

**ORIGINAL**

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS  
AUDIT AND APPROPRIATIONS COMMITTEE  
MEETING

February 15, 1991

The Washington Court Hotel  
525 New Jersey Avenue, N.W.  
Ballroom East  
Washington, D.C. 20001

Committee Members Present:

Howard. H. Dana, Jr., Chairman  
Basile J. Uddo  
Jeanine E. Wolbeck

Staff Present:

David H. Martin, President  
Maureen Bozell, Secretary

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## C O N T E N T S

	PAGE
1. Approval of Agenda.	140
2. Consideration of Staff's Recommendation for Reprogramming of FY (Fiscal Year) 1990 Uncommitted Carryover Funds, and Recommendation Thereon.	5, 66
3. Consideration of Staff's Recommendation Concerning FY 1991 Consolidated Operating Budget, and REcommendation Thereon.	23, 75
4. Consideration of FY 1992 Budget Mark, and Recommendation Thereon.	24
5. Recommendation for a Board Policy Concerning the Operating Significance of a Board Vote on a Consolidated Operating Budget.	47
6. Consideration of Management's Space Needs, and Recommendation Thereon.	58
7. Consideration of Recommendation for an Outside Auditor for FY 1992.	3, 63

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Motions: 62, 65, 140, 141, 150, 155, 157.

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

1  
2 MR. DANA: Good morning, ladies and gentlemen, at  
3 least gentlemen. Let me welcome you to the first meeting of  
4 the Audit and Appropriations Committee in some time. The  
5 committee is composed of Jeanine Wolbeck, Basile Uddo, and  
6 myself, Howard Dana. With us is the president of the  
7 corporation, David Martin.

8 We have an agenda and we have a board book or  
9 committee book, but I think it's fair to say that the  
10 committee views this as an opportunity to learn. We all come  
11 to this undertaking with different backgrounds, different  
12 experiences. All of us have been here at least one year, and  
13 we understand that under the bylaws we have, as directors, a  
14 responsibility to manage and direct the property, affairs and  
15 business of this corporation, and the Audit and Appropriations  
16 Committee is one of the ways that the board does that.

17 As I indicated, we have an agenda, but with the  
18 committee's permission it would be my intention to, one, take  
19 the last item out of order and take it first, so that the one  
20 person in the room who is on the high-price clock can get back  
21 to work, at least our clock. Everybody else is on a high-  
22 price clock, but we are only paying one of them, I think.

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1           And then I would like to proceed through the agenda  
2 in approximately the order that it is set out here, but first  
3 taking public testimony on each item. I think we will have  
4 questions of the people as we go along, but I am mindful of  
5 the fact that this is a meeting that could go all day. I know  
6 we as committee members, certainly I have a lot of questions  
7 that I will direct primarily to management, but some people  
8 are here institutionally to give testimony, and I want to give  
9 them the opportunity to do that. And if they want to stay and  
10 remain and make comments as we proceed through the agenda  
11 again, that's fine, but I want to give them the opportunity to  
12 make their comments and leave, should they choose to.

13           So with the committee's permission, I would like to  
14 suggest that we proceed with Peat Marwick out of order, and  
15 then proceed through the agenda once to take public comment,  
16 twice for the committee to ask questions of management, and  
17 then finally to make recommendations which will be  
18 recommendations to the board for formal action, perhaps as  
19 early as next Friday.

20           Is that acceptable, Basile, Jeanine?

21           MR. UDDO: That's fine.

22           MR. DANA: With that I would ask Paul Leleck of Peat

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1 Marwick to come forward.

2 Welcome.

3 MR. LELECK: Thank you. You'll be glad to know  
4 we're on a fixed fee, so I could stay here all day.

5 MR. DANA: Well then, let me change what I said.

6 (Laughter.)

7 MR. LELECK: The letter I handed out, and David has  
8 extra copies if anyone is interested, is a requirement that  
9 the profession came up with. It's Communication to Audit  
10 Committee under SAS 61, and some of you may receive these  
11 within your own organizations.

12 There are approximately nine items that we are  
13 supposed to communicate. And since this is the first year  
14 that's applicable, we have listed all nine, and I think I will  
15 just cover a few that are important on Exhibit 1.

16 No. 1, it goes over our responsibility under  
17 generally accepted auditing standards and it talks about that.  
18 In carrying out this responsibility, we assess the risk and  
19 probably then tailor our audit procedures.

20 With respect to the '90 audit, No. 2, your  
21 significant accounting policies are in your financial  
22 statements. During 1990 none of those were changed, so your

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1 financial statements were prepared consistently with the  
2 previous years.

3 No. 3 is an important item. Within any set of  
4 financial statements, they are estimates. Whether or not they  
5 are receivables or things along those lines, it is important  
6 to realize that there is a lot of management and judgment that  
7 goes into financial statements. We look at them and audit  
8 them and make sure that they are reasonable and proper.

9 No. 4 I think is important from the committee's  
10 perspective, that we proposed no corrections of the financial  
11 statements in the sense of significant audit adjustments  
12 during this past year's audit, which is really a credit to  
13 Mr. Richardson and his staff.

14 I think also No. 6 is important. There were no  
15 disagreements with management. Periodically in carrying out  
16 an audit, we come up with suggestions on accounting entries,  
17 whatever, and everything that we came up with or whatever we  
18 went over, there were no disagreements.

19 Management consulted with no other accountants. If  
20 we were suggesting something, they didn't say well, I am going  
21 to call somebody else up and see what they think. We had  
22 complete harmony.

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1           No. 8, there were no issues discussed that required  
2 us, in the sense of being retained.

3           And the last item, again there were no difficulties  
4 encountered in performing this year's audit.

5           So again, this is a new requirement that has just  
6 come out. Every year we will go over these with all of our  
7 clients. And that's really the three minutes I asked for.

8           MR. DANA: Great. Can we hold you a minute more for  
9 questions of the committee?

10          MR. LELECK: I'd be glad to.

11          MR. DANA: I had one. To what extent, if at all,  
12 when you do the audit, do you compare the actual expenditures  
13 with any budgetary expenditures, any budget of the  
14 corporation?

15          MR. LELECK: We would do that when we do our  
16 analytical reviews to look for unusual relationships, and then  
17 sit down with David or whomever and say, if you budget  
18 something to be \$50,000 and it went to \$100,000, let's say,  
19 and ask why. And that's usually what we do. It is sort of an  
20 analytical type tool that we use during an examination.

21          MR. DANA: Any other questions?

22          MR. UDDO: No, I don't have any.

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1           MR. DANA:     The first item on the agenda is a  
2 consideration of staff's recommendation for reprogramming for  
3 fiscal year 1990 uncommitted carryover funds. That is an item  
4 that is in our board book, board committee book, as a  
5 recommendation essentially to clean out the remaining funds in  
6 the 1990 account and move them into the M and A line.

7           Would those people who would like to speak to us on  
8 that subject like to come forward? I know Any Steinberg, and  
9 this is --

10          MR. ROSENTHAL: I am Roger Rosenthal.

11          MR. DANA: I received a letter from Roger, and I  
12 think I've given a copy of it to members of the committee.  
13 Have you seen it, David?

14          MR. MARTIN: No.

15          MR. DANA: Andy, I think you're up.

16          MR. STEINBERG: Thank you. My name is Andrew  
17 Steinberg. I am Executive Director of Western Massachusetts  
18 Legal Services. I am also a co-chair of Project Advisory  
19 Group's Funding Criteria Committee, and I appear here today in  
20 my role as co-chair of Project Advisory Group's Committee.

21          Project Advisory Group has spoken before about the  
22 issue of use of the fund balance and allocation of it, because

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1 it is the position of PAG that, to the extent possible, all  
2 money appropriated in any line item by Congress should be used  
3 for the purpose that Congress intended that money to be used  
4 for.

5 So the various lines, whether it be basic field or  
6 delivery of services to migrants or Native American or state  
7 support, that it should be used for those purposes.

8 We are also cognizant of the fact that the  
9 corporation reports to Congress periodically during the year  
10 about the expected fund balance, and that the conference  
11 report anticipates that there will be some uncommitted  
12 carryover money that will be available for management and  
13 administration, and makes a calculation, as it did this year,  
14 of the amount of money that it anticipates should be available  
15 for management and administration.

16 We would urge that the intent of Congress, as far as  
17 the amount of money to be allocated towards management and  
18 administration, be adhered to. And we would urge that, to the  
19 extent possible, uncommitted carryover funds that were  
20 originally appropriated for service delivery purposes be used  
21 for continuation of services to low-income clients.

22 A couple of other points that I just wanted to

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1 quickly raise. One is that there is a \$300,000 line item  
2 under program development, which I understand is money that  
3 was set aside several years ago to develop a timekeeping  
4 system. That is money that is available for reprogramming to  
5 management and administration. It is a project of management  
6 and administration, and it is PAG's position that that  
7 \$300,000 should be included in funds available for management  
8 and administration purposes, and should not have a separate  
9 characterization because it is titled as program development.

10 There were no funds, as I recall, that were set  
11 aside by Congress for the purpose of program development for  
12 the current year.

13 I think that the last point that I would raise and  
14 then respond to questions, or let Roger more specifically  
15 speak about one specific line item that he has corresponded  
16 with you about, Mr. Dana, is just generally a principle that  
17 what has happened in several of the line items, the largest  
18 one being for delivery of services to migrant farm workers,  
19 and I understand in part the line for state support, is that  
20 there are not grantees that are allocated for all of the  
21 funds, so that if we go into each year not appropriating in  
22 grants all of the money that Congress set aside, that will

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1 leave a built-in and automatic fund balance at the end of that  
2 year.

3 PAG would urge that efforts be made, either by  
4 enlargement of current grants or by finding new grantees in  
5 unserved areas, to resolve the question of fund balance by  
6 making sure that plans are made at the beginning of the year  
7 to allocate all of the funds for the purposes that Congress  
8 appropriated them for.

9 I thank you.

10 MR. DANA: Thank you, Andy.

11 Congress contemplates, as you indicated,  
12 contemplated when they came up with this budget that there  
13 would be a given amount of carryover funds. I think it was  
14 \$1,925,000.

15 MR. STEINBERG: Yes.

16 MR. DANA: But I don't think the corporation told  
17 Congress where that money was going to come from. Am I wrong?

18 MR. RICHARDSON: Yes, sir; we did.

19 MR. DANA: Yes, we did?

20 MR. RICHARDSON: Yes. We provided them the same  
21 type of spreadsheet that is in the analysis today, to Congress  
22 back in August.

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1 MR. DANA: Do we have that?

2 MR. RICHARDSON: You do not. I could certainly get  
3 copies of it.

4 MR. DANA: So we don't have a comparison of where  
5 you told Congress the carryover was going to come from with  
6 where, in fact, the carryover is. Is that correct?

7 MR. RICHARDSON: You do not.

8 MR. DANA: Okay. And your point is that we, if I  
9 understood your point, is that Congress has in effect already  
10 blessed \$1,925,000, I assume.

11 MR. STEINBERG: The Congress has blessed up to that  
12 amount. It is your discretion as a board of how much of it  
13 actually to expend on management and administration.

14 MR. DANA: I understand that. That would be the  
15 first request of management, is to produce a comparison  
16 between where the fund balance actually turned out as of the  
17 end of September, and where we anticipated the amount would  
18 come from, the \$1,925,000 that Congress contemplated would be  
19 available to the corporation for reprogramming.

20 MR. STEINBERG: The written testimony that I will be  
21 leaving with you later in regard to the 1992 budget mark  
22 actually has some reference to this. PAG had made an estimate

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1 at the time it made its testimony that there would be \$1.5  
2 million available for management carryover, and estimated on  
3 that basis an allocation for management and administration.

4 We would hope that that is the amount that is  
5 ultimately chosen as the point to allocate management and  
6 administration, so that as much money goes for service  
7 delivery and support as is possible, since that is ultimately  
8 the purpose for which we ar all here.

9 So we have sort of a series of points. One is the  
10 \$1.5 million that was PAG's estimate and is mentioned in our  
11 written testimony. The second is the amount in the amount in  
12 the conference report. But the third is the amount that is  
13 represented in the recommendation that is presented in the  
14 book that the staff presented here today, which is even higher  
15 than the \$1.9 million.

16 I think that we are very concerned about continually  
17 enlarging that sum and recognizing that in each year, the  
18 amount originally allocated for management and administration  
19 generally, there is a portion unspent at the end of that year.

20 MR. DANA: Thank you.

21 Roger.

22 MR. ROSENTHAL: Good morning. With apologizes to

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1 Professor Uddo and Mr. Martin, I am glad to see that  
2 Washington weather has least in part replicated Minnesota and  
3 Maine this morning and it is going to continue in the next  
4 couple of days, to make you feel a little more at home anyway  
5 in your trip.

6 I appreciate the opportunity to speak this morning.  
7 My name is Roger Rosenthal. I am the executive director of  
8 the Migrant Legal Action Program here in Washington. I am  
9 here today representing the Migrant Legal Services Field  
10 Programs.

11 As Mr. Dana has indicated, I wrote him several days  
12 ago with respect to the carryover slated for the migrant line,  
13 and with a bit of an explanation about the status of four  
14 currently unfunded states. My understanding is, when I spoke  
15 with Mr. Dana yesterday, that he was interested in getting  
16 some more information on the status of those four unfunded  
17 states. My letter at the end urges you to take two specific  
18 actions, which we can talk about if you would like.

19 There is currently \$274,562 in the migrant line left  
20 over from last year, because four programs are currently  
21 unfunded. Those are programs serving Arkansas, Mississippi,  
22 Tennessee and Alabama. I would like to treat each of these in

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1 turn, in slightly different order, first with Mississippi.

2 My understanding is, and I don't have the dates to  
3 all of this, and I apologize to you. I may be able to  
4 determine those at a later point. Some of these dates are  
5 somewhat in the ancient past. But my understanding is that  
6 there was an application at one point, submitted by a field  
7 program for services to migrant farm workers in the State of  
8 Mississippi. As you see, it's for a very large grant,  
9 \$173,000, because of the large number of migrants in  
10 Mississippi.

11 That grant, I understand, was approved by the  
12 corporation, but it was never awarded. I am aware that there  
13 are programs currently within the state that are interested in  
14 applying for those funds to serve migrant farm workers, and  
15 would be interested in, for the first time in Legal Services'  
16 history, serving the legal needs of migrant farm workers in  
17 that state.

18 MR. MARTIN: Excuse me. Would you identify that?

19 MR. ROSENTHAL: I don't know that it would be  
20 entirely appropriate. I would be very happy to work with you  
21 on that, because there may be more than one program that would  
22 be willing to serve.

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1 I did some quick work on it in the last couple of  
2 days. But I would be delighted to work with you and to give  
3 you the names of programs on all of this. I just have  
4 identified one or two right now, and there may be several  
5 others within the state, because I believe there are six or  
6 seven grantees within that state, and farm workers may be  
7 located in several different areas within the state. So I  
8 wouldn't want to favor one program over another.

9 MR. DANA: We have been told that, and the  
10 institutional memory of this corporation varies from time to  
11 time --

12 MR. ROSENTHAL: So does my personal memory, so I can  
13 understand that.

14 MR. DANA: But we have been told that basically  
15 there are no providers, and that there haven't been  
16 applications, and no one has wanted to serve these states.

17 One of the reasons I asked you to come here today is  
18 you said in spite of applications for funding from several  
19 programs to LSC, Mississippi and Arkansas have never been  
20 funded for migrant programs.

21 MR. ROSENTHAL: Exactly. As I just indicated, there  
22 was a program in Mississippi that applied some years ago. The

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1 application was approved, but the grant was never awarded.

2 MR. DANA: Do you know the name of that?

3 MR. ROSENTHAL: I believe that was the North  
4 Mississippi Program at the time. I wouldn't swear to that,  
5 but I believe that that's the case.

6 Then with respect to Arkansas, there was an  
7 application made in May of 1985, a bit more recently. That  
8 application was turned down by the corporation in July of  
9 1985. At the very least, that applicant would be interested  
10 in reapplying, and there may be other applicants as well for  
11 that money, that would be interested in applying for the  
12 \$47,000 for service to farm workers in Arkansas.

13 MR. DANA: You say in your letter that in recent  
14 years, programs have been chilled from making applications for  
15 funding to serve migrants in the four states.

16 MR. ROSENTHAL: Yes.

17 MR. DANA: That is a chilling statement. What is  
18 the basis for that charge?

19 MR. ROSENTHAL: Well, it's basically as a result of  
20 several factors which are listed here. I talked to someone  
21 yesterday who might be interested in applying for the Alabama  
22 program funds, but frankly told me -- and I don't know that

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1 they really wanted me to go on record with this -- but frankly  
2 told me that as a result of the experience of refusal with  
3 Arkansas, the fact that there had not been an attempt by the  
4 corporation with respect to finding alternative funders for  
5 Alabama or Tennessee, since those initially funded programs  
6 turned the money back, and frankly the exhibited hostility in  
7 several quarters by elements within the corporation towards  
8 migrant programs, people didn't really want to take the  
9 chance.

10 It's an awful lot of work to put an application  
11 together, and they really were not inclined to make the effort  
12 to do that, and have engendered a whole series of problems as  
13 a result, or have it fall on deaf ears.

14 I know that with respect to the Alabama money  
15 specifically, that if I would get an indication from this  
16 committee or from the corporation as a whole, or both, that  
17 there would be more of an embrace of those applications  
18 currently, I think you could count on an application for a  
19 number of these. Certainly I know one program is ready,  
20 willing, and able on Alabama.

21 MR. MARTIN: As the new president, I am concerned  
22 about some of the allegations you have made here. I am not

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1 aware of them. If there is hostility to any program or  
2 applicant, or if there are tensions, I certainly am concerned  
3 about that because that is not the way I manage this  
4 corporation.

5 We are attempting to institute a management program  
6 that is supportive, that is complementary to the efforts of  
7 the people that we fund, and if you have specific instances of  
8 hostility, I would certainly as president appreciate your  
9 conveying those directly to me in confidence if you want to.

10 MR. ROSENTHAL: Certainly. I appreciate that, sir,  
11 and I hope that from this point we can go forward very  
12 positively. I am delighted to work with this committee or  
13 with the corporation staff in trying to get these programs  
14 funded over the next perhaps even few months, if not year.

15 MR. UDDO: Mr. Rosenthal, let me ask you a question.  
16 What efforts, if any, do you know of that the corporation has  
17 made to find providers for these grants in these areas? Has  
18 there been any effort by the corporation?

19 MR. ROSENTHAL: It's always a little bit hard for me  
20 to answer about a negative, but I am personally unaware of any  
21 efforts whatsoever on any of these four states. There may  
22 have been efforts. If so, I've been unaware of it, and I've

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1 been at my program for over 10 years now, and generally we  
2 hear over a period of time from field programs when there are  
3 relationship issues with the corporation with respect to  
4 funding.

5 So I am personally unaware of any efforts.

6 MR. UDDO: So you don't know of any advertising that  
7 they did for providers or contacts to the existing field  
8 service providers that would be an attempt to try to generate  
9 a migrant provider in those states?

