are going on in the country, and certainly the
9 circumstance in the economy. But the orderly
10 functioning of our justice system is very much at stake
11 here. And one thing we do know is that the counts are
12 overwhelmed with pro se litigants.

13 We can't solve that. We also know -- but we
14 can help with that. We also know that our programs
15 have done more in some respects, and we know this
16 anecdotally, in terms of helping develop the online
17 capacities for helping deal with pro se litigants.

18 But I'm told, and I think we've all seen from
19 our meetings around the country, that office after
20 office is under such pressure, such pressure. They've
21 laid off people. They've held salaries. Their
22 salaries are at the lowest end. They're having

1 difficulty attracting people in.

2 And I think one of the things that I talked
3 about in our budget request that I wanted to see us try
4 to do was also offer some potentially new programs I
5 would like management to think about, and to even talk
6 to David Stern.

7 Would a small grant, would they be willing or
8 consider matching us if we were to start something like
9 the Rural Legal Corps again? And try to help augment
10 the stipends and maybe externships or internships or
11 even post-retirement -- some kinds of things that would
12 help, where we have 250 lawyers, it looks like, less in
13 the network this year over last. Are there ways to try
14 to help through some programs like this, where we might
15 even get support from others at least to help, on a
16 temporary basis, rebuild the staff somewhat?

17 But we need to be worried about where this all
18 goes, and to be thinking longer than just one year.
19 And I want to make sure that we are thinking longer
20 than one year here.

21 We've got to get a budget request in for next
22 year, but we also have to realize that with freezes in

1 salaries, with layoffs occurring continually, with the
2 lowest pay to begin with in the profession, you're not
3 going to be attracting many people of quality into this
4 field for much longer. Even if they have the passion,
5 there are many other things that people can do.

6 So I take our position -- I know we all do --
7 very seriously here. I want to make sure that this
8 aspect of the position we hold also gets voiced here,
9 and that we not go so low that we leave little or no
10 hope to these programs that at some point, there will
11 be a better day and they won't be completely
12 overwhelmed, as it appears to me they feel from even my
13 phone calls in the strategic planning.

14 It seems to me our programs feel almost
15 overwhelmed every day. That's a circumstance we have
16 to be aware of. If we don't voice that circumstance,
17 nobody in the Congress will know about it. And so part
18 of this budget request is also educating people why
19 we're asking for the number, what the circumstance is.

20 And if the American Congress doesn't want to pay for
21 the orderly functioning of its civil justice system, at
22 least I want them to do it with their eyes wide open.

1 CHAIRMAN GREY: John, thank you for putting it
2 into perspective. We've got -- let me put something
3 else in perspective -- we've got a fiscal oversight
4 committee call at 11:00 -- I'm sorry, at 12:00, and so
5 we've got about -- got a few more minutes here.

6 There's a recommendation, it appears to me,
7 and I hope the committee members will think this
8 appropriate, that the recommendation is that we start
9 with a floor of 420, and that the top end cannot -- has
10 to be below 500. And just for the sake of argument,
11 I'm going to put out 490 as a top end, just to meet
12 that condition, and that somewhere in the middle or
13 somewhere else, somewhere in between those numbers, is
14 something that the committee would discuss in Seattle.

15 Is that acceptable to the committee members at
16 the present time for purposes of our discussion next
17 month?

18 MS. BROWNE: This is Sharon. I think that
19 would be a good range. But could I ask another
20 question on the budget itself? We've got the five
21 budget categories -- I mean -- yes, the five budget
22 categories, basic field grants as well as the TIG

1 grants. Can we put in another grant program, a request
2 for another grant program, say for rural legal
3 assistance grants, what John mentioned?

4 I can see supporting an increase from the 420
5 range if we actually had a grant program to support
6 rural legal services. I think from the report that Jim
7 sent to us, that is a critical need. And pro bono
8 doesn't address it. State funding doesn't address it.

9 But to me, that is the most critical need that we
10 should be addressing if we want to increase the budget
11 above the 420 range, is with another grant program.

12 CHAIRMAN GREY: That's a good suggestion.

13 MR. SANDMAN: I did talk to David Stern at
14 Equal Justice Works about that following the
15 committee's last call, and he filled me in on a program
16 that existed in the '90s, a joint program between LSC
17 and Equal Justice Works.

18 But it was a summer internship program. It
19 was not fellows out in the field for a year or two. It
20 was an eight-week program where law students were
21 dispatched to programs around the country, and I think
22 Sharon is -- I assume, Sharon, you're talking about

1 something beyond that.

2 MS. BROWNE: I am. I was --

3 MR. LEVI: So am I.

4 MS. BROWNE: When you look at those last three
5 pages of Jim's report, it does talk about the rural
6 legal assistance crisis. And there's got to be some
7 way to address with, the rural legal needs.

8 We can do pro bono in the urban areas, but
9 that doesn't even begin to address the problems in the
10 rural areas because many of the attorneys that are
11 existing there, they have conflicts of interest.

12 CHAIRMAN GREY: And accessibility issues.

13 MS. BROWNE: Right. And so I think we need
14 to -- maybe if we want to increase our budget from the
15 420 level, let's put a program out there that Congress
16 can embrace as bipartisanship.

17 CHAIRMAN GREY: Without objection, why don't
18 we ask the staff to put that in the mix for us?

19 I hate to cut this short, but I've actually
20 got -- Vic Maddox and I are chairing the next meeting.

21 So I don't want to - - are there any other thoughts or
22 comments from anybody on the phone about this?

1 PROFESSOR VALENCIA-WEBER: This is Gloria.
2 I'll be interested in seeing what the staff puts
3 together on the rural legal aid.

4 Secondly, I appreciate the quality of the
5 information we got this time for the attachments. I
6 have not seen nearly that clearly stated picture of our
7 situation and what is out there in the field in my time
8 getting the reports, financials, from LSC. And maybe
9 I've missed something, but I really got much more out
10 of these. So thank you, those who prepared them.

11 MR. SANDMAN: You're welcome.

12 CHAIRMAN GREY: With that, let me thank
13 everyone for being on the call. This has been
14 extremely helpful, Jim and John and Vic and others.
15 Thank you so much for your putting the report that you
16 put together.

17 And let's look at a range between 420 and 490,
18 and the possibility of an additional category for rural
19 legal assistance. And we look forward for that
20 discussion taking place in Seattle, at which time we'll
21 go over, David, the financials that you've prepared for
22 us.

1 MR. RICHARDSON: That's fine, sir.

2 CHAIRMAN GREY: Anything? All right. Thank
3 everybody, have a good day, and those of you who'll be
4 on the next call, I'll talk to you soon.

5 (Whereupon, at 11:56 a.m., the committee was
6 adjourned.)

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