10 MR. ROSENTHAL: No, sir. Unless way back in the  
11 early history with respect to Mississippi, there might have  
12 been one which generated the application that was initially  
13 approved and then not awarded.

14 MR. UDDO: All right.

15 MR. ROSENTHAL: In some ways, the comments I had  
16 about Alabama and Tennessee have been mooted out by some of  
17 our discussion this morning. But just to highlight, my  
18 understanding is that in 1985, the current grantee, Alabama  
19 Legal Services Corporation -- this was fiscal year '85--  
20 returned its migrant funding.

21 And, as I indicated, at least one program is  
22 prepared to apply, and in fact considers it so important to

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1 the regional efforts, because farm workers of course move in  
2 migrant streams, that they would in fact be willing, if  
3 necessary, to exert some effort and use some additional funds  
4 beyond what the corporation was willing to give them for the  
5 Alabama program.

6 With respect to Tennessee, I understand that the  
7 funds were returned in fiscal '84, and while I haven't had  
8 contact recently with programs in that state, I am reasonably  
9 optimistic as well that we can find a program to serve farm  
10 workers there.

11 You should also know, just looking to the future,  
12 that I became aware in the last couple of weeks that the  
13 Western Kentucky Program, which had received a very small  
14 amount of migrant funding, had turned back its funding in this  
15 current fiscal year. So that will be an additional pot that  
16 will be in that migrant line at the end of this year.

17 Again, I am delighted to work with folks at the  
18 corporation or this committee, to try to find an alternative  
19 provider for those funds.

20 MR. UDDO: Is it your suggestion that what we should  
21 recommend is just keeping this carryover in the migrant line  
22 until providers are found?

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1           MR. ROSENTHAL: I think that would be an excellent  
2 idea if the committee would choose to do that. One other  
3 alternative: I think with respect to some of these states, we  
4 could get projects underway before the close of this fiscal  
5 year, and this funding would be of assistance to people in  
6 those states to get a new project going, because obviously a  
7 new project costs a little bit more than a project that is  
8 going on.

9           As an alternative, you may be able to keep the money  
10 in the line and to determine at a later point that the funds  
11 cannot be currently given to providers, because it is going to  
12 take a little bit of time to get the projects underway and to  
13 give it to either states within the surrounding area,  
14 presumably to serve migrants, or to -- as had been done prior  
15 to the mid-'80s -- to, on a pro rata share, give that money  
16 back to migrant programs nationally for their work for farm  
17 workers to retain the migrant character.

18           So there are a number of alternatives. Obviously  
19 the most expeditious and effective would be to try to serve  
20 farm workers in those states with these funds. And certainly  
21 I would heartily support that effort to retain the carryover  
22 for that purpose.

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1 MR. UDDO: I guess I am trying to make sure I  
2 understand what your preferences are. Obviously if we can  
3 find providers before the end of the fiscal year, the sensible  
4 thing is to use the money for those providers.

5 If you don't, then the alternatives are, as you say,  
6 either keeping it and carrying it over in the migrant line in  
7 hopes of finding providers pretty soon in the next fiscal  
8 year; or I think your other alternative is to distribute it to  
9 the field providers in those states, assuming that they pick  
10 up the slack for any migrant services that are not being  
11 rendered in those states.

12 And then your other alternative is just to give them  
13 to migrant programs generally, which to me seems the least  
14 attractive, because it's not really solving the problem of  
15 those four states.

16 MR. ROSENTHAL: I think you might have some  
17 difficulty if you redistribute the funds. I had not intended  
18 to communicate that funds be redistributed to the basic field  
19 programs within the state, because generally they are not  
20 going to be in a position to serve farm workers in that state,  
21 but it may be something we can work out.

22 MR. UDDO: You meant migrant programs in surrounding

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1 states?

2 MR. ROSENTHAL: In surrounding states, because of  
3 the mobility of the farm workers. So, for example, with  
4 respect to Alabama, you might be able to give additional money  
5 to Georgia, to Florida, to a number of other states in the  
6 area, which they may even be able to use to go in and assist  
7 people, because state boundaries for migrant service are not  
8 as fixed as one might imagine, because farm workers often go  
9 back and forth across state lines within a very short period.

10 MR. DANA: Roger, I am correct that we actually have  
11 for this fiscal year another set of dollars similar to these  
12 monies that are not being used.

13 MR. ROSENTHAL: Yes.

14 MR. DANA: So we could double that.

15 MR. ROSENTHAL: Exactly.

16 MR. DANA: And that's available. And this year is  
17 half over. So, in effect, there is enough money in the 1991  
18 budget to jump-start programs in these states without regard  
19 to the money that was left over from last year.

20 MR. ROSENTHAL: Probably true.

21 MR. DANA: Okay. Just as the president has  
22 indicated, I am very concerned about the charges in the second

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1 paragraph of your letter. I am sure that the president will  
2 look into this and determine whether or not there have been  
3 programs that have applied for these funds.

4 Frankly, it has not been my experience that Legal  
5 Services programs are shy and retiring, and when there is  
6 \$173,000 sitting there waiting for somebody to apply for it,  
7 programs that I'm familiar with apply for it.

8 So I find it very hard to believe that Mississippi  
9 Legal Services didn't, over an extended period of time, hasn't  
10 applied for \$173,000.

11 MR. ROSENTHAL: I think the problem with respect to  
12 Mississippi is that the basic field programs in that state in  
13 certainly recent years have been completely unaware of the pot  
14 of money sitting in there.

15 I think from your perspective, it is written in the  
16 board book, and it is public information, but to be honest, I  
17 suspect on a day-to-day basis a basic field program director  
18 is not going to look at every line of the budget, and  
19 certainly if they are not serving farm workers, they are not  
20 going to look at the migrant segment.

21 Again, given the fact that certainly in the last few  
22 years there was the anticipation that an application would not

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1 be positively received, I think there has not been an effort  
2 on the part of the migrant community to go forward with a  
3 great deal of energy, because we felt that we needed to serve  
4 our clients first who we had the money for, and that this was  
5 really probably a futile effort, certainly in the last few  
6 years.

7 MR. DANA: Okay. Any other questions?

8 (No response.)

9 MR. DANA: Thank you both very much.

10 MR. ROSENTHAL: We appreciate your time.

11 MR. DANA: The next item, moving right along,  
12 consideration of staff's recommendation concerning fiscal year  
13 1991 consolidated operating budget. The staff has recommended  
14 that we adopt a COB for 1991 of \$11,111,000 and change. This  
15 is the area where at least I think the committee is going to  
16 spend a fair amount of time questioning staff, but if there  
17 are people in the room who would like to speak to us on that  
18 subject at this time, this would be the time to come forward.

19 You are not precluded from speaking at a later time  
20 when we get into that.

21 (No response.)

22 MR. DANA: Hearing none, I think I would like to

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1 move to consideration of fiscal year 1992 budget mark.

2 As most of the people in this room are aware, it is  
3 the responsibility of this corporation to ask Congress for  
4 money, and it is the responsibility of Congress, hopefully, to  
5 give us money. The issue is how much do we ask for and why.

6 If there are those in the room who would like to  
7 speak to us on that subject, we would ask them to come  
8 forward. How many people would like to speak to us on that  
9 subject? I see two. Andy and Bob, please.

10 MR. EVANS: Kim Taylor will be here at 10 o'clock.  
11 If the other appearance could be made, and if she is here by  
12 that time she will be able to do it; otherwise I will do it.  
13 I don't want to hold the proceedings up.

14 MR. DANA: Fine. Why don't we do that? Andy, why  
15 don't we hear from you?

16 MR. STEINBERG: Thank you. I won't start with my  
17 introduction again, since I had just introduced myself a few  
18 minutes ago.

19 I did not ask to separately be recognized to comment  
20 on the prior item, because much of what had previously been  
21 presented in regard to the carryover really related to the  
22 amount of management and administration budget in the

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1 consolidated operating budget.

2 I have written testimony, which I will leave here a  
3 number of copies for board and the staff, and I appreciate the  
4 opportunity to speak on behalf of Project Advisory Group today  
5 and to explain --

6 MR. DANA: Excuse me. Could you, for the benefit of  
7 the committee, tell us what the Project Advisory Group is?

8 MR. STEINBERG: Okay. I would be happy to.

9 Project Advisory Group is an organization of over  
10 300 programs that receive funds from Legal Services  
11 Corporation and their clients. Actually it was commenced when  
12 there was an OEO Legal Services Program and OEO decided that  
13 it wanted to have field input and wanted to have an advisory  
14 group of project directors, and started the Project Advisory  
15 Group.

16 Over the years, Project Advisory Group has become an  
17 institution of its own. It is a separately incorporated  
18 entity. It has a steering committee which is the governing  
19 body, which consists of regional representatives that include  
20 project directors, paralegal staff representatives, other  
21 staff representatives, and client representatives, as well as  
22 representatives from various components of the service

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1 delivery system, such as national state support centers and  
2 migrant farm worker programs and Native American programs.

3 The Funding Criteria Committee is a standing  
4 committee which actually has a separate membership, is a much  
5 smaller group, and the purpose of the Funding Criteria  
6 Committee is to develop expertise in the area of fiscal issues  
7 around Legal Services Corporation, annually makes  
8 recommendations to the steering committee regarding positions  
9 that PAG should take regarding the budget mark, regarding  
10 distribution formulas and other fiscal management issues.

11 There are two co-chairs of that committee  
12 traditionally, and it has generally been that the co-chairs  
13 are from field programs around the country. The current co-  
14 chair, besides myself, is Regina Rogoff, who is director of  
15 the legal services program that serves Austin, Texas.

16 Project Advisory Group, through the process that I  
17 have described, both through the Funding Criteria Committee  
18 and then in the steering committee, has developed a  
19 recommended mark, as it does each year, to present to you as  
20 far as what we would urge that you request from Congress for  
21 the next year. In this event, we are talking about 1992.

22 The one-page summary of it, which is also the last

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1 page of the written testimony, is included in the materials  
2 that were presented to you and, of course, has a  
3 recommendation of \$475 million.

4 I wanted in my testimony today to briefly explain  
5 the basis of that \$475 million recommendation and then respond  
6 to any questions that you may have. I want to also recognize  
7 a couple of things at the start. One is to thank the board  
8 for the support last year it gave for an increase in legal  
9 services funding, and also to thank Mr. Martin, because at the  
10 last board meeting where we didn't reach this item, and I had  
11 attended with the anticipation of giving this testimony, in  
12 your remarks, Mr. Martin, you had made a statement about a  
13 commitment to seek additional funds. I think that that is a  
14 very healthy step and one that PAG very much appreciates and  
15 looks forward to working with you towards achieving.

16 The amount this year that was appropriated by  
17 Congress has sort of a magic quality to it, as most people  
18 recognize, because it finally takes us beyond the \$321 million  
19 mark which had sort of been hanging out there, since that had  
20 been the previous highest dollar level appropriation from  
21 Congress in any given year.

22 We recognize that that had a magic quality to it,

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1 but at the same time we recognize that the \$321 million since  
2 it was appropriated, what it could buy in 1981, is not what it  
3 can purchase today, and the needs in order to just be  
4 equivalent to where we were at that point in time are now  
5 substantially greater.

6 The goal and the basis for PAG's recommended mark is  
7 the concept of minimum access. That is not something that  
8 Project Advisory Group came up with. The concept of minimum  
9 access was created by Legal Services Corporation in the 1970s  
10 as a way of stating a goal to Congress for funding for the  
11 Legal Services Corporation. The goal was very simple.

12 The goal was that Congress should appropriate funds  
13 that would be sufficient to have a two-attorney unit, fully  
14 supported with paralegal and secretarial staff and all other  
15 necessary costs, available for every 10,000 poor people in the  
16 United States.

17 That is not equal access to justice. The population  
18 as a whole has more than 10 times the number of attorneys in  
19 proportion to population than minimum access. So minimum  
20 access was really a minimal goal. The intent of minimum  
21 access was to establish a corps across the country of  
22 adequately but minimally funded programs that could then seek

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1 additional funding to build on top. The corporation viewed  
2 itself as the basis of providing that corps of staff across  
3 the country that would begin to provide services for low-  
4 income people.

5 So one thing that we urge today is the recognition  
6 of the importance of minimum access and the recommitment to  
7 minimum access.

8 The last time that the corporation viewed that it  
9 was at a minimum access amount was in 1981. The following  
10 year, of course, in the face of some strong recommendations  
11 from former President Reagan that the entire program be  
12 dismantled and sent out to the states as part of the block  
13 grant, the result was that there was a 25 percent reduction.  
14 That took us down to \$240 million.

15 Then there has been sort of this slow growth back in  
16 appropriated dollars, but it has not, because of two factors,  
17 brought us back to minimum access. The two factors are fairly  
18 obvious. One is inflation in the erosion of the cost of  
19 living, in the cost of doing business, more particularly for  
20 Legal Services Program; and the other is the increase in the  
21 number of poor people.

22 Both are reflected in the recommended mark that we

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1 present to you today. We have been looking at projections for  
2 the 1990 Census. The most conservative projections indicate  
3 that there will be a 10 percent increase. There are  
4 projections that indicate that there will be a greater than 10  
5 percent increase in the number of poor people from 1980 to  
6 1990 as demonstrated in the Census.

7 The reality is that we are beyond 1990, so that  
8 those people or their programs across the country, including  
9 mine, are struggling to serve those people, so that when we  
10 calculated the mark this year, we calculated both a factor for  
11 the rise in the cost of a program to provide services and for  
12 the increase in the number of people to be served.

13 The final point that I wanted to make in regard to  
14 minimum access, and then I had a couple of comments I just  
15 wanted to make about my own program, because I think that it  
16 is illustrative to do that, is that the \$475 million  
17 recommendation is not minimum access. That is not what PAG  
18 has calculated that minimum access would cost at this point.

19 In fact, the amount that we calculate for minimum  
20 access at this time could be well over \$700 million. And what  
21 Project Advisory Group is urging, as it has in the past, is  
22 that the Legal Services Corporation and Congress and the legal

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1 services delivery community unite on a three-year plan, so  
2 that over a course of three years that we return to minimum  
3 access, and that the \$475 million is the amount that is  
4 necessary for step one; in other words, to take us a third of  
5 the way from where we are now to a return to minimum access  
6 funding.

7 MR. DANA: Could you help me with the math? You say  
8 \$744 million is what is required for minimum access? Is that  
9 the number?

10 MR. STEINBERG: Yes. That is an approximate  
11 calculation that I had made and presented to you. That is  
12 correct.

13 MR. DANA: And my understanding is that 321 was  
14 considered minimum access in 1981 or 1980, whenever that was?

15 MR. STEINBERG: Yes.

16 MR. DANA: How do we get from -- I understand about  
17 inflation and I understand about an increase in the  
18 population, but what are the components of how do you get from  
19 321 to 744?

20 MR. STEINBERG: Well, there are several responses  
21 that I can give to that. Each year we have made a cost  
22 estimate that is built on the prior year's cost, but we have

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1 also gone back and checked into the validity of that  
2 calculation, and I can share that with you as a part of the  
3 response to that question.

4 But I will preface it by raising one point first,  
5 and then I will approach it in a couple of other manners.  
6 Point 1 is that the \$321 million was declared by the  
7 corporation to be minimum access, but there was some question  
8 as to what was happening at the time, because between the  
9 point of when the original minimum access calculation was made  
10 in 1975 and 1980, LSC was assuming about a 5 percent increase  
11 in the cost of doing business for each of those years and was  
12 raising its amount of the goal for minimum access by only 5  
13 percent during years when there was double digit inflation.  
14 So that even though it had set a goal of \$300 million in 1980  
15 and \$321 million in 1981, that, when compared to the original  
16 minimum access calculation back in 1975, did not match even  
17 the Consumer Price Index, so that there was a problem with the  
18 \$321 million even back at that point.

19 The second thing is that, as I just mentioned, we  
20 have looked at various ways of analyzing minimum access to  
21 make sure that the calculation that we have are correct. If I  
22 may, I actually have something that was done for a

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1 presentation to a different group about minimum access, and  
2 somebody actually found this. This was done at the NLADA  
3 meeting in Pittsburgh as an explanation.

4 Mr. Harrison will hold it up to let me explain it to  
5 you. This is not an exact budget, but we were trying to show  
6 what a two-attorney unit might look like. What we had done  
7 was to calculate salaries for two attorneys, salaries for one  
8 paralegal, salaries for one secretary, fringe at 14 percent,  
9 which actually is probably not sufficient, given what health  
10 insurance costs are today, which is something I will return to  
11 in a moment, and then just generally the knowledge that we  
12 have from experience that nonpersonnel expenditures are  
13 usually about 30 percent of a program's budget.

14 As a result, what we came up with was this  
15 hypothetical budget for a minimum access unit with \$189,200.  
16 And, of course, when you divide that by 10,000, because that  
17 is to serve 10,000 poor people, it is \$18.92 per poor person,  
18 which is the amount that was reflected in the calculations  
19 that the Project Advisory Group went through in developing the  
20 mark for this year, and is an inflation increase over the  
21 amount that is reflected in the appropriation bill this year  
22 where minimum access is reflected at a figure, I believe

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1 \$17.68. I think that is it. Yes, \$17.68, which is what  
2 Congress has viewed as minimum access and is reflected in the  
3 appropriations bill for this year.

4 So that is one way that we've looked at it. I  
5 actually did a check with my own program's budget, which now  
6 slightly exceeds \$2 million for 23.1 attorneys. I divided the  
7 amount of my budget by 23.1, came up with my cost per  
8 attorney, multiplied by two, and then divided by 10,000 and  
9 came out with \$17.97, which is a little bit higher but still  
10 relatively close to the \$17.68 that was calculated for this  
11 year's budget mark and was the figure that I referred to that  
12 is represented in the congressional appropriation to the Legal  
13 Services Corporation.

14 The third part of the response that I give is that I  
15 actually also spent some time looking at a comparison, again  
16 of the program I know best, the one that I've been director of  
17 for 10-1/2 years, as to what our budget was in 1981 which was  
18 my first full year there, and 1991 which is the year we are  
19 just entering.

20 I looked at the comparisons of the costs between the  
21 two years. We have slightly more attorneys now than we did  
22 then. Massachusetts has been successful in generating a

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1 substantial amount of state funding through filing fees and  
2 IOLTA which has enabled us to have slightly more attorneys in  
3 there. But still, the salaried budget that I had in 1981 was  
4 \$697,000. The salary budget now is \$1.4 million  
5 approximately. The fringe benefit cost has gone from \$80,000  
6 to \$314,000, and anybody who buys health insurance for  
7 employees will know why that is true.

8 The nonpersonnel costs actually had the smallest  
9 percentage increase between the years, and that went from  
10 \$199,000 to \$357,000 approximately.

11 Also I might note on the salaries budget, which  
12 approximately doubled with an increase in attorneys of about  
13 20 percent, that in 1981 we were paying salaries that started  
14 attorneys fresh out of law school at \$12,200 and we were  
15 paying our most experienced attorneys \$23,000. The cost of  
16 professional salaries that you have to pay, either to pay a  
17 decent living wage or to be competitive for people who really  
18 can provide high-quality services and allow programs to meet  
19 affirmative action goals, that you have to increase; and even  
20 at that, Western Mass Legal Services salaries are only in the  
21 middle of the range of New England programs presently.

22 MR. DANA: What are they? What is comparable?

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1           MR. STEINBERG:     Presently, Western Mass Legal  
2 Services starts attorneys at \$22,000 if they are hired  
3 directly from law school. Our most experienced staff  
4 attorneys now are earning \$36,850. Our managing attorneys  
5 earn \$1,000 more than they would otherwise earn if they were  
6 staff attorneys.

7           So somebody who has been out of law school for 11 or  
8 more years and is a managing attorney would now earn \$37,850,  
9 which are not large amounts.

10          MR. DANA:        The number of poor people, my  
11 understanding is that, if we would accept your math, \$18.92 is  
12 the anticipated cost per poor person. How did you arrive at  
13 the number of poor people that we have in our country?

14          MR. STEINBERG: Well, as I mentioned, we looked at a  
15 number of estimates and determined that 10 percent is the most  
16 conservative estimate. We took the number of poor people that  
17 is generally used now. Legal Services Corporation has that  
18 information from the 1980 Census, because that is determined  
19 and is a part of the funding distribution formula for basic  
20 field programs. It is approximately 29 million, which of  
21 course includes the territories that are served, as well as  
22 District of Columbia and the 50 states, and we added 10

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1 percent. It ended up, I think, 32.45 million.

2 The way that the PAG calculation is done is rather  
3 complicated. I'm afraid I'll lose people more if I go into  
4 it, but basically what we will do is we'll start with basic  
5 field, and we base our calculations on basic field, and then  
6 we look at the other line items accordingly, after we have  
7 determined basic field, because it is our conclusion that that  
8 is really the core of this program.

9 The other point that I was going to raise -- oh, I  
10 guess there was just one other response, and I'll see if I can  
11 find it in here. The Philadelphia Bar Association had  
12 prepared testimony on behalf of, I think, the bar leaders for  
13 the preservation of legal services for the poor, as far as  
14 recommending a budget mark for 1989.

15 And in their testimony, I assume this had been  
16 submitted to the Legal Services Corporation when it was given  
17 at the time, had actually produced a chart that shows several  
18 lines, because this line that you see rising above the level  
19 point -- this level point is \$321 million -- that is the 1981  
20 allocation, adjusted for inflation. Then R is the real  
21 dollars appropriated to the Legal Services Corporation for  
22 each of these years, and the middle line that you see in this

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1 chart is the actual dollars appropriated. So that the actual  
2 dollars, of course, start approaching the \$321 million figure.  
3 The real dollars are substantially lower.

4 If you have not received a copy of their testimony,  
5 I will leave an extra copy with you, Mr. Dana.

6 MR. DANA: That would be very helpful. Maybe we can  
7 get our capable staff to extend it for us.

8 MR. STEINBERG: My concluding comment is simply,  
9 again returning to the program that I know best, the need is  
10 real. And we have been feeling -- again Mr. Martin had spoken  
11 at the last meeting about the need to study the legal needs  
12 for low-income people. And, of course, we in Massachusetts  
13 had conducted our own study several years ago which documented  
14 the need and showed that even with the filing fees that were  
15 underway and the initial IOLTA program, which was not yet a  
16 mandatory IOLTA program at the time, that we were meeting less  
17 than 1 in 5 of the cases where a low-income person would have  
18 a problem that would benefit from civil legal assistance.

19 That was a survey that was done at the height of  
20 what has been dubbed "Massachusetts miracle." We know that  
21 the Massachusetts miracle, if it ever existed, doesn't exist  
22 any longer. As a result, the demand is even greater on us.

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1 We are feeling the pinch, because the demand from the client  
2 population has gone up, both the number of cases and the  
3 intensity of the problems presented to us, but there are no  
4 funds that come additional to Western Mass Legal Services or  
5 any other provider when there is a turn in the economy.

6 I read recently that there was a 70 percent increase  
7 in the Boston housing courts in the number of eviction cases  
8 filed in 1990 as opposed to 1989. We have observed that in  
9 western Massachusetts, which has a separate court system,  
10 housing court, but we have observed similar increase.

11 We have observed the demand on our intake this year,  
12 and I am not sure that this is good news, I don't think it is,  
13 we observed more than 9,000 people, which is by far a record  
14 for Western Mass Legal Services, because of the number of  
15 people who are coming to us and presenting problems. Most of  
16 those who get resolved is advice only, because you can't do  
17 more for that number of people. But it was phenomenal to us  
18 that within our priority areas that we saw the substantial  
19 increase last year that we did. That demand is out there. At  
20 least our perspective in Massachusetts is that we don't need  
21 the study; we need the support.

22 Therefore, in behalf of Project Advisory Group, I

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1 would like to urge, one, that there be a request for an  
2 appropriation of at least the \$475 million that we request;  
3 two, that there be a recommitment of the Legal Services  
4 Corporation to minimum access as a goal for the funding; and  
5 three, that we recognize that the \$475 million is a first step  
6 towards achieving that goal of minimum access.

7 I thank you.

8 MR. DANA: Thank you. Are there any questions of  
9 the committee? David?

10 (No response.)

11 MR. DANA: Thank you.

12 Kim, welcome.

13 MS. TAYLOR: Thank you. Let me say good morning and  
14 thank you for accommodating my schedule. I appreciate it and  
15 my staff appreciates it. We are in the middle of our budget  
16 crisis.

17 Good morning. My name is Kim Taylor and I am the  
18 director of the Public Defender Service for the District of  
19 Columbia. I'm here with Robert Evans, and we are speaking on  
20 behalf of the Standing Committee on Legal Aid and Indigent  
21 Defendants of the American Bar Association.

22 It is my pleasure to be here this morning, and I

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1 appreciate again your accommodating me.

2 At a time when the Census is expected to have  
3 documented at least a 10 percent rise in the numbers of poor  
4 people in this country, the Legal Services Corporation will  
5 need to be there. At a time when the war in the gulf has  
6 already caused casualties here at home, as the principal  
7 supports for families have remained away and may continue to  
8 be unable to support their families, the Legal Services  
9 Corporation will need to be there. At a time when the  
10 pressures of the recession are creating even larger numbers of  
11 poor people, the Legal Services Corporation will need to be  
12 there.

13 With the current budget, we believe that it will be  
14 unable to meet the current widespread needs as well as the  
15 ever-growing needs of poor people in this country. It is  
16 vitally important that there be a dramatic and significant  
17 increase in resources for the Legal Services Corporation in FY  
18 '92.

19 When we look at the Legal Services Corporation  
20 program for the past 10 years, we are left with a stark image,  
21 an image of slow starvation of a program that in many ways is  
22 the lifeline for poor people in this country.

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1           In FY 1981, the Legal Services Corporation budget  
2 was \$321 million. Converting those figures, the \$321 million  
3 1981 dollars into '91 dollars and adjusting for inflation, the  
4 program would require an appropriation of \$500 million just to  
5 keep constant.

6           Instead, the FY '92 budget is \$327 million. This  
7 budget is woefully inadequate. Frankly, in order to reach the  
8 goal of minimum access, and that is the goal of two attorneys  
9 for every 10,000 poor persons, Legal Services Corporation  
10 would need a budget at the level of \$744 million, as estimated  
11 by PAG. This is just to provide minimum access.

12           The program is currently being financed at a level  
13 of \$10 per poor person, and I hope that I don't have to  
14 convince anyone in this room or outside of this room that this  
15 amount is disgraceful.

16           By all indicators and studies, it is eminently clear  
17 that only a minute fraction of the poor people in this country  
18 are receiving needed legal representation. Looking at the ABA  
19 study of legal needs of the general public in the mid-  
20 seventies, we can see that even when projections were based on  
21 the FY 1981 highwater mark, that only 20 percent of the legal  
22 needs of poor people were being met.

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1 IOLTA and pro bono efforts in the eighties have been  
2 helpful, but have only been helpful in filling a gap created  
3 by falloff in federal funding. IOLTA funds provided \$60  
4 million in civil legal services in 1989. The figure is going  
5 up and is likely to be in the \$100 million range, but there is  
6 an increasing competition for these funds.

7 With respect to pro bono, 136,000 attorneys are now  
8 enrolled in formal pro bono programs. Looking at recent state  
9 assessments, and that would be in Maryland, Massachusetts,  
10 New York, Alabama, Illinois, and Maine, the level of unmet  
11 need identified in these studies ranged from a low of 77  
12 percent in Maine to a high of 86 percent in New York. In New  
13 York, this translates to nearly 3 million civil legal services  
14 annually. The Ohio study will be released next month and  
15 will show an 83 percent unmet need.

16 Pilot national civil legal need survey of low-income  
17 people in 1989 showed 4.9 million civil legal problems for  
18 which there was legal assistance, and 19 million for which  
19 there was no legal assistance; again, 20 percent unmet need.

20 And where are the lawyers? Salaries paid to legal  
21 services attorneys are the lowest in the profession. This has  
22 been true for years, but now they lag so far behind that even

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1 the most altruistic law students and young lawyers, saddled  
2 with large indebtedness, are unable to make this sacrifice.

3 Law school tuition in the '80s rose 171.6 percent  
4 for private schools and 182.6 percent for public schools, or  
5 roughly 11 percent each year. Salaries have risen little or  
6 not at all. Generally they remain in the low twenties.

7 There was a recent article that was in The Chicago  
8 Tribune that states, and I quote: "Whereas it was once  
9 inconvenient to take legal services jobs, it has for many now  
10 become impossible. Despite a glut of attorneys in the job  
11 market," it went on to say, "recruiters for legal services say  
12 positions are still sometimes going unfilled for months."

13 This situation is becoming worse, not better.  
14 Unemployment is up from 5.3 percent at the end of 1989 to 6.1  
15 percent at the end of 1990, and it continues to rise. That's  
16 a 15 percent increase in one year, or over one million jobs.

17 State and local governments across the nation are  
18 facing their worst financial situation in decades. Perhaps  
19 inevitably they are making heavy cuts in benefit and social  
20 welfare programs, and this is exacerbating the problems of our  
21 client community.

22 So what do we do? We believe that there is a strong

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1 justification for PAG's figure of \$475 million for the budget.  
2 Our own recommendation is for a figure not less than \$424.6  
3 million. This figure is based upon inflation adjustments, not  
4 since 1981, but since 1984 when Congress partially restored  
5 earlier cuts and brought the funding level to \$305 million.

6 The figure that we recommended to Congress last year  
7 was \$401.1 million. The new figure represents a 6.1 increase  
8 in the Consumer Price Index in 1990.

9 We simply cannot afford to allow our poor people to  
10 go unrepresented in this country, and with the current budget  
11 we are afraid that the numbers will continue to rise and the  
12 numbers of unmet need will continue to rise.

13 We hope that you will take our comments into  
14 consideration as you consider this very important project  
15 today.

16 MR. DANA: Thank you very much.

17 Questions from the committee?

18 (No response.)

19 MR. DANA: Kim, did I understand that you are the  
20 director of the Public Defender Program in the District?

21 MS. TAYLOR: That is correct.

22 MR. DANA: Could you tell us what your salary ranges

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1 are as a way of comparing the public defender salaries with  
2 the legal services salaries?

3 MS. TAYLOR: Our lowest salary, which is for someone  
4 who is coming directly from law school, is \$32,000. The  
5 salaries range from \$32,000 to roughly \$65,000, \$65,000 being  
6 someone who has been in the office for -- I guess that person  
7 would be there for about 10 years. So it ranges. It's a  
8 pretty broad range and it is significantly higher than what is  
9 being paid to legal services lawyers even in this city.

10 MR. DANA: Do you know what that number is?

11 MS. TAYLOR: I believe that the figure is in the low  
12 twenties for incoming attorneys.

13 MR. DANA: And as I think Andy testified, in western  
14 Massachusetts it's 22 to 36. Is that correct, Andy?

15 MR. STEINBERG: Yes.

16 MR. DANA: Thank you very much.

17 MS. TAYLOR: Thank you.

18 MR. DANA: Robert, are we going to get to hear from  
19 you?

20 MR. EVANS: Well, I suppose I ought to say something  
21 so I'll be on the record of this hearing. I would only note  
22 as someone who is in management of an organization which

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1 employs attorneys in the District of Columbia and does so  
2 basically in competition with what I would call the public  
3 interest sector, we do not compare ourselves with the private  
4 sector.

5 The only place from which we have been able to raid  
6 employees successfully over the years has been legal services  
7 programs, and we have had a number of very fine people who  
8 have come to work for us. They are able people, and they are  
9 grossly underpaid, and I think it is a tragedy.

10 MR. DANA: You heard it, ladies and gentlemen, from  
11 Robert Evans. Kim, will you leave us a copy of your prepared  
12 remarks, or were they notes?

13 MS. TAYLOR: These were notes.

14 MR. DANA: Well, they were wonderful, and we will  
15 read the transcript with interest.

16 MS. TAYLOR: Thank you.

17 MR. DANA: Thank you very much. Thanks, Bob.

18 Is there anyone else who would like to speak to us  
19 at this time on our recommendation for the 1992 budget mark?

20 (No response.)

21 MR. DANA: The next item on the agenda is a  
22 recommendation for a board policy concerning the operating

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1 significance of a board vote on a consolidated operating  
2 budget.

3 I've asked management to draft a policy for us, or  
4 tell us whether there is a policy. David, do you have  
5 something for us?

6 MR. MARTIN: You and I discussed this. I have  
7 looked at the history of this suggested policy, and it has not  
8 been a policy of the board to manage the resources of the  
9 management and administration budget within the confines of  
10 transferring funds from one budget to another. That has been  
11 left by the board to the president's discretion to transfer  
12 funds as the different resources and needs of the corporation  
13 change over the course of the fiscal year.

14 As I indicated to you, it is my position that once  
15 you as a board set a policy figure, as a policy set a figure  
16 for the management and administration budget, then it is the  
17 job of the president to manage those resources within that  
18 overall budget.

19 So I did not prepare a resolution, because there  
20 isn't one that I could in good conscience agree with in that  
21 regard.

22 MR. DANA: So if I understand you, it is your view

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1 that the corporation should set, the board should, if the  
2 board -- and my understanding is you have requested for 1991  
3 \$11,111,000 and change, and that we should designate that for  
4 the M and A line, and you should have the discretion to spend  
5 that on what you feel appropriate.

6 MR. MARTIN: Yes, because I think that the president  
7 is to manage the resources of the M and A budget, and as the  
8 different needs change -- and I can already see that occurring  
9 now, based on what I see developing in the corporation in  
10 terms of expenditures -- I really think that it is incumbent  
11 upon the president to have that flexibility, and would request  
12 that the practice that has occurred over the last several  
13 years be continued by the board.

14 MR. DANA: And at least it is your understanding  
15 that that has been the practice for some time with the  
16 exception of a brief period during 1982; is that correct?

17 MR. MARTIN: That's my understanding, that the board  
18 has approved a mark, if you want to call it a mark, a budget  
19 for the headquarters, that is for corporate staff, and is  
20 aware of the projected expenditures the president has decided  
21 that each office might expend to accomplish its mission, but  
22 that it has not gone any further than approving a total figure

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1 for the M and A.

2 MR. DANA: And what you say for the board would also  
3 apply for the Audit and Appropriations Committee?

4 MR. MARTIN: I am unfamiliar with what the Audit and  
5 Appropriations Committee has done. I see my comptroller  
6 shaking his head yes. Is that correct, Dave?

7 MR. RICHARDSON: That is correct.

8 MR. DANA: We all are a victim of our memories. And  
9 I find what you have -- if I understand what you have said, I  
10 find it appalling, that prior boards would have given that  
11 much discretion ever to management. But other than your  
12 conversation with Dave, what is the basis for this  
13 representation that that's been the case?

14 MR. MARTIN: Dave, why don't you answer the  
15 chairman's question?

16 MR. RICHARDSON: All right. Let me come forward and  
17 identify myself. David Richardson. I'm the comptroller of  
18 the corporation.

19 Mr. Uddo may have as much knowledge on this at this  
20 point as I do. But we have gone back in the transcripts from  
21 '92 forward and looked at it, and in particular from '95, or  
22 '85 forward. I know under the last year and under the board

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1 that is basically in place now and the prior board, the  
2 discretion to manage the resources of the corporation was left  
3 in charge of the president.

4 Money was moved with the aid of, for instance, the  
5 comptroller, myself, and in conjunction with dealing with each  
6 director, and then go to the president and realign, reassess  
7 needs and where there may be additional need for money, and  
8 transfer the funds.

9 There has been no notice other than the monthly  
10 reporting that goes to the board as a whole in relation to the  
11 transfers.

12 MR. DANA: And you have checked the corporate  
13 records all the way back to what point in time?

14 MR. RICHARDSON: Well, we did check the '82 ones,  
15 because that was the ones, of course, that you had referred to  
16 in certain correspondence to the president.

17 MR. DANA: Right.

18 MR. RICHARDSON: We went back as far as '82 in  
19 reviewed those, and then we have come forward. We reviewed  
20 both audit and appropriations and the board meeting  
21 transcripts and the minutes thereof, and that is what this is  
22 based on.

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1           MR. UDDO: Mr. Chairman, could I just make a couple  
2 of comments?

3           MR. DANA: Please.

4           MR. UDDO: One is, I don't recall that the question  
5 ever came to the board when I was on the board before as a  
6 formal proposition or a question. I could be wrong about  
7 that, but I don't remember that particular question coming to  
8 the board. And I wasn't on the Audit and Appropriations  
9 Committee, so I don't have much experience from that  
10 perspective.

11           However, I thought that most of any kinds of changes  
12 that were made like that were at least made in consultation  
13 with the chairman of the Audit and Appropriations Committee.  
14 At least when Pepe Mendez was the chairman of it, it was my  
15 understanding that he would often be involved in conversations  
16 with the president about those kinds of changes.

17           But I can't say that I know that from anything other  
18 than from what I deduced from various conversations during the  
19 time that I was on the board. I don't remember it coming up  
20 as a formal issue, and I don't remember our board ever having  
21 to vote on it, but I was under the impression that at least  
22 the chairman was in fairly constant contact with the president

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1 about changes about that.

2 That is the extent to which I have any institutional  
3 recollection.

4 MR. DANA: Thank you.

5 MR. MARTIN: Let me just add that I don't think that  
6 would change under my administration, Mr. Uddo.

7 MR. DANA: Well, let me do some additional research  
8 and we will come back to this issue. I am candidly very  
9 disappointed that my request for a staff-drafted  
10 recommendation was not honored, nor was I informed prior to  
11 this moment that it would not be. I asked the president, even  
12 though he had expressed in writing and orally, some genuine  
13 misgivings, which I encouraged him to express in my letter, he  
14 did indicate that he would ask the acting general counsel to  
15 draft such a policy, and I am disappointed that that was not  
16 done. But we can deal with that later.

17 MR. UDDO: Let me also add to that, I would have  
18 thought, David, that that request would have prompted some  
19 research by the staff, too, because frankly I don't know if  
20 there ever was a policy or a consideration. And in  
21 conjunction with Howard's request, I would have thought that  
22 there might have been some research done to tell us

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1 specifically whether there has been any policy in place, or  
2 whether it has ever been addressed before, and what the prior  
3 board's official policies were in that regard.

4 So it does put us at a little bit of a disadvantage  
5 to address an agenda item.

6 MR. MARTIN: I think Mr. Richardson answered it. To  
7 my knowledge, and based on -- I talked at some length with the  
8 deputy general counsel, Mr. Victor Fortuno, and with Dave  
9 Richardson, and Mr. Fortuno has been with the corporation some  
10 six years, and to his knowledge there had never been such a  
11 proposal.

12 Let me candidly say, I kicked around with him the  
13 various options, and frankly, based on from my position as  
14 president and my charge to manage the resources of the  
15 corporation, I did not see that there was any resolution that  
16 would satisfy my needs to manage the corporation under those  
17 kind of constraints.

18 However, let me say that I fully intend to keep you,  
19 the board and this committee, informed of all changes that are  
20 necessitated by the missions that the various offices have to  
21 accomplish. I now am aware that, based on what is occurring  
22 in the corporation, that there probably are going to have to

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1 be some transfers of funds among all offices as the year goes  
2 on.

3 That is what I anticipate now. I'm not sure. But  
4 you will certainly be advised of those things and consulted.

5 MR. DANA: Let me say that I think there may be -- I  
6 don't know how to say this any more gently than straight out.  
7 I think the board needs to be involved in policy. I think  
8 that the spending of money at the corporation level is a  
9 reflection of board policy. I think a decision to move money  
10 around, to spend money on one undertaking, or to change the  
11 way we do things is an expression of policy, and I think the  
12 board should be involved in those changes.

13 I think they have historically been, at least in the  
14 early days of the corporation, and I speak from some  
15 experience about at least one of those years. I do not  
16 believe that the advice that you have received from staff is  
17 accurate in that I believe there has been a policy at this  
18 corporation that involves the board, has in the past involved  
19 the board in these financial decisions in some way other than  
20 merely being advised or kept abreast of developments.

21 We are the directors of the corporation. We are  
22 charged with its management and direction. And we hire the

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1 president and the officers, and the president hires the  
2 employees. I don't by this mean to suggest that the  
3 corporation or its directors, those of us who work one day a  
4 month, can supplant management or in any way take over for  
5 management or undercut their responsibility for administering  
6 a budget.

7 I would like to take a five-minute recess at this  
8 time.

9 (A brief recess was taken.)

10 MR. DANA: I think some explanation is necessary.  
11 Somebody once said that he was born at night, but not last  
12 night. When management told me and everybody assured me that  
13 there were no such things as guidelines, I went to a source of  
14 institutional knowledge, and confirmed that in fact in 1980,  
15 the board of directors of this corporation adopted a set of  
16 guidelines that indicated what action and the processes by  
17 which the corporation could change what they had committed to  
18 do in their budget. Those were the guidelines that existed  
19 during 1980, '81, '82, '83, '84, and into '85.

20 In 1985, the Audit and Appropriations Committee met  
21 and amended those guidelines, and notified the full board of  
22 that amendment. So far as I am aware, those guidelines in

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1 their amended form are here. They were the last functioning  
2 guidelines of this committee and this corporation. I think  
3 they are the guidelines of this corporation, absent someone  
4 showing me that they have been repealed. And, absent an  
5 amendment to those guidelines, I think they should be  
6 followed.

7 I think that they permit adequate discretion on the  
8 part of management, but they involve the board in the  
9 formulation of the original COB and in changes thereafter. I  
10 have not studied them fully because I just received them in  
11 their written form five minutes ago.

12 I will ask that this document consisting of 33 pages  
13 be an exhibit to these minutes and that they be studied. It  
14 was apparently not possible for our management to find these  
15 guidelines or to discover that they ever existed. But they do  
16 exist, and my assumption is that they are still or should be  
17 the functioning guidelines, at least in their amended form.  
18 If the board wishes to change these guidelines, they can.

19 I would think it would be appalling, candidly, for  
20 the board to adopt an \$11 million number and let management  
21 and staff spend it any way they wanted to, just without any  
22 involvement other than just an observer, but if the board does

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1 that, that is the way we will operate. But until then, I  
2 think we should operate with what I understand to be the  
3 guidelines, which are as set forth here.

4 The next item on the agenda, and maybe what we  
5 should do, the last item on the agenda is a consideration of  
6 management's space needs and recommendations thereon.

7 Do we want to bring this up now or do we want to do  
8 it later?

9 MR. MARTIN: Mr. Chairman, it's strictly up to you.  
10 I mean we are prepared to discuss it if you want to.

11 MR. DANA: Well, let's do it then. Okay.

12 MR. MARTIN: Dave, would you come forward?

13 MR. RICHARDSON: In relation to this particular  
14 request, we have reviewed the lease of the building that we  
15 are in. You have received a memorandum from the president in  
16 regards to a request, basically going into the marketplace and  
17 looking for additional space, whether it be to purchase, lease  
18 with an equity position, or renew our lease.

19 I have some figures that were supplied to me from  
20 our current people that we lease from, LaSalle Partners. The  
21 space that we are currently in, we are paying \$20.50 basically  
22 a square foot base rent. There is an additional passthrough

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1 rent charge of about \$5 a square foot for the operating taxes,  
2 security of the building.

3 This year's rent is estimated to be approximately  
4 \$1.25 million, \$1.3 million with some additional work that we  
5 are doing in the building.

6 The information that LaSalle has provided to me  
7 shows that this space, if we were going into the marketplace  
8 today, would rent upwards to \$34 a square foot. Our rent  
9 could easily increase if we were going to the market today,  
10 basically \$1.6 million a year.

11 I talked with them yesterday in relation to this,  
12 because there has been some talk within the community as far  
13 as us looking for needs, and they had heard the rumor. So  
14 basically I just wanted to review with them what we were doing  
15 as far as just open preliminary discussions, review of the  
16 lease, and so forth, to mainly keep our options open. Our  
17 lease goes through the middle of 1995, but in our particular  
18 market there is a certain dynamics, because there is a lot of  
19 building going on. We get calls each week from different  
20 realtors, wanting to know if we would like to, for instance,  
21 scale back our operations, give space back, they would sublet  
22 from us, and so forth.

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1           So based on that, we are seeking board approval to  
2 really go into the marketplace and just look at the different  
3 options that may be available to us, whether it be to extend  
4 our lease or whether it be to purchase. We would prefer, of  
5 course, to purchase, to set up an equity position in a  
6 building, but keeping in mind that we have got to keep all  
7 options open.

8           I am approaching it that we would look at all  
9 aspects in regards to real estate, whether it be, like I said,  
10 to lease, going to even staying in the property we're in and  
11 going to an additional longer term lease, or seek out another  
12 building to set up an equity position.

13           MR. DANA: So my understanding is that there is no  
14 money in management's current COB for 1991 or in the proposed  
15 budget mark for 1992. It does not include a million dollars  
16 for a down payment, as was mentioned in a memo?

17           MR. RICHARDSON: It does not.

18           MR. DANA: So there is really nothing for us to deal  
19 with at this stage, is there? Or are you looking for a--  
20 what are you looking for? What is management looking for from  
21 us?

22           MR. RICHARDSON: Basically for your approval,

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1 really, to go into the marketplace and see what's available,  
2 realizing that if we would probably tomorrow stumble across  
3 something that just absolutely fit our needs, it's probably  
4 going to take a year and a half to two years or longer for  
5 that to take place.

6 So we are actually looking that it could be actually  
7 '93 money if something is found soon, that we would have to  
8 come back to the board and request the additional funding.

9 MR. MARTIN: If I might, looking at the current  
10 market in Washington, D.C. and looking at the expected  
11 increase in rents that we will experience over the next few  
12 years, I decided and asked the staff, principally Mr.  
13 Richardson, to look into what opportunities might be available  
14 to purchase or take an equity position in a building.

15 It just seemed to me that, based on my experience,  
16 that office space in Washington, D.C., although there is  
17 continual building, the increase in rents does go up. There  
18 are peaks and valleys, but over a period of 20 years you will  
19 see that office space, regardless of the amount of building,  
20 rents continually go up.

21 It was my view that two things ought to be  
22 considered in looking at our rent. Are we getting something

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1 for the rent we pay, and is there a long-term payoff if we  
2 were to purchase a building?

3 My assessment of the building we're in now and the  
4 rent we pay is we don't have a very good deal. The space is  
5 awkward. I hope our landlord isn't here. But the space is  
6 awkward. We are on three floors. We have literally people in  
7 cubbyholes, professional people, lawyers, accountants, in  
8 cubbyholes that I think are unsuitable for productive work.

9 We don't have a conference room that we could put  
10 the entire staff into in the event that we wanted to invite  
11 the board or in the event that I wanted to address the entire  
12 corporate staff. I have to go to each individual office and  
13 meet with them, as I have. But that's not the primary  
14 consideration.

15 The primary consideration is it is awkward space.  
16 There is a lot of dead space, unusable space that we're paying  
17 for, and so the building is not, I think, a good value for  
18 what we pay.

19 Secondly, over the long haul, the corporation would  
20 be better served by actually someday owning a building,  
21 whether it's 20 years, or 15 years, or whatever down the road,  
22 so that we would reduce over the course of the next 15 years

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1 looking ahead the M and A budget, if in fact the board sees it  
2 my way and shares my view that we ought to go out and at least  
3 attempt to purchase a building that would someday be paid for  
4 and would be a permanent headquarters for the Legal Services  
5 Corporation.

6 MOTION

7 MR. UDDO: Maybe I should just make a motion that we  
8 authorize the staff to study the possibility of purchasing, or  
9 let's leave it broader than that, study options for space  
10 needs for the corporation, and to present us with some  
11 detailed data and recommendations on what should be done.

12 MR. DANA: Is there a second?

13 MS. WOLBECK: Second.

14 MR. DANA: Moved and seconded. Any discussion?

15 (No response.)

16 MR. DANA: All those in favor, say aye.

17 (Chorus of ayes.)

18 MR. DANA: It's a vote. Thank you.

19 Don't go away. Let's move back to the -- I don't  
20 know that we have any -- yes, we do. Let's go back to item 2  
21 on the agenda and talk about reprogramming of the carryover  
22 funds.

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1 MR. UDDO: Mr. Chairman, do you think we could  
2 dispense with 7 rather quickly, or is that one that you think  
3 will take some time? I thought maybe we could get that out of  
4 the way. I have a view on what we should do about that.

5 MR. DANA: Certainly.

6 MOTION

7 MR. UDDO: I was going to suggest that the board  
8 take responsibility for hiring an auditor for the corporation  
9 and that we do that by putting it out for a bid to let the  
10 board make a determination about who should take over that  
11 responsibility.

12 MR. DANA: Is there a second?

13 (No response.)

14 MR. DANA: For purposes of discussion, the Chair  
15 will second that.

16 I think that on the question of who hires the  
17 auditor, it has come to my attention that the IG has expressed  
18 a view that if he not he should hire, he should be the  
19 auditor. And I think that the president feels, and he can  
20 speak for himself, that this is a responsibility of management  
21 and not of the board.

22 Am I wrong?

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1           MR. MARTIN: No, not exactly. I don't share that  
2 view. I would view it as a board responsibility that it could  
3 delegate to management to send out bids and to report back to  
4 the board on the bids that it has received. But I do not view  
5 it as a management responsibility. I clearly think it is  
6 board, with our assistance.

7           MR. UDDO: Yes, that's my point. I think it is the  
8 board's responsibility to see to it that the audit is done and  
9 done properly. I just thought maybe we could save some time  
10 by suggesting that to the full board.

11           MR. MARTIN: Might I say that before you do vote, I  
12 think that you, in view of the IG's interest in this, and in  
13 view of the sensitivity of the Inspector General's position, I  
14 think that there ought to be some study of that. And if I  
15 could help you, I have not seen his memorandum -- yes, I did.  
16 I got it late yesterday, have not had an opportunity to study  
17 it. I would like to do that with my counsel and considering  
18 the Inspector General Act, and advise the board further on at  
19 least management's view of his responsibility, which I am not  
20 prepared to do now.

21           MR. UDDO: That's fine.

22           MR. DANA: Just in response, it seems to me that

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1 this is really in the nature of a recommendation. I think you  
2 are correct. I think that the concept of -- I mean I want, as  
3 a director, I think we all should insist on having an outside  
4 independent, licensed CPA auditor to audit the corporation.

5 Management, and I think this committee, are in  
6 agreement that that should be done, as you indicated. And I  
7 think that we should make such a recommendation to the board.

8 If management, on reflection and on studying the  
9 IG's memo, wants to weight in with some other option at the  
10 next meeting, he can do that. But I think you are correct; we  
11 ought to proceed as he and you have indicated and make that  
12 our recommendation to the board. If it turns out we need to  
13 change our mind, we can do so next Friday.

14 MR. UDDO: Then I will let the motion stand.

15 MR. DANA: If there is no further discussion from  
16 the public or the board, all those in favor say aye.

17 (A chorus of ayes.)

18 MR. DANA: Opposed?

19 (No response.)

20 MR. DANA: It's unanimous. Thank you.

21 Now back to item 2. David, in Andy's remarks, he  
22 mentioned something about the \$300,000 which I associate with

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1 timekeeping. Could you tell us the status of that?

2 MR. RICHARDSON: To give a little history, there has  
3 been this amount of money carried forward for a number of  
4 years. Originally the money -- I think it was in '87 -- was  
5 \$475,000. The previous board reduced that to \$300,000 for the  
6 purpose of implementing timekeeping. And, of course, through  
7 the years that has not happened.

8 On Monday, in the president's forum, there was some  
9 discussion about timekeeping. I think at this point,  
10 Mr. Martin would like to use some of that money to help  
11 programs establish timekeeping and implement some studies in  
12 regards to timekeeping, instead of going through the process  
13 of, as we now see it, as implementation of timekeeping, but  
14 more on the study and helping programs establish a timekeeping  
15 system within their own parameters.

16 That money, I assume, will be spent sometime in this  
17 year, at least a portion of it.

18 MR. DANA: The issue is, at least in the short time,  
19 what is the status of those funds? I mean are they earmarked  
20 by a prior board or aren't they?

21 MR. RICHARDSON: Yes, sir; they are.

22 MR. DANA: Were they earmarked by Congress?

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1 MR. RICHARDSON: No, sir. That money has been drawn  
2 and left there from the carryover process.

3 MR. DANA: Was it ever appropriated on a line item  
4 by Congress?

5 MR. RICHARDSON: It was not, sir.

6 MR. DANA: So that it is entirely within, setting  
7 aside the issue as to whether the board or the management is  
8 involved in this issue, it is within our province to decide to  
9 spend that on whatever we want to.

10 MR. RICHARDSON: Absolutely.

11 MR. MARTIN: Mr. Chairman, you may recall that at  
12 the last board meeting, Ms. Pullen raised the suggestion that  
13 perhaps we ought to use some of those funds to encourage  
14 timekeeping by some programs. That idea was well received by  
15 the executive directors that I've talked to since our last  
16 board meeting, and we are considering our options under that  
17 concept and are interested in moving forward on it.

18 MR. DANA: I am glad to hear that. I'm anxious that  
19 we proceed appropriately in that regard, and I trust that it  
20 will be management's intention to make a proposal to this  
21 committee for reprogramming those funds. Or was it  
22 management's intention to proceed to spend them in accordance

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1 with management's own desires?

2 MR. MARTIN: We would certainly not spend them for  
3 any purposes inconsistent with the board's desires, which as I  
4 understand it now, it is committed to a timekeeping  
5 proposition, either training, training/or. And our idea would  
6 be to take up with a number of programs a voluntary  
7 timekeeping pilot project, if you will, that would be of value  
8 and useful maybe throughout the entire grantee, when and if  
9 timekeeping becomes a reality for all programs.

10 MR. DANA: But is it your intention to devise such a  
11 proposal and bring it to the board or implement it without  
12 bringing it to the board?

13 MR. MARTIN: I would certainly have no problem in  
14 bringing it to the board, if that is the board's or this  
15 committee's desire.

16 MR. DANA: Well, speaking for this director, I think  
17 that I favor the idea; as the chairman knows, wrote him  
18 suggesting that this would be a good idea. But I don't think  
19 it should be implemented without board involvement and without  
20 a clear understanding of what is proposed, and something in  
21 writing describing the program.

22 So I would hope that such a formal proposal could be

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1 made by management and presented to this committee for its  
2 consideration and recommendation to the board.

3 David, do you wish to comment on the concerns raised  
4 by Roger Rosenthal concerning the reprogramming of those  
5 migrant funds?

6 MR. RICHARDSON: Yes, sir.

7 We did call the corporation to verify some  
8 information. In 1985, there was an instance where a program,  
9 as we have heard outside the jurisdiction, and if I'm not  
10 mistaken was Louisiana, that a Texas program came forward and  
11 said that they would provide the legal services for the  
12 Louisiana area; however, those migrants would have to come to  
13 the offices in Texas to receive their services. That, of  
14 course, was denied.

15 Speaking of the Mississippi money, there was a  
16 proposal, and I think I have the dates, it would be in  
17 calendar year '86, that they did come forward and request  
18 money, but the corporation at the time deemed that their  
19 proposal for spending and their budget, their concept for  
20 spending was not satisfactory.

21 Checking further, the Office of Field Services tells  
22 me that no one has applied for the money since that time. And

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1 as Roger did also indicate, there is one program, I'm not sure  
2 if it's Kentucky or not, it may be, the grant was in the  
3 neighborhood of \$5,300, did return the money to the  
4 corporation because they did not use it in '90, and they have  
5 disavowed any claim to the '91 and subsequent year funding.

6 MR. DANA: I think, am I correct, that that is a  
7 \$5,000 grant?

8 MR. RICHARDSON: Yes, sir; \$5,300.

9 MR. DANA: So as far as the corporation goes, the  
10 only two programs, the only two applications for these funds  
11 is a Texas application for Louisiana funds, and the  
12 Mississippi request that was denied in '86, for some reason  
13 not clear at this time?

14 MR. RICHARDSON: Right. Just deemed unsatisfactory  
15 is the information that I received.

16 MR. DANA: Swell. Roger is here, and if your  
17 sources can supplement that, I know management would be  
18 interested in hearing about it, because we don't want, nobody  
19 wants a sense of chill in the air where it comes to fulfilling  
20 Congress's direction that this money be spent for certain  
21 discrete purposes.

22 MR. UDDO: David, could I just ask you, do you have

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1 any information with respect to my question about whether the  
2 corporation has been doing anything or has done anything to  
3 try to develop or attract providers for these grants in those  
4 areas? I know you're not the right person to ask that.

5 MR. RICHARDSON: Not in my tenure; no, sir.

6 MR. UDDO: You know they haven't?

7 MR. RICHARDSON: I know they have not.

8 MR. UDDO: Okay. So field services, no one has been  
9 trying to do that?

10 MR. RICHARDSON: Right.

11 MR. ROSENTHAL: One clarification. I think the  
12 Texas application we have been talking about was an  
13 application to serve farm workers in Arkansas, not in  
14 Louisiana, because Louisiana has continued to be served over  
15 time. And my understanding of the reasons for the denial by  
16 the corporation for the Arkansas was a supposed longstanding  
17 policy not to fund a program across a state line.

18 To my knowledge, first of all, there is quite a bit  
19 of historical precedent for funding programs across state  
20 lines, so I am not sure that the reason was valid.

21 The second point I don't believe is accurate, that  
22 there was an insistence that farm workers be served only in

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1 Texas. I think there was activity that was going to be  
2 exerted in Arkansas because they are contiguous states, and in  
3 one part of the state, farm workers go back and forth.

4 As far as I understand, I could be corrected on  
5 this, but my understanding from talking to folks in the last  
6 couple of days is that the reason was the state line issue,  
7 not any refusal to provide services within Arkansas.

8 MR. DANA: Are there any other observations that you  
9 wish to make on the testimony concerning the transfer of  
10 funds?

11 MR. RICHARDSON: I want to make one further  
12 observation. I think Mr. Uddo did touch on it. The figures,  
13 of course, have changed since now the Kentucky unit has  
14 disavowed any interest in the money that was allocated to  
15 them.

16 But this year, the funding that is available, based  
17 on the increase, has increased from the \$274,000 to almost a  
18 little over \$289,000. So if there are programs that come  
19 forward, there is startup money there available.

20 I think you had mentioned that we're halfway through  
21 the year. We, of course, fund them on a calendar year. So  
22 we're a quarter of the way through. Of course, if they do

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1 apply, it would probably be a three-month period, I would  
2 think, to get it in place and get it implemented.

3 MR. DANA: Any other comments on that subject,  
4 members of the committee?

5 (No response.)

6 MR. DANA: Hearing none, let's move to the 1991 COB  
7 proposal.

8 MR. STEINBERG: Mr. Chairman?

9 MR. DANA: Yes, Andy.

10 MR. STEINBERG: Just one point that was raised by  
11 Mr. Richardson. That is in regard to timekeeping. P.L. 101-  
12 515, which is the appropriation bill for the 1991 fiscal year,  
13 states in part: "Provided further that any changes in  
14 procedures and operational effects as of September 1989 that  
15 would have the effect of imposing timekeeping requirements on  
16 recipients must be adopted by rules or regulations in  
17 accordance with section 1008(e) of the Legal Services  
18 Corporation Act and all of the requirements of the act."

19 I would assume that it was congressional intent in  
20 providing that restriction that they viewed timekeeping as a  
21 serious and major change imposed on the operations of  
22 grantees, and that it was to be one that should be done by a

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1 confirmed board of directors after ample open process that is  
2 involved in adoption of any regulation.

3 And the Project Advisory Group would certainly want  
4 to participate in any discussion because of the questions,  
5 serious questions we have of the costs to a grantee of  
6 imposing a timekeeping requirement where it doesn't exist.  
7 And lack of benefit under those circumstances to use any  
8 significant amount of sum, even to set up an experimental  
9 program at this point is something we would urge be given  
10 careful consideration and, to the extent possible, that those  
11 funds be committed to general management and administration to  
12 preserve as much money for delivery and support as is  
13 possible.

14 MR. DANA: Thank you. I think the board and  
15 management is aware of the restrictions on imposition. It was  
16 never the intention of Ms. Pullen or the president or us to  
17 violate congressional constriction in this regard.

18 One of the principal criticisms, frankly, of  
19 proposals, one of the proposals known as the timekeeping  
20 provision of McCollum-Staggers-Stenholm, was that it was a  
21 universal, across-the-board, don't pre-test, lay it on the all  
22 the programs whether they like it or not, in some grandiose

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1 way.

2 An effort to test, an effort to experiment, an  
3 effort to try out variations on a theme in a voluntary way,  
4 where only programs that really wanted to do it because of the  
5 assistance it would give them in better managing their  
6 programs seems to me entirely consistent with authority that  
7 this board has.

8 But I certainly can sympathize and understand where  
9 you are coming from on trying to get as much money to the  
10 field as possible, but we have multiple responsibilities not  
11 just to the field; we have to make sure that we try and  
12 improve the program if we can, and this might well be an  
13 opportunity to enhance the ability of the field to provide  
14 high-quality, lost-cost, efficient, effective service to the  
15 public.

16 Thank you.

17 Now I think we are just about to move to this year.  
18 For the benefit of the audience that may not have the document  
19 that we will be referring to, in your board book there is a  
20 proposal for 1991 COB.

21 MR. RICHARDSON: Pages 16 and 17 in the board book.

22 MR. DANA: Thank you.

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1           On page 17, management has set forth that budget in  
2 its various departments, setting it forth in what I call a  
3 matrix. And it totals, in the lower right-hand corner,  
4 \$11,111,437.

5           I asked management to give us some backup to those  
6 recommendations, since there is a substantial increase over  
7 the actual expenditures for 1990. We have been given a  
8 document, and it's that document that I at least have some  
9 questions of David about.

10           For those in the audience, looking at page 17, I'm  
11 moving from left to right, and I'll start with the board of  
12 directors, not because that's necessarily where my focus is,  
13 but because that's the way the book was set up, I notice that  
14 your proposed budget anticipates only six meetings of the  
15 board of directors for this fiscal year.

16           What was the basis for that number? Maybe, David,  
17 if you participated in this, you would like to go over there  
18 so that we can --

19           MR. MARTIN: Dave and I have discussed this. He can  
20 answer that easily.

21           MR. RICHARDSON: Of course, the basis for this is in  
22 talking with the president, Mr. Martin, we have reviewed and

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1 seen how the board has functioned in the past, and we had  
2 anticipated, for instance, a meeting every other month.

3 There is also additional travel because we  
4 anticipate the confirmation process. I have allocated a  
5 slightly higher amount, as you will note, for the daily amount  
6 of the attendance fee, anticipating that that may be  
7 increased, may not, but trying to set forth additional funding  
8 if that would happen.

9 In relation to the travel, I've done the same thing.  
10 I've just --

11 MR. DANA: Excuse me. You have provided for six  
12 meetings for the year.

13 MR. RICHARDSON: That's correct.

14 MR. DANA: Now that includes confirmation?

15 MR. RICHARDSON: No, sir.

16 MR. DANA: Where is confirmation?

17 MR. RICHARDSON: In the travel. I'll go through and  
18 explain as I do. When we have, for instance, a meeting --

19 MR. MARTIN: Can I interrupt a minute? I want to  
20 clarify. The six meetings envisioned is committee meetings  
21 preceding a full board meeting. In other words, a two-day,  
22 six meetings, two days of duration. And that's how we figured

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1 it.

2 MR. DANA: And that is in addition to coming to  
3 Washington for confirmation?

4 MR. RICHARDSON: Yes, sir.

5 MR. DANA: And where is that travel, where are those  
6 dollars?

7 MR. RICHARDSON: There is a page in your book, it's  
8 dated travel or shown as travel. The first line there is  
9 board meetings, and there is an allocation of \$49,000 for the  
10 travel, hotels, meals of those meetings.

11 There is also 22 additional trips allocated as \$750  
12 apiece, basically thinking that there would be two trips  
13 possibly for each board member through the confirmation  
14 process.

15 MR. DANA: I assumed when I looked at that, didn't  
16 realize that you had confirmation in mind, I thought you were  
17 thinking that maybe board members might attend meetings of  
18 programs or other things.

19 MR. RICHARDSON: That certainly could happen. This  
20 is only a working estimate. Therefore, if there is additional  
21 money needed -- for instance, last year the board was  
22 allocated \$160,000 or so for operations. Because we've come

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1 down to the end of the year, I transferred, for instance out  
2 of my budget, \$10,000 to supplement that because of the  
3 additional meeting in Denver. My projection was, I felt, a  
4 bit low. Unfortunately, there were only six members that  
5 attended that meeting, so instead of spending what I felt  
6 would be up to \$170,000 last year, there was only spending of  
7 \$158,000.

8 I try to base it and give a full range of  
9 projections, then in my review process supplement it with the  
10 president, in the past, his discretion.

11 MR. DANA: Last year, without benefit of committees,  
12 I think we met most every month while we were in office, did  
13 we not?

14 MR. RICHARDSON: That's correct. You were in the  
15 process of selecting a president and getting educated with the  
16 different goings-on within the corporation.

17 MR. DANA: And this year we have committees.  
18 Speaking for myself, I am frank to tell you that I think that  
19 unless our board is going to become little more than a potted  
20 plant, we are going to need to spend a great deal more time  
21 carrying out our responsibilities.

22 Now, the \$300 daily rate, is that some compromise

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1 between where we are now and where we could go?

2 MR. RICHARDSON: Yes, sir; it is.

3 MR. DANA: And what are we paid now, and what could  
4 we be paid?

5 MR. RICHARDSON: Okay. You are paid at \$261 a day  
6 at this point.

7 MR. DANA: And what is the, as they say, the legal  
8 limit?

9 MR. RICHARDSON: It's \$389.

10 MR. DANA: Three hundred eighty-nine dollars?

11 MR. RICHARDSON: Yes, sir. We get that by the  
12 Executive Schedule, Level 5, which is 101.3, and divide that  
13 by 260.

14 MR. DANA: Now, it is also true that the board for  
15 some time has been operating on the premise that they are only  
16 paid for a day in which they are meeting; correct?

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

18 MR. DANA: They are not paid for travel.

19 MR. UDDO: Time.

20 MR. DANA: Travel time?

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

22 MR. DANA: And we are not paid for corporate

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1 business that we do in our homes or offices.

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

3 MR. DANA: Is it your understanding that is a matter  
4 of discretion, or is that the law? Because, frankly, the  
5 bylaws are quite ambiguous on this subject, at least in my  
6 opinion.

7 MR. RICHARDSON: Again, I would have to do some  
8 additional research. There was a restriction at one point put  
9 on how the money could be allocated, or the attendance fees  
10 that could be paid.

11 MR. DANA: I am intimately aware of that, but I  
12 think that restriction has been lifted.

13 MR. RICHARDSON: I think it has, too.

14 MR. DANA: Well, for the record, members of the  
15 committee and management, I'm of the view that it is important  
16 for board members to put in the time required to carry out the  
17 responsibilities that the President of the United States has  
18 asked us or has told us to carry out, hopefully, the Senate  
19 will let us continue to do.

20 I think that it is clearly not the only way, but one  
21 way to encourage private board members to fulfill their  
22 responsibilities is to make sure that they are compensated.

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1 And I don't know, candidly, where this committee will come  
2 down on that issue, but I would like to adequately compensate,  
3 encourage, promote board participation, education, and  
4 involvement in this responsibility. And if increasing this  
5 budget substantially would do that, I think it would be in the  
6 interests of the Legal Services Corporation and the field, and  
7 it would give -- and if we do something outrageous, it would  
8 give everybody an opportunity to demagogue on the subject.

9 MR. UDDO: Could I ask a couple of questions about  
10 that? I was taken aback, too -- I didn't get this until this  
11 morning -- that we are only predicting six board meetings. I  
12 mean I just think that is terribly unrealistic. And I'm  
13 wondering if anyone talked to Mr. Wittgraf about that before  
14 you settled on the number six?

15 MR. MARTIN: No, I didn't. Generally I did, but I  
16 envisioned that there would be a series of meetings early,  
17 like we're going to have now, and I did not envision a number  
18 of meetings over, let's say, the summer months. Averaging  
19 out, I figured that there would be at least six meetings,  
20 maybe more, plus a committee meeting in advance of that, as I  
21 understand was past practice.

22 So, no, I did not, other than quite generally.

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1 Frankly, as Dave said, this is a working estimate, and if  
2 additional meetings would be required and the board so desired  
3 to meet as often as it wanted to, we could certainly transfer  
4 funds from other -- or increase the projections.

5 The budget did not mean in any way to try to limit  
6 the board's ability to carry out its duties.

7 MR. UDDO: I'm sure it didn't, but I think that both  
8 symbolically and practically, that that figure has got to go  
9 up. I mean I'm coming from an experience where the board met,  
10 on average, once a month during the height of its activity. I  
11 mean there were some months where we met more than once. I  
12 don't know that that is going to ever be necessary again, but  
13 I mean I think that you have to, at a minimum, assume that a  
14 board that is going to take its responsibility seriously is  
15 going to meet on a monthly basis.

16 And I can also tell you that my Committee on  
17 Reauthorization, I'm expecting will hold at least three  
18 hearings independent of board meetings, because I think they  
19 are going to be two-day-long meetings to give everybody a  
20 chance. This is the first time in 13 years we're going to  
21 give everybody a chance to come and talk.

22 So I've talked to Ken about that. I think there are

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1 going to be at least three meetings of my committee in various  
2 parts of the country to take testimony and they will probably  
3 be two-day meetings themselves.

4 MR. MARTIN: In view of that, this is the first I've  
5 heard, Ken mentioned that you wanted to have some meetings,  
6 but when we did this budget, of course, these projections, we  
7 were unaware of committee structure. In fact, we didn't even  
8 have a board that had been even recess appointed when we  
9 started doing these projections, so it was kind of best  
10 guesstimates.

11 But we certainly would like your input as to what  
12 you think and this committee thinks is a more realistic figure  
13 based on what you've said today, and we certainly can work  
14 with you and come up with a better figure.

15 MR. UDDO: Fine.

16 MR. DANA: I think that would be a good idea. I do  
17 think that this is a big year in the life of Legal Services.  
18 We have reason to believe we are going to go through  
19 confirmation. We are considering reauthorization. If we are  
20 confirmed and if Congress gives us the authority, we will be  
21 in a position at least to consider either repealing, amending,  
22 revising, or doing something with our regulations, which we

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1 have been prevented from doing because we are not confirmed.

2 So I think that this is one area. I think, as they  
3 say, this budget needs work. And perhaps if you could confer  
4 with the chairmen of the various committees and get some sense  
5 of their anticipated needs for meetings, we could revise this  
6 number.

7 Now, still under the board of directors on several  
8 pages over, I think it may be the last page in this section,  
9 you have a \$15,500 figure, which on page 17 is called other  
10 operating expenses, and in here it's called office equipment,  
11 rent, maintenance, OIM admin comp only.

12 Could you tell me what does it mean in parentheses,  
13 the OIM admin comp only?

14 MR. RICHARDSON: Normally, the only areas that, for  
15 instance, would receive expenses would be offices within the  
16 corporation. Those are designations for them. For instance,  
17 my office, we would rent computers or facilities, equipment in  
18 that line, as far as we use an outside service for processing  
19 of payroll and this like.

20 In the budget's regards, some of the meetings that  
21 we come into, for instance the coffee setups and  
22 configurations are, I just put a total here, by the way, but

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1 your coffee services where you would have meetings within the  
2 board, that is charged to this particular line.

3 Also, the rental of audio equipment, when it is  
4 needed, comes out of this line. A lot of hotels do not have  
5 it, so we have to go to an outside service. Also, the court  
6 reporter, the fees are charged in this particular one.

7 So this is sort of a catch-all, and without breaking  
8 it down into every little minute detail, I've just used a  
9 total figure.

10 MR. DANA: And OIM stands for?

11 MR. RICHARDSON: It used to stand for the Office of  
12 Information Management. That has actually been incorporated  
13 into my office now as the Office of Financial and  
14 Administrative Services. And that would be the computer  
15 rentals and services. I just haven't changed it completely  
16 through the system.

17 MR. DANA: And administration is the next -- admin  
18 means administration?

19 MR. RICHARDSON: Yes, sir.

20 MR. DANA: And comp only stands for?

21 MR. RICHARDSON: Comptroller. And that is where we  
22 use the outside payroll services and data processing

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1 facilities.

2 MR. DANA: All right. What you're saying is that if  
3 you had to do redo this again, you might change the title to  
4 be more descriptive of the court reporter and coffee setups  
5 for board meetings?

6 MR. RICHARDSON: Certainly. But trying to remain  
7 consistent, you'll see that each page is the same, so I've  
8 tried to remain consistent throughout the budget document  
9 itself.

10 MR. DANA: Okay. Moving along --

11 MR. UDDO: Are you moving off the board?

12 MR. DANA: I was.

13 MR. UDDO: I have a question, and that's the page  
14 explaining consulting, \$47,000. Just some idea of what is  
15 included in that? I mean do we know we have some consulting  
16 fees that are coming up, or is that the board reimbursement?

17 MR. RICHARDSON: That's the board fees. That's your  
18 attendance fee.

19 MR. UDDO: Okay. That's the board fees.

20 MR. RICHARDSON: The expert witnesses' fees that  
21 I've put in there, for instance, I know you are going to have  
22 the confirmation hearings. There's the process of the Census.

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1 I don't know if you want to bring in different people then.  
2 I've tried to allow that type of flexibility.

3 MR. UDDO: Okay, I understand.

4 Am I correct that that opening minister is the  
5 invocation that we sometimes have at meetings?

6 MR. RICHARDSON: Yes, sir.

7 MR. UDDO: We spend \$500 a year?

8 MR. RICHARDSON: Approximately.

9 MR. UDDO: All right. That's the only question. I  
10 just wanted to make sure of that.

11 MR. DANA: Thank you.

12 Jeanine, do you have any questions about this  
13 subject?

14 MS. WOLBECK: (Shaking head.)

15 MR. DANA: Moving to the executive office,  
16 throughout this budget you refer to monies for a COLA increase  
17 of 4.1 percent for staff.

18 MR. RICHARDSON: Yes, sir.

19 MR. DANA: You also refer to step increases, monies  
20 for step increases. What is that all about?

21 MR. RICHARDSON: We have a two-step process as far  
22 as when we review employees. One, of course, is in this

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1 particular area, the Federal Government normally gives a cost-  
2 of-living increase to their pay scale. To maintain the same  
3 type of recruiting power, we do the same thing.

4 MR. DANA: That's the COLA.

5 MR. RICHARDSON: That's the COLA.

6 MR. DANA: I understand that.

7 MR. RICHARDSON: In regards to the merit, on  
8 everybody's anniversary, they have an evaluation system. So  
9 basically with each additional year of service, they can  
10 either be promoted to a different position or different level  
11 of position, or they can receive a merit increase for their  
12 additional years and faithful service to the corporation.

13 MR. DANA: Those are, in effect, raises; merit  
14 raises.

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

16 MR. DANA: Are there predetermined steps?

17 MR. RICHARDSON: Yes, sir; there is.

18 MR. DANA: Is that a matter of internal management  
19 policy? We haven't negotiated that, have we, with -- I don't  
20 think we have a union; correct?

21 MR. RICHARDSON: No, sir; we do not.

22 MR. DANA: So what we have is some kind of a -- is

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1 it primarily seniority-based or performance based?

2 MR. RICHARDSON: Performance-based.

3 MR. DANA: How does that work?

4 MR. RICHARDSON: For instance, a supervisor will  
5 have four or five people who work for them. They rate them,  
6 they evaluate them as to their level of expertise, their  
7 quality of work. That is then given to the director and he  
8 would also rate them and come up with an increase for them,  
9 increment being basically for a satisfactory employee.

10 And then we have superior and outstanding in the  
11 evaluation process. We also have marginal and unsatisfactory.  
12 And in those particular cases, we go through and basically set  
13 a work improvement plan, trying to get the employee to work up  
14 to par.

15 So we normally go the full gamut as far as review,  
16 and make sure that they are working up to standards.

17 MR. DANA: And on this page, there is \$23,000 for  
18 adjustments. What are those for?

19 MR. RICHARDSON: I have tried to give the president  
20 some discretion as to additional raises in his particular  
21 office and in regards to the unclassified positions. Salaries  
22 in the government, there has been major studies undertaken,

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1 and of course you are aware that the SES schedule has just  
2 taken a drastic increase.

3 So what I've tried to do is allow the president some  
4 flexibility to basically compensate the employees of his  
5 office and some of the directors a little higher than we've  
6 seen in the past.

7 MR. MARTIN: Mr. Chairman, may I? The steps and the  
8 levels that Mr. Richardson is talking about apply to a series  
9 of employees who are not at the director level or the  
10 comptroller's level. More or less the people who report  
11 directly to me in the executive office are not on that merit  
12 system.

13 So what he is talking about is my rating of the  
14 people who report directly to me, that's the money he is  
15 talking about right now, people not covered by the current  
16 merit system.

17 MR. DANA: In the executive office, you indicate I  
18 think that there are nine positions. Are they all filled at  
19 this time?

20 MR. RICHARDSON: Yes, sir; they are.

21 MR. DANA: All right. Who is the vice president?

22 MR. RICHARDSON: At the present time, that would be

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1 Mr. Shea.

2 MR. DANA: And the special assistant to the  
3 president?

4 MR. RICHARDSON: Would be Chris Dawe.

5 MR. DANA: And the executive assistant?

6 MR. RICHARDSON: That would be Rochelle Baker.

7 MR. DANA: Rochelle?

8 MR. RICHARDSON: Yes.

9 MR. DANA: And the other executive assistant?

10 MR. RICHARDSON: Ruby McCollum.

11 MR. DANA: And the administrative assistant?

12 MR. RICHARDSON: That would be Linda Martin.

13 MR. DANA: And the receptionist?

14 MR. RICHARDSON: A lady by the name of Tryphenia  
15 Dickens.

16 MR. UDDO: Could I just ask, maybe you asked while I  
17 was out of the room, you are still budgeting for a counselor  
18 to the president?

19 MR. RICHARDSON: Yes, sir.

20 MR. UDDO: Is it anticipated that there is going to  
21 be one?

22 MR. MARTIN: No. In another form, I think that I am

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1 going to use the monies that would be in that slot for  
2 Mr. Boehm, who is counsel to the board and assistant to the  
3 president.

4 MR. DANA: And the unclassified position that is the  
5 third one down?

6 MR. RICHARDSON: Yes, sir. That's the parachute for  
7 Mr. Wear. That was the remaining amount through the end of  
8 the year.

9 MR. DANA: All right.

10 And so it is not anticipated -- these people have  
11 been here right along since the beginning of the year. Is  
12 that correct? Or have they been added recently?

13 MR. RICHARDSON: Well, there have been some changes;  
14 yes, sir.

15 MR. DANA: Have these positions been filled since  
16 the first of the year?

17 MR. RICHARDSON: Yes, sir.

18 MR. DANA: So we've had nine people in this  
19 department since --

20 MR. RICHARDSON: We had eight originally and it has  
21 increased one, and that would be the special assistant to the  
22 president.

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1 MR. DANA: But he came onboard in early October, or  
2 later than that?

3 MR. RICHARDSON: I think he transferred into the  
4 office sometime in November or maybe early December.

5 MR. DANA: Okay. Please, I'm going to move on, but  
6 if you think I'm moving too fast or, more likely not fast  
7 enough, just tell me to get going.

8 Under special projects, 60 days, \$9,000. What is  
9 that about?

10 MR. RICHARDSON: Well, again, that was mainly giving  
11 the president an opportunity to, if he identifies a special  
12 project, and I actually had in mind at that point the upcoming  
13 Census and reviewing the possible consequences in regards to  
14 the funding to give him some latitude as far as hiring  
15 somebody on a short-term basis to let him look at it. There's  
16 no specific name, but that is basically what I had in mind.

17 MR. DANA: On the next page, you indicate that you  
18 provided for travel for the president to five meetings of the  
19 board at \$1,000 a meeting; is that correct?

20 MR. RICHARDSON: Yes, sir; at this point.

21 MR. DANA: And on that, do I infer that you  
22 anticipated that of the six meetings we were going to hold

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1 this year, that five of them were going to be out of town?

2 MR. RICHARDSON: Actually, I've anticipated three of  
3 them. In a way of just trying to consolidate things, I know  
4 for instance the president has some additional requirements  
5 that he would like to do, I just didn't break it out  
6 completely.

7 But, for instance, he just went to an ABA meeting.  
8 He's been to --

9 MR. DANA: Well, the president has \$10,000 set aside  
10 down below for additional non-board travel. But this is board  
11 meetings.

12 MR. RICHARDSON: Yes, sir. As we're looking at  
13 this, this is a projection that I worked out with Mr. Martin.  
14 This projection has already changed. For instance, we've  
15 already had the presidential forum. So there will have to be  
16 some realignment within this. I think, hopefully, the \$40,000  
17 will cover the additional travel that has been incurred.

18 MR. DANA: You have also provided, I think, that  
19 four members of staff would attend each of these meetings, and  
20 again at \$1,000 a meeting for travel, \$20,000?

21 MR. RICHARDSON: Yes, sir. Actually, it will end up  
22 being more than that, because when you go back through, you're

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1 got your three officers that are in the executive office, and  
2 then you have the special assistant to the president and the  
3 administrative assistant that normally goes.

4 MR. DANA: What is bothering me is that the  
5 operating assumption earlier was that we were going to have  
6 six meetings, and this would seem to indicate that five of  
7 them were going to be out of town. I just wondered if I am  
8 reading you correctly.

9 MR. RICHARDSON: No. The assumption is still that  
10 there would be three out of town.

11 MR. DANA: So that this would need to be revised,  
12 presumably?

13 MR. RICHARDSON: Yes, sir.

14 MR. DANA: Just as a matter of interest, I noticed  
15 that you anticipate that the board travel would cost \$750 a  
16 meeting, but that the staff would charge \$1,000. Is that  
17 based upon some historical precedent?

18 MR. RICHARDSON: Actually, it's just based on where  
19 we went to a couple of the meetings. Sometimes going out of  
20 Washington, you would think would think would be less  
21 expensive, but sometimes it's not. So basically I just  
22 traditionally pick one or two meetings and sort of average it

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1 out.

2 And, of course, in doing this, the president had  
3 mentioned that he would like to meet in specific areas with  
4 different client members, perhaps have a forum in those  
5 meetings.

6 MR. DANA: But these are characterized as board  
7 meetings.

8 MR. RICHARDSON: I understand that. But in  
9 conjunction with a board meeting, when he was talking about  
10 travel, so I had anticipated that there would be an extra day  
11 going out and coming back for those meetings.

12 MR. DANA: And you felt the same for the four staff  
13 persons as well?

14 MR. RICHARDSON: Yes, sir.

15 MR. DANA: And the two staff members in the policy  
16 department?

17 MR. RICHARDSON: I don't recall actually what I had  
18 budgeted there.

19 MR. DANA: You have \$10,000 for travel to five out-  
20 of-town board meetings. So we're up to an operating staff of  
21 seven going to five out-of-town board meetings, before we talk  
22 about the IG who I'm sure that he put in for only going to the

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1 three meetings, but for some reason he thought he could get by  
2 on \$750 a day. So maybe he's not going to go to the outside  
3 meetings.

4 MR. RICHARDSON: That, I'm not sure.

5 MR. MARTIN: Normally he would not.

6 MR. DANA: Anything else under the executive office?  
7 Oh, yes. Presidential initiatives. There's one line for  
8 \$101,437. And I think there was some explanation of that in  
9 one of the documents that I have read, but it's not here.  
10 Could you give us some guidance as to -- I know the president  
11 has a presidential forum, and presumably that was going to be  
12 used for that.

13 Are there other presidential initiatives, or is this  
14 a sort of discretionary item as they will come along?

15 MR. RICHARDSON: It is more or less a discretionary  
16 item, but there is some thinking as to what this will fund.  
17 For instance, you did say the forum. Coming out of the  
18 presidential forum on Monday, there was some discussion as to  
19 some training. There is a young lady, Mary Trimbell Norris I  
20 think is familiar to Mr. Uddo, who works with the Native  
21 American Unit. She had asked for some money for some  
22 training. So we anticipate using some of that money for

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1 training of the attorneys throughout the United States.

2 But it is mainly to give the president some  
3 flexibility in some decision-making, yes.

4 MR. UDDO: Let me just ask one question. How is the  
5 determination made as to which folks have their bar dues paid  
6 for?

7 MR. RICHARDSON: By position. If you are in an  
8 attorney position and it's required, then we would pay a bar  
9 due for you, a state bar due in most cases.

10 MR. UDDO: So all the attorneys in the executive  
11 office are listed here, president, vice president, counsel to  
12 the president, and I assume general counsel's office has their  
13 separate allocations for that?

14 MR. RICHARDSON: Yes, sir.

15 (A discussion was held off the record.)

16 MR. DANA: We've had an off-the-record, perhaps  
17 illegal meeting, dealing with the plans for a luncheon break,  
18 and they are these. We would like to take a 30-minute recess  
19 at this time, during which time we will check out and eat  
20 lunch, and we will be back at it, if all goes well, at 12:35.

21 (Whereupon, the meeting recessed, to reconvene at  
22 12:35 p.m., this same day.)

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## AFTERNOON SESSION

( 1 : 0 0

p.m.)

MR. DANA: I am going to call the meeting to order. We are back on the 1991 COB and reviewing management's report to the committee as to how they have arrived at the matrix that appears on page 17 of the board book.

I think we are at the Inspector General. I think I am correct that this indicates that as of the first of the year, there were only two employees in the Inspector General's office?

MR. RICHARDSON: There were two regular employees and one temporary.

MR. DANA: A Mortonson?

MR. RICHARDSON: That is correct, sir.

MR. DANA: Okay. Who is the \$10,000 temporary employee referred to in the second line.

MR. RICHARDSON: Yes, sir.

MR. DANA: And at the present time, we have three employees?

MR. RICHARDSON: Yes, sir. We have the IG and assistant and an administrative assistant.

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1 MR. DANA: Excuse me. They're permanent?

2 MR. RICHARDSON: Permanent. They are regular  
3 employees.

4 MR. MARTIN: Permanent. They are not temporary.  
5 They are --

6 MR. DANA: If I am reading this correctly, it is  
7 anticipated in this proposal that there would be an additional  
8 three other employees that would come onstream sometime during  
9 this year.

10 MR. RICHARDSON: That is correct, sir.

11 MR. MARTIN: Pretty quick. He anticipates making a  
12 couple of fairly quick hires, one in the audit area and  
13 another investigator.

14 MR. DANA: Just as a matter of interest, there is a  
15 COLA increase here and a step increase provided for as well?

16 MR. RICHARDSON: Yes, sir. You are inquiring as to  
17 why the step increase is so small?

18 MR. DANA: Well, there is presumably only one person  
19 that could come in for it. Is that it?

20 MR. RICHARDSON: That's true.

21 MR. DANA: Okay. I didn't know how long he had been  
22 here.

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1 MR. RICHARDSON: He has been here since December of  
2 '89.

3 MR. DANA: Now, I am correct, am I not, that the  
4 IG's office, you have budgeted a total of \$396,000?

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

6 MR. DANA: And for the first three months of the  
7 year, he is spending money at the rate of about \$120,000 a  
8 year?

9 MR. RICHARDSON: That's correct, sir. That is, of  
10 course, without the additional employees that he's wanting to  
11 hire and the additional projects that he's wanting to  
12 undertake. And that's the reason, of course, for the phasing  
13 in of the employees.

14 MR. DANA: Now, I think I am correct that the IG is  
15 not happy with this budget. Would that be a fair statement?

16 MR. RICHARDSON: That would be correct. Let me go a  
17 little further. He has based his budget on these employees  
18 being employed for the full year. That is basically the  
19 difference in this budget. Where he put 100 percent salary in  
20 for some of the employees, I put it in as to the time period  
21 that it looked like he was going to hire them based on a  
22 schedule that he had given me.

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1 MR. DANA: All right.

2 MR. RICHARDSON: Although he did want additional  
3 money in some areas. I think one in particular was the  
4 consulting line.

5 MR. DANA: You have not funded two staff positions  
6 at the bottom of the page. It looks like counselor to the IG  
7 and a secretary?

8 MR. RICHARDSON: That's correct.

9 MR. DANA: Is that a part of his request?

10 MR. MARTIN: Yes.

11 MR. RICHARDSON: Yes, sir. The phasing in, yes.

12 MR. MARTIN: He and I discussed the -- I think it's  
13 counsel to the IG that he was interested in, and I suggested  
14 to him that if he needed counsel, that not only was he a  
15 lawyer, but Mr. Reuter was a lawyer, and that he could call on  
16 the general counsel if he needed -- he seemed to feel that he  
17 needed his own counsel at some point, but that he could defer  
18 that now.

19 And I said, well, let's just defer it and see if you  
20 really do need one.

21 MR. DANA: The committee has a memorandum from him  
22 which we've all read and we can take that into consideration,

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1 and will.

2 Is there anything else on the IG?

3 (No response.)

4 MR. DANA: The general counsel's office. Do you  
5 have a breakdown by office of how many employees we had at the  
6 beginning of the year, in fact?

7 MR. RICHARDSON: Yes, sir; I do.

8 MR. DANA: Do you have that with you?

9 MR. RICHARDSON: You would like to know as to which  
10 offices had the level of employment at 10/1?

11 MR. DANA: Correct.

12 MR. RICHARDSON: 10/1, we had 121 employees, and  
13 that's comprised of eight in the executive office; there were  
14 three in the Inspector General's office, two regular employees  
15 and one temporary. The general counsel's office had 11.  
16 Policy, nine. Human resources, seven. Monitoring was 45.

17 MR. DANA: Does that include the various regional  
18 offices?

19 MR. RICHARDSON: It does not. I have them next.  
20 The Southern Regional Office had one employee. And the  
21 Pacific Region had four.

22 MR. DANA: And none for the other regions?

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1 MR. RICHARDSON: That is correct, sir.

2 In my area, finance and administration, there were  
3 15. And in field services, there were 18.

4 MR. DANA: Eighteen?

5 MR. RICHARDSON: Yes, sir. Now, all of these were  
6 regular employees with the exception of the one person in the  
7 IG's office. In preparing for the sequestration and the  
8 possibility of reduced funding, we had by October 1st not  
9 renewed the contracts of the temporary employees that were in  
10 the corporation. In the last six weeks, there were  
11 approximately 10 to 15 of those people who were not renewed.

12 MR. DANA: I'm sorry. In the last few weeks, people  
13 left and were not replaced?

14 MR. RICHARDSON: That is correct, sir.

15 MR. DANA: Do you have the current total of  
16 employees of the corporation?

17 MR. RICHARDSON: There are 122.

18 MR. DANA: One hundred and twenty-two. We've added  
19 one since then?

20 MR. RICHARDSON: Basically, yes.

21 MR. DANA: Net of one? And is the breakdown  
22 virtually identical, or are there some shifts within that?

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1           MR. RICHARDSON: It is virtually identical. There  
2 is a shift here and there.

3           MR. DANA: There are nine, for instance, in the  
4 executive office.

5           MR. RICHARDSON: That's correct.

6           MR. DANA: So those are the kinds of changes?

7           MR. RICHARDSON: Yes, sir.

8           MR. DANA: Thank you.

9           MR. UDDO: Could I just ask a question? In the  
10 general counsel's list of employees, you said he had 11. It  
11 looks like he's got about 15 here. Are there some new  
12 positions being proposed here?

13           MR. RICHARDSON: Yes, sir. There is an assistant  
14 general counsel, I think you'll see at 50 percent.

15           MR. UDDO: Three with 50 percent?

16           MR. RICHARDSON: Yes, sir.

17           MR. UDDO: Okay.

18           MR. RICHARDSON: And the counting, of course,  
19 Mr. Shea encumbered two positions. He was counted in the  
20 president's office.

21           MR. UDDO: Okay.

22           MR. DANA: What are these law clerks that appear on

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1 page 2?

2 MR. RICHARDSON: They are research assistants,  
3 people who are in law school in the area, and they help more  
4 or less like a paralegal would in a law firm, with research  
5 and writing.

6 MR. DANA: The \$300,000 for new litigation and other  
7 matters involving outside counsel?

8 MR. RICHARDSON: Yes, sir.

9 MR. DANA: You state as an explanation for this,  
10 that if competitive grant-making is implemented, it is likely  
11 to spawn a significant amount of litigation.

12 Am I not correct that we cannot put competitive  
13 bidding in place this year, even if we wanted to?

14 MR. RICHARDSON: Until after the confirmations;  
15 that's true. Confirmation process.

16 MR. MARTIN: No, I think that's inaccurate. I think  
17 that we have to do a study. Let me help you. I think we have  
18 to do a study this year, and that we cannot implement it until  
19 after October 1 of next year.

20 MR. RICHARDSON: Right.

21 MR. DANA: My sense is that it used to be as you  
22 indicated, but they have converted, in order to preserve the

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1 constitutional prerogative of the president, they have  
2 converted to a date certain.

3 It occurs to me, frankly, that that means that we  
4 are not likely during this fiscal year to be involved in  
5 litigation over competition.

6 MR. RICHARDSON: That would be true.

7 MR. DANA: And I think we've managed to lose most of  
8 our cases, and they're over.

9 MR. MARTIN: May I respond to that? Even as we  
10 speak, I think that there are possibilities of some further  
11 litigation, and I really believe that this amount may well  
12 reflect what we anticipate will be litigation costs.

13 Let me just say in addition to that, it is my desire  
14 to regroup the general counsel's office to bring in some  
15 seasoned litigators, people who have experience in either the  
16 U.S. Attorney's Office or other experience, that we can carry  
17 a bigger load for the litigation, if it occurs, in-house. But  
18 I don't anticipate being able to do that overnight. We are  
19 going to have to make a recruiting effort, and try to find  
20 some quite able individuals to fill that need. Until we do, I  
21 anticipate using outside counsel.

22 MR. DANA: My concern is that at the height of our

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1 litigation strategy, where we were hiring lots of lawyers all  
2 over the country, hiring them to defend our regulations and  
3 also hiring lawyers to provide legal advice to management as  
4 to the constitutionality of this corporation, we got to the  
5 highwater mark was \$300,000, I believe.

6 MR. RICHARDSON: Yes, sir. Last year was three  
7 hundred and --

8 MR. DANA: Change?

9 MR. RICHARDSON: Thirteen; yes.

10 MR. DANA: And I think we have been at least making  
11 noises of being a kinder and gentler corporation. Most of the  
12 cases that caused those expenses, and certainly we're unaware  
13 of any outside litigation so far -- I think I'm going to hear  
14 about some more next week -- so I have some strong misgivings  
15 about that line, especially since we are not in a position to  
16 promulgate any regulations this year.

17 If I were redoing that, I would desperately seek a  
18 new rationale for those kinds of funds if I was trying to keep  
19 the number high, which I am not.

20 Turning the page, in addition to all of the other  
21 dollars that we are spending to attend these out-of-town board  
22 meetings, we've got the general counsel and his staff

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1 attending board and committee meetings for another \$12,000.  
2 When you add policy, various places, we're spending one heck  
3 of a lot of money to go to out-of-town meetings. And it may  
4 turn out to be appropriate, but I think that needs to be  
5 looked at.

6 MR. RICHARDSON: It certainly is costly, going out  
7 of town, and there is usually a representative from each  
8 office that goes to the board meetings. We've had as many as  
9 10 people go to the different board meetings when they are out  
10 of town.

11 MR. MARTIN: Mr. Chairman, may I?

12 MR. DANA: Yes.

13 MR. MARTIN: I don't know that that is absolutely  
14 essential. As I say, I've been in the job three months. I've  
15 had one board meeting and attended a second. I don't know  
16 that it will be necessary to take those many people, but  
17 usually the general counsel or a representative of the general  
18 counsel is necessary, certainly not two people, but at least  
19 one representative from the general counsel's office.

20 MR. DANA: I don't quarrel with that. I think the  
21 totality of the staff travel to out-of-town board meetings  
22 seems high.

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1           Now, on the next two or three pages over, at the  
2 bottom you have a litigation fund, "See budget attachment A."  
3 And budget attachment A was not distributed. Do you have such  
4 a document that would help us understand that?

5           MR. RICHARDSON: At this point, no. In the past we  
6 have, and again that should have been erased at this point.  
7 This \$69,000 is an estimate based on what meetings I've had  
8 with general counsel and the personnel litigations and the  
9 other matters that they have pending at this point.

10          MR. DANA: What is it? Is it judgments?

11          MR. RICHARDSON: Yes, sir.

12          MR. DANA: I am planning to move on to policy  
13 development. For other than the brand new departments, the  
14 dollars you have set aside for the step increases tend to be  
15 about twice the size of the COLA, at least it so appears. Is  
16 that a fair characterization?

17          MR. RICHARDSON: In some cases.

18          MR. DANA: But not in all?

19          MR. RICHARDSON: And not in all.

20          MR. DANA: Collectively, they amount to a fairly  
21 large number. And I think I have that. For me it's a source  
22 of some concern because of some of the testimony we heard

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1 earlier today and we've heard before about the level of  
2 salaries in the field.

3 I don't know where that is. Have you added the  
4 COLA, the step increases, and the reserves for bonuses for --

5 MR. RICHARDSON: I have not.

6 MR. DANA: I've done that.

7 MR. MARTIN: We will get that for you. Oh, you've  
8 done that?

9 MR. DANA: I think I've done it. The issue is where  
10 I've put it. I think I am correct that the sum total of the  
11 staff increases, salary increases for existing staff, comes to  
12 \$475,174 or 10.7 percent of last year's total staff  
13 compensation. And that is a very big number in legal services  
14 circles.

15 It's not that I think the staff doesn't deserve it,  
16 but I think the concept of giving a 10.7 percent increase to  
17 very capable central office staff, while we simultaneously ask  
18 the field to live with a 4.1 percent increase, sends the wrong  
19 message.

20 MR. RICHARDSON: If I may respond?

21 MR. DANA: Please.

22 MR. RICHARDSON: Okay. You are looking again, as

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1 compared with last year's actual. For instance, if someone  
2 gets a raise, for instance, in July, we only funded three  
3 months of that last year. And, of course, that raise this  
4 year is a full 12 months. The same thing if somebody gets it  
5 in August or September, they are only getting a part of the  
6 year.

7 In looking at most of our staff, it seems like that  
8 they do, they will vary throughout the year, but many of them  
9 come late in the year. They come May, June, July, August.  
10 Now there are some up front, but that's the reason it does  
11 appear to be so high over last year's actual. But if you base  
12 it on the salaries as they stood at 10/1, it's definitely not  
13 that high a figure.

14 MR. DANA: What is it?

15 MR. RICHARDSON: This figure tends to be about  
16 5 percent. Now, as I had indicated one other time, there is  
17 some additional funds in there for flexibility on the  
18 president's behalf. That is for additional merit review for  
19 the unclassified people. Our salaries have, of course, been  
20 capped by the president's salary ever since the start of the  
21 corporation. And with the increase that was statutorily given  
22 this year, I made some allowances to give him some additional

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1 discretion with the directors this year.

2 MR. MARTIN: Might I add, Mr. Chairman, correct me  
3 if I'm wrong, Dave, these are your projections, and these  
4 won't necessarily, depending on the assessments that I make  
5 throughout the year of what my managers and directors, how  
6 they are assessing their employees will depend in large part  
7 on whether or not the 5 percent increase that Mr. Richardson  
8 has talked about is ever reached.

9 MR. RICHARDSON: That's correct.

10 MR. MARTIN: And I can't tell you that is what will  
11 occur now or not, because I don't know what will come to me in  
12 the form of recommendations.

13 MR. DANA: Dave, if you look at page 17 in the board  
14 book, and let's just look at Office of Policy Development,  
15 because that's where I am, you propose to spend \$465,000 in  
16 this year on salaries.

17 MR. RICHARDSON: Yes, sir.

18 MR. DANA: Now, that includes the COLA and the step  
19 increases. In this particular case, there were no additional  
20 adjustments. Correct?

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

22 MR. DANA: So that if all of the departments -- and

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1 so if you go across that line, you plan to spend for executive  
2 compensation, or for compensation for personnel, \$5.4 million  
3 roughly.

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

5 MR. DANA: Including \$475,000 of authorized raises,  
6 in round figures. So if you back the raises out of the \$5.4  
7 million, you've got a proposed \$475,000 in raises on a base of  
8 about \$5 million, which comes very close to 9 percent across  
9 the board, I think, if I've done my math right.

10 Do you follow me?

11 MR. RICHARDSON: Right, sir.

12 MR. DANA: Where is the 5 percent that you were  
13 talking about?

14 MR. RICHARDSON: Okay. In the step increases is the  
15 5 percent. In the COLA is the 4.1.

16 MR. DANA: I see. My only point was that when you  
17 combined the two increases, you get pretty close to a 9 or 10  
18 percent increase for staff.

19 MR. RICHARDSON: Yes.

20 MR. DANA: And my concern about that is that we have  
21 lawyers in the field who are working for poor people at very,  
22 very modest raises, salaries. And I think that sends the

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1 wrong message. I'm uncomfortable with paying, in effect, 10  
2 percent raises to central office and insisting that the field  
3 deals with 4.1 percent.

4 MR. MARTIN: Mr. Chairman?

5 MR. DANA: Mr. President.

6 MR. MARTIN: May I just respond to that? I share  
7 your concerns, and I'm aware of that. I take full  
8 responsibility for the 4.1 percent. That's what President  
9 Bush gave other federal employees, and while we are not a  
10 federal employer or federal corporation, we do compete in a  
11 federal market here. And I just felt it was incumbent upon me  
12 for not only the goodwill, but to maintain the COLA level that  
13 the rest of the government was doing.

14 MR. DANA: I have no problem with that.

15 MR. MARTIN: And in addition, your second point, the  
16 merit. I have always believed in a merit system, that people  
17 ought to be compensated and their hard work recognized and  
18 rewarded. And I intend to do that at the corporation. That's  
19 part of my management philosophy.

20 On the other hand, if someone does not perform, I  
21 intend to also recognize that, and there won't be a merit  
22 increase. But the Federal Government kind of is the 900 pound

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1 gorilla here in town. It has a merit system for its senior  
2 employees, executive employees. It has a pay system of step  
3 increases that people get it, regardless of their performance.  
4 They get it if they survive and live another year in the  
5 government, they get an increase, and it's between 2 and 3 and  
6 4 percent.

7 At least we in the corporation require merit. There  
8 is a possibility that not only will they not get an increase,  
9 but they may lose their job if they don't perform. But also I  
10 feel it's incumbent to recognize increases. And Mr.  
11 Richardson followed my direction in projecting these figures.  
12 They may not reach the -- the COLA I think I'm stuck with. I  
13 mean in terms of whatever the President does, I think if a  
14 COLA is given, I am committed to give one, I think. I'll  
15 revisit that when the next time for a COLA comes, but as to  
16 the system of a merit, I just think it's very important for us  
17 to recognize good work and also recognize poor work.

18 So I share your concern, but also you recognize that  
19 we live in the seat of the government and have to compete in a  
20 labor market and with a market that is quite difficult.

21 MR. DANA: I do recognize that, and that's not my  
22 concern. My concern, because I think that first of all, the

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1 cost-of-living increase, which is the COLA, is appropriate and  
2 if we have the money that's clear, but that our primary  
3 function is to fund legal services lawyers and staff in the  
4 field. And they're good people, too. And they are operating  
5 on -- we don't get that kind of money out to them. We haven't  
6 even asked for it.

7 And I think it sends entirely the wrong message to,  
8 one, give our people who deserve it, raises up around 9  
9 percent and then not even ask Congress for money to do the  
10 same for the lawyers that are on the front lines. That's the  
11 point that I am making, and I think that we heard this morning  
12 from an ABA official that he says we hire really good lawyers  
13 from legal services because we know they aren't being  
14 adequately paid. Right in this town, legal services lawyers  
15 are paid two-thirds of what public defenders are being paid.

16 So I have strong misgivings, not about paying 10  
17 percent to our staff, but paying them substantially more than  
18 the people on the front lines.

19 Now, you propose to pay or have paid somebody by the  
20 name of Kennedy \$15,000. What is that all about?

21 MR. RICHARDSON: There is a gentleman who is working  
22 with policy, writing some papers and doing some research in

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1 conjunction with the director and the president, a project  
2 that he has undertaken. I just put at this point \$15,000. I  
3 don't believe that it will reach that point.

4 MR. DANA: What is he doing?

5 MR. MARTIN: He is doing a study and a research  
6 project for me, involving -- it's a broad-reaching  
7 philosophical study for me, regarding the whole LSC process;  
8 that is, the philosophical base for what we do, our rights and  
9 our obligations, and I think it's going to prove very helpful.

10 MR. DANA: What's his first name?

11 MR. MARTIN: His name is Steven.

12 MR. DANA: And how long has he been doing this?

13 MR. MARTIN: About two months?

14 MR. RICHARDSON: Two months, but on a part-time  
15 basis. He works three or four hours a day, but not even every  
16 day.

17 MR. DANA: On the last page of this section, you  
18 indicate an item for data processing services, \$24,000 West  
19 Law. Do we have West Law now?

20 MR. RICHARDSON: Yes, we do.

21 MR. DANA: Have we had it right along?

22 MR. RICHARDSON: Yes, sir.

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1 MR. DANA: And is it \$24,000 a year?

2 MR. RICHARDSON: For the policy office, actually  
3 it's a little less than that. Again, for the process of just  
4 not breaking it out, you understand that we are doing an  
5 annual report and there is some data processing charges,  
6 typesetting, and that will also be contained in that line.

7 MR. DANA: After three months, we've only spent  
8 about \$3,000 in this line.

9 MR. RICHARDSON: That's correct. The project has  
10 really just gotten underway.

11 MR. DANA: How much of that is West Law?

12 MR. RICHARDSON: All of that would be, basically.

13 MR. DANA: When did we get West Law? We had it all  
14 year?

15 MR. RICHARDSON: Oh, yes.

16 MR. DANA: Of the \$24,000 that has been  
17 characterized as West Law, how much is West Law?

18 MR. RICHARDSON: Approximately \$12,000, half of  
19 that.

20 MR. DANA: And the rest is?

21 MR. RICHARDSON: Would be the processing of the  
22 annual report.

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1 MR. DANA: The fact book?

2 MR. RICHARDSON: No, sir; an annual report which  
3 would basically display the corporation in the best light, of  
4 course, for Congress; when the president is traveling,  
5 something to hand out, to give a history of the corporation,  
6 the funding level.

7 MR. DANA: Is this something we have done every  
8 year?

9 MR. RICHARDSON: No, sir.

10 MR. MARTIN: No. I raised it and described it at  
11 our last board meeting, a corporation report. It was done in  
12 the past, but infrequently, and in my judgment it is something  
13 that is a good idea for us to do. So you can blame that one  
14 on me.

15 MR. DANA: It's a good idea. You want to grab the  
16 credit for it.

17 Human resources. You've got a \$50,000 item for a  
18 secretarial pool. What's that all about?

19 MR. RICHARDSON: We maintain a pool of employees,  
20 usually in the neighborhood of three or four people, that  
21 basically float through the corporation. If there is a short-  
22 term need, for instance, in Office of Field Services for some

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1 typing, filing, they would be detailed to that area. Also in  
2 monitoring, if there is a need for secretarial help or fill-in  
3 help, that money would fund it.

4 MR. DANA: These are what we call in my law firm  
5 floaters?

6 MR. RICHARDSON: That's exactly right, sir.

7 MR. DANA: Fill in for vacations and sickness?

8 MR. RICHARDSON: That's right, sir.

9 MR. DANA: They are not included in the 121?

10 MR. RICHARDSON: Of course, we had none at the  
11 outset of the year. We let their contracts expire. So you  
12 are correct; there was none.

13 MR. DANA: We don't have any now?

14 MR. RICHARDSON: Actually we do. We have two, I  
15 think it is. You're looking at the increase -- we've had  
16 people leave also. There is one person in particular I'm  
17 aware of.

18 MR. DANA: So we have nine people in this department  
19 at the present time, including the two secretaries?

20 MR. RICHARDSON: I think that's correct, sir; yes.

21 MR. DANA: In your department, you have I think a  
22 request for two additional people?

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

2 MR. DANA: And they are not, they have not yet been  
3 employed.

4 MR. RICHARDSON: That is correct.

5 MR. DANA: And you've got a management assessment.  
6 You want to spend \$15,000 for that. What's that about?

7 MR. RICHARDSON: Again, under Mr. Martin's  
8 direction, we have had a person come in and review and  
9 interview our directors, managers, and some key employees in  
10 the office to give him some additional insights into the  
11 operations and the ongoings in the corporation.

12 MR. DANA: All right. Is that completed yet?

13 MR. MARTIN: It is complete.

14 MR. DANA: And the other management needs for  
15 \$5,000, what is that?

16 MR. RICHARDSON: That is basically just a  
17 contingency fund, to give some additional flexibility. At the  
18 time, of course, we had somewhat of an idea of how much the  
19 management study was going to cost, but I put an overrun  
20 figure in there in case it did cost a little more.

21 There is also, backing up, as far as Peat Marwick,  
22 the expenses there, I just wanted to make sure that we had

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1 additional funds so that we wouldn't have a problem. And also  
2 with the annual report, it will probably cost \$1,000 to \$1,500  
3 to have Peat Marwick give their report in the annual report.  
4 They give somewhat of a shorter version, and there is a  
5 different statement other than your normal qualified statement  
6 that's in the financial statements. And the management  
7 training, also in this line.

8 MR. DANA: And the financial management system for  
9 \$8,800?

10 MR. RICHARDSON: Yes. We have an off-site computer  
11 expert who reviews, updates our computer needs. We do that  
12 through telephone modem, and you will also notice that there  
13 is a slight cost for travel in there because he normally does  
14 come into Washington once a year to update and keep the system  
15 up and running.

16 MR. DANA: You have indicated, commendably, that you  
17 are only going to spend \$700 to travel to six meetings of the  
18 board, out of town. I think we ought to endeavor to  
19 standardize our approach to this subject.

20 MR. RICHARDSON: I agree. I will work on that.

21 MR. DANA: What are the miscellaneous requirements  
22 of MAC for \$100,000?

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1           MR. RICHARDSON: Occasionally they'll have a need,  
2 for instance, for a specialist in a particular area, and they  
3 will want to employ them on a personal services contract,  
4 typically an attorney or a CPA that they want to undertake a  
5 special assignment.

6           So in this case, instead of hiring them as a  
7 consultant, they will be -- and a consultant is usually paid a  
8 daily rate for the monitoring assignments -- they will do  
9 their monitoring on site and they will issue the report. In  
10 this particular case, they may be in the corporation for a  
11 month, six weeks, so because they are under the direct  
12 supervision of the corporation, they are not working on an  
13 independent assignment such as a consultant would, we've got  
14 to allow funds for a temporary employee status there.

15           MR. DANA: You're spending money in that area at the  
16 rate of about \$12,000 a year. Is that just because you  
17 haven't been doing much of that?

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

19           You might want to back up. Last year there was a  
20 bit more because -- when I mentioned the secretarial pool,  
21 when people go up for a day, a couple of hours, that's charged  
22 to human resources. If they have a particular project that

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1 they need a secretary for a three-week period or a month  
2 period, then it would come out of this pot of funds also.

3 MR. DANA: There appears to be only two requests for  
4 additional employees in this area. Is that true?

5 MR. RICHARDSON: Yes, sir. It's the way it was  
6 initially done. You might notice that there are names  
7 recognized by there. One gentleman, to give you a little  
8 background, had to resign under the circumstance, but he took  
9 a temporary assignment. He speaks a couple of different  
10 languages, and he's actually in Europe doing some teaching,  
11 but he wants to come back to the corporation.

12 MR. DANA: Is that the RE analyst, or the secretary  
13 to?

14 MR. RICHARDSON: No. The RE analyst, MR. Huckelby.

15 MR. DANA: RE stands for real estate?

16 MR. RICHARDSON: No. Research and evaluation  
17 analyst.

18 MR. DANA: And I note that we have more expense for  
19 board meeting for this department as well.

20 MR. RICHARDSON: Yes. Normally your director of MAC  
21 and perhaps a manager would come to a board meeting.

22 MR. DANA: Now, under I guess it's the Office of

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1 Field Services line, there appear to be 18 employees there,  
2 with a request to add three others, two ADT threes.

3 MR. RICHARDSON: Yes, sir.

4 MR. DANA: What are ADT threes?

5 MR. RICHARDSON: It's basically assistant to the  
6 director. In these particular cases, they were attorneys. We  
7 actually had people in those positions last year who resigned  
8 during the year and were not replaced.

9 MR. DANA: Have they been replaced?

10 MR. RICHARDSON: They have not been as yet; no, sir.

11 MR. DANA: And then there's -- I can't even guess,  
12 at the bottom. What's that?

13 MR. RICHARDSON: Your presidential initiative.

14 MR. DANA: No. The one above that.

15 MR. RICHARDSON: Okay. There is a gentleman who is  
16 on detail from another office, so 25 percent of his salary,  
17 the first three months are in this budget, and they are  
18 subtracted from another.

19 MR. DANA: Is he an employee or was he an employee?

20 MR. RICHARDSON: Yes, he is an employee.

21 MR. DANA: Of this department?

22 MR. RICHARDSON: Actually of the policy office. And

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1 he's been transferred to this office.

2 MR. DANA: But you've only got him there for 25  
3 percent of the time. He'll be transferred back?

4 MR. RICHARDSON: That was the assumption at the  
5 time; yes, sir.

6 MR. DANA: And what does the substant. supt. coor.  
7 stand for?

8 MR. RICHARDSON: You're talking about the  
9 presidential initiative?

10 MR. DANA: No. What is the substantial  
11 superintendent cooperative?

12 MR. RICHARDSON: It's an abbreviation for -- let me  
13 double check.

14 And this may be wrong, I've got the same  
15 abbreviation here, but I think it's substantive support  
16 coordinator.

17 MR. DANA: Great. That makes sense.

18 I suppose I should ask you what the presidential  
19 initiatives are.

20 MR. RICHARDSON: Coming into the corporation, we do  
21 have a central file or an Office of Field Service file area.  
22 We don't have a central file system. Every office has their

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1 own file system as far as a chron file and historical files.  
2 It's the president's wish that we set up a central file system  
3 where we can bring all the historical documents together in  
4 one area.

5 The presidential initiative was to set money aside  
6 for the possibility of hiring a library researcher, library  
7 assistant to set this up, and we are actually in the process  
8 of writing a job description and going into the marketplace  
9 and trying to hire somebody.

10 MR. DANA: Okay.

11 Now, this budget indicates, or the documents  
12 presented indicate that you intend to go from 121 to 150.  
13 That's the objective.

14 MR. RICHARDSON: That's correct, sir. On the FT,  
15 full-time equivalent basis.

16 MR. DANA: On a full-time equivalent. So you might  
17 go higher on a --

18 MR. RICHARDSON: Of course, that's what's built into  
19 the next year's budget, and some of the determining factor in  
20 increasing it further.

21 MR. DANA: I've gone through this backup book and  
22 I've added up all of the positions that indicate that they are

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1 present for 100 percent of the year, and they blissfully add  
2 up to the 121.

3 And then, as I read it, you have provided for 18  
4 additional positions, staged in over the year, which come up  
5 to 139 positions, not 139 FTEs, but something less than 139  
6 FTEs.

7 MR. RICHARDSON: Okay. I would have to go back and  
8 double check that, but what I also do is where we look at, for  
9 instance, the \$100,000 in monitoring, I put a full-time  
10 equivalency on that, too, because I have some history as far  
11 as knowing that they hire a secretary at a \$7.50 or \$8 rate.  
12 So I factor that in also.

13 So we are not only looking at the full-time  
14 positions, but I've worked in the anticipated temporary  
15 positions also.

16 MR. DANA: All right. If I add the employees that  
17 you indicate an intention to phase in during the first four  
18 months of the fiscal year, we should be around 134 employees.

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

20 MR. DANA: And since we are only at 121 or 2, we are  
21 obviously not going to spend the dollars that are in here,  
22 when we otherwise would have been at 134.

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

2 MR. DANA: So my feeling is that there may well be  
3 some dollars in here that are not appropriate or not, given  
4 the fact that you haven't had a board to act on this, you  
5 haven't been in a position to hire the employees, although  
6 that parenthetically does not appear to have stopped other  
7 initiatives from going forward, but it doesn't seem -- so I'm  
8 sensing that there may be more dollars in this budget for  
9 personnel than we are likely to be able to spend, since we  
10 haven't spent it yet.

11 In fact, if you take the first three months of the  
12 year and project that out, not necessarily -- you'd like to  
13 have two or three more months in order to get a good  
14 projection, but it looks like we are spending money within the  
15 M and A line at a rate less than \$9 million.

16 MR. RICHARDSON: That is correct.

17 MR. DANA: Okay. Yet management wants us to budget  
18 at the rate in excess of \$11 million.

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

20 MR. DANA: I guess I have some misgivings about  
21 taking money away from the field that desperately needs it, in  
22 order to fund an operation that may not need it. My concern

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1 is the size of the -- I mean I'm troubled by this apparent  
2 disparity between the rate and the actual line.

3 MR. RICHARDSON: That is true. Of course, that is  
4 the reason that we have our monthly and quarterly review  
5 process. We do go back in. We don't completely ignore this.  
6 During the coming year, we will then go back in. I do  
7 projection again in March, another one in July, and there is  
8 discussion of the moving of funds. That's when that  
9 traditionally occurs.

10 For instance, last year we were speaking of the IG's  
11 office. We were projected him to have six employees last  
12 year. Of course, he didn't. So when we went back in and did  
13 our projections, saw that the money was not going to be spent,  
14 it was reallocated, reallocated to the board and to monitoring  
15 through the corporation.

16 MR. MARTIN: I just want to supplement what he said,  
17 Mr. Chairman, and that is this. While it may appear that  
18 there is going to be some money available, my view of what I  
19 need to do to manage the corporation is influenced by what I  
20 ask the various managers and officers in the corporation to  
21 provide me with their proposals in order to accomplish their  
22 mission.

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1 I got that in through Mr. Richardson and assessed  
2 it. And so this budget reflects that, the increases in the  
3 various offices. For instance, the general counsel's office,  
4 I mentioned I want to do something there that's a little  
5 different. I want to have some seasoned attorneys there.

6 The IG office, I think, ought to have a bigger role  
7 than it has in the past in terms of his own personnel. And  
8 field services has a couple of increases, to replace some  
9 attorneys who are not there, who have resigned.

10 The reason we're at 121 and not at what I think was  
11 budgeted for, a good deal more than that, is because of the  
12 fear of sequestration last year. I'm hoping that doesn't  
13 happen again this year, but I want to do is to get the  
14 corporation back up to what I believe has been recommended as  
15 needed by my managers in order to function fully and  
16 adequately.

17 It may be that as I go along and continue to manage  
18 the corporation, that what I have projected and what I have  
19 received from my managers won't be necessary, but based on my  
20 assessment now, we ought to be increasing our numbers in the  
21 areas that I've recommended in this budget.

22 MR. DANA: I hear you and I think that fullness and

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1 adequacy is something that everybody would like. It's our  
2 responsibility, as I see it, to balance the needs in the field  
3 with the needs at the central office. And I think it would be  
4 helpful to this committee, frankly, to learn a little bit more  
5 about the needs to go from 121 to 150 during this year. I  
6 guess 150 full-time equivalents, which would mean going even  
7 higher.

8           If we are at 121 now and we are four months into it,  
9 it is to my way of thinking at least an issue of policy as to  
10 what those people would do, and whether or not in the weighing  
11 of the needs of the field with the needs of central office,  
12 which is essentially what we are being asked to do when we  
13 move money, hold over money, or not squeeze central office for  
14 the benefit of the field, those kinds of tradeoffs are really  
15 one of the functions of this committee and ultimately the  
16 board. And I am feeling the need of some support for this  
17 rather substantial personnel explosion that you have proposed,  
18 especially in view of the fact that I think you want us to ask  
19 Congress for a central office staffing level of 165 for the  
20 year starting next year. We're at 121 now, you want to go to  
21 a full-time equivalent of 165 in seven or eight months.

22           To just do that without learning why or what the

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1 basis is, I understand we have spent \$15,000 for a management  
2 study, my guess is that that maybe buried in that management  
3 study is some support for what you are trying to do. But I  
4 regard it, without meaning to -- you say your job is to manage  
5 this corporation, the bylaws give that responsibility to us.

6 Maybe we are playing with words, but I think you  
7 administer. I think we are charged with, at least under the  
8 bylaws, with providing some of that managerial oversight and  
9 direction to you and to the corporation, which you can  
10 typically only do it in a budget context, because the actual  
11 doing it is in the hands of the people who are here all the  
12 time.

13 Last year we asked Congress for \$10,746,000 for the  
14 M and A line, composed of \$10,146,000 for M and A, \$500,000  
15 for competition and board initiatives, and \$100,000 for  
16 competitive matters.

17 Congress gave us that money, minus a \$1.925 million;  
18 right?

19 MR. RICHARDSON: No, sir. We are funded at  
20 \$8.821 million.

21 MR. DANA: And you told Congress in August, I think,  
22 that carryover funds would be \$1.925 million?

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1 MR. RICHARDSON: That's correct. And it was  
2 revisited again in the middle of September, and at that time  
3 we told them that anticipated carryover would be \$2.1 or a  
4 little higher.

5 MR. DANA: But if you add \$1.925 million to what  
6 Congress gave us, what does that equal?

7 MR. RICHARDSON: It does equal the \$10.746.  
8 However, that budget was prepared with anticipation of a  
9 \$900,000 carryover, and that was explained in the document.

10 MR. DANA: Now, management chose, I think, to assume  
11 that Congress was not funding the \$500,000 and the \$100,000.

12 MR. RICHARDSON: That's correct; they did not.

13 MR. DANA: Where do you find that?

14 MR. RICHARDSON: In the appropriation levels, it  
15 specifically says management and administration, \$8.821. If  
16 you are comparing that to the budget request, the new  
17 initiatives, the presidential and board initiatives, the new  
18 contingency funds were not included. Neither was the special  
19 emergency funds, the \$500,000 that was put into the field  
20 programs.

21 If you are thinking that they funded the corporation  
22 at what we asked for, then it would have been \$900,000 higher.

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1           MR. DANA: The carryover funds that you told them  
2 you were contemplating.

3           MR. RICHARDSON: That we built into our budget  
4 document. We're dealing with two different things at this  
5 point.

6           MR. DANA: What's troubling is that there's only one  
7 line that Congress funds. It's corporation management and  
8 administration. If they had funded, if they had given us what  
9 we had "asked for," they would have added \$863,000 to that  
10 amount.

11           MR. RICHARDSON: That is a possibility, but they  
12 have in the past, at least since 1986, broke out those  
13 fundings by the different budget categories; specifically,  
14 basic field, migrant, Native American.

15           MR. DANA: But with respect to the management and  
16 administration line, there's only been one; correct?

17           MR. RICHARDSON: That's correct, because they have  
18 not funded any of the special projects in the past that the  
19 board had asked for.

20           MR. DANA: I guess my problem with that conclusion  
21 is that I don't find it in the document. I understand  
22 management is telling us that, but Congress gave us \$10.743

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1 million, which comes out to exactly the number that we asked  
2 them for. And that number includes \$500,000 for board  
3 initiatives and \$100,000 for discretionary amount.

4 MR. RICHARDSON: I agree with your assessment, with  
5 the exception of one thing, and that is where we asked for  
6 \$10.746, anticipating a \$850,000 carryover, which would have  
7 funded M and A at \$11.5.

8 When I gave the proposal to both House and Senate,  
9 the \$19.25, it was with the anticipation of adjusting, of  
10 course, the M and A line, which ended up being the \$8.821.  
11 When you add those two together, of course, it does come up to  
12 approximately \$11 million, which is what, when you add the  
13 \$10.146 and the \$850,000 together, was the \$11 million that we  
14 had asked for for management and administration.

15 MR. DANA: But why do you assume that Congress  
16 turned down the board rather than turned down management and  
17 administration? I think, frankly, that at least the language  
18 of the report, I think I'm right -- "The conference agreement  
19 assumes that \$1.925 of funds carried over from fiscal year  
20 1990 are available to the corporation for management and  
21 administration, bringing the total amount available for  
22 management and administration to \$10,746 million, the level in

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1 the budget request. The corporation is directed to submit a  
2 report to the House and Senate Appropriations Committee  
3 regarding the source of any carryover funds, and to the extent  
4 the total amount exceeds \$1.925 million, to submit a  
5 reprogramming pursuant to section 606 of this act regarding  
6 any proposed use of such excess amount."

7 It may be that Congress is confused, but this seems  
8 to say that they gave us everything we asked for. And they  
9 say it brings it up to the \$10.746 million, the level in the  
10 budget request, which includes \$500,000 for board initiatives  
11 and \$100,000 for contingency, and \$10.146 million.

12 Now, it is possible, because Congress has made a  
13 mistake in the past, that they didn't fully appreciate that  
14 this request contemplated a carryover that -- there was the  
15 double counting problem.

16 MR. RICHARDSON: I understand that. That is  
17 certainly one way to look at it. I agree with that. As far  
18 as with the budget, that's one of the reasons that when I had  
19 talked with different members of the committee when the budget  
20 was prepared, for instance, for '92, and we would ask for \$13  
21 million I think it was for next year, that I didn't consider  
22 carryover, because we end up in a situation like this, where

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1 last year we did work it in and it wasn't considered; because  
2 if it was considered, then when you add the \$10.746 and the  
3 \$850,000 in carryover that we placed in the budget document,  
4 that we anticipated the carryover, it was not counted.

5 MR. DANA: I understand, I think you understand,  
6 it's possible that Congress understands, it's possible they  
7 don't, but I don't think it follows from what Congress said in  
8 their report to the corporation that they rejected our  
9 \$600,000 items. I think management has chosen to view it that  
10 way, but I don't think it flows from the words.

11 In addition to the \$300,000 that we have earmarked  
12 for timekeeping, are there any other reserves that we are  
13 carrying or holding over?

14 MR. RICHARDSON: Yes, sir. There is one additional  
15 allocation, which is \$50,000 for a board training project.

16 MR. DANA: Is that underway? Have we spent any of  
17 that?

18 MR. RICHARDSON: No, sir. What we ended up doing  
19 is, we were going to try to produce the materials inside, and  
20 that was what was contemplated when the \$50,000 was set aside.  
21 Because of reduced staffing level, there was a decision made  
22 to contract an outside writer. That \$5,000 paid that

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1 individual has not been subtracted from this \$50,000. It was  
2 done outside of the context of the original parameters that  
3 were laid out for the training materials.

4 MR. DANA: With the audience's permission, we will  
5 take a five-minute break.

6 (A brief recess was taken.)

7 MR. DANA: I think we will start. I think we are  
8 about to move back to the agenda and deal with some  
9 recommendations, but before we do, are there any of you hardy  
10 souls who have sat through this tedium who want to say  
11 anything to us about any of the subjects that we have been  
12 discussing?

13 (No response.)

14 MR. DANA: Let the record reflect there was a chorus  
15 of hands.

16 (Laughter.)

17 MR. DANA: Seeing none, we will move back to the  
18 agenda.

19 MR. UDDO: Mr. Chairman, if it's in order, I have  
20 some motions that I could make at this time.

21 MR. DANA: They are absolutely in order.

22 MOTION

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1 MR. UDDO: First, Mr. Chairman, we are long past the  
2 point when we should have done this, but to keep the record  
3 straight I am going to move that we approve the agenda that we  
4 just went through, just to make sure that no one ever accuses  
5 us of having followed an agenda that was not approved. So I  
6 move that we approve the agenda.

7 MS. WOLBECK: I second.

8 MR. DANA: With the Chair's apologies, is there any  
9 discussion?

10 (No response.)

11 MR. DANA: Hearing none, all those in favor say aye.

12 (Chorus of ayes.)

13 MR. DANA: Opposed?

14 (No response.)

15 MR. DANA: It's unanimous.

16 MOTION

17 MR. UDDO: Secondly, Mr. Chairman, on the second  
18 point on the agenda, the reprogramming question, I am going to  
19 move that we defer that to a future meeting of the committee,  
20 to give us a little more time to gather some information  
21 particularly about this migrant program situation.

22 So my motion is that we defer item No. 2 on the

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1 agenda.

2 MR. DANA: Is there a second for purposes of  
3 discussion?

4 MS. WOLBECK: I'll second.

5 MR. DANA: It's been moved and seconded. Some  
6 discussion on deferring this. I think there are some, I  
7 certainly have some questions, but what kind of difficulties  
8 will that present management to get the answers to those  
9 questions? What kind of time frame are we dealing with?

10 MR. MARTIN: Well, to the extent everything is  
11 deferred, it defers moving forward on personnel and other  
12 matters. We, of course, deferred it from the January 28  
13 meeting so the committee could meet.

14 It presents a problem, not insurmountable, but I  
15 guess as you gather information and we provide whatever it is  
16 you need, I don't know when you plan to meet again, but I  
17 guess we would need some indication of the direction you are  
18 going as we provide information to you, so that I can go  
19 forward or not go forward.

20 MR. UDDO: I would think that we could probably have  
21 a brief Audit and Appropriations Committee meeting in  
22 conjunction with my first reauthorization committee hearing,

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1 which I hope is going to be sometime in early to mid-March.  
2 Think we can do that, Ken?

3 MR. BOEHM: Sure.

4 MR. UDDO: I mean this is, what is this, this is  
5 mid-February. I think that would give us enough time to  
6 arrange it and notice it. So I would hope that that would be  
7 the time frame, because it shouldn't require very long, do you  
8 think, Howard, so that I could give over some of my time to  
9 that?

10 MR. DANA: I don't think so. I know that implicit  
11 in your motion to defer the carryover question will be to  
12 defer the operating budget as well, because that is a  
13 necessary piece of that.

14 MR. UDDO: Right. That was going to be my next  
15 motion.

16 MR. MARTIN: Let me ask you this. Are we talking  
17 about an amount in excess of the amounts that would carry over  
18 from the migrant fund and the \$28,000 for the Native American?  
19 Are we talking about more than that in terms of carryover?

20 That gives me a parameter which I can work in.

21 MR. UDDO: That is one of my primary concerns right  
22 now. I don't know, Howard, do you have any others? I mean

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1 I'm primarily concerned about that because of apparently the  
2 sort of vicious cycle we're stuck in here, where we don't have  
3 providers, the money gets budgeted, gets carried over, and  
4 nothing is being done apparently to get some providers.

5 So I would like to figure out what is the best way  
6 to handle that money.

7 MR. MARTIN: If we're talking about those two  
8 numbers, and we're talking approximately \$300,000, then that-  
9 -

10 MR. UDDO: That's my primary concern. I don't want  
11 to speak for Jeanine and Howard.

12 MR. MARTIN: I can go ahead and operate, if we're  
13 talking about those kind of parameters, I can certainly go  
14 ahead and manage the corporation and plan on going forward.

15 MR. DANA: In the carryover funds, I think we have  
16 \$803,000 in the M and A line; correct?

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

18 MR. DANA: And clearly, I guess, I don't have any  
19 concern about moving that from the M and A line from last year  
20 into the M and A category this year.

21 MR. UDDO: No, I wouldn't either.

22 MR. DANA: I don't think that should be a problem.

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1 We are spending money at a fairly tame rate. Really 8.6 is  
2 the rate after three months. We seem to be going along at  
3 that rate. And we have about 9.5 without regard to any other  
4 reprogramming, if you take last year's M and A dollars and  
5 this year's -- and the money that Congress has given us.

6 So I guess I don't know what your problem is.

7 MR. MARTIN: The rate could increase dramatically  
8 if, in fact, we -- not dramatically, but it could increase.  
9 For instance, I am going to be asking the board for approval,  
10 pursuant to congressional direction, to hire a person to  
11 conduct a study for competition. That has to be done in  
12 house, and it will have to be a temporary employee, but that  
13 will not be a low dollar person to get somebody with the  
14 requisite, who will go on and do a temporary study, and I want  
15 to get that underway right away.

16 There's a vice president that is open. I am  
17 interested in filling that. So there are a couple of, I  
18 guess, not low level positions, but fairly high level  
19 positions that I want to move on. And I really feel like I  
20 shouldn't wait much longer. October is coming.

21 MR. UDDO: Let me say something with respect to  
22 competition. I think that's something that is going to need

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1 to be done and need to be studied. I'm not so sure you should  
2 hire someone until the board makes a decision to go ahead with  
3 that study, and we've got at least one in the hopper. The  
4 guy's name is escaping me. Who is the guy that did that  
5 report to the board on competition?

6 MR. MARTIN: Mr. Uddo, as I see it in the  
7 congressional language, which I shared with my forum last  
8 Monday, I don't see that -- well, there is a mandate to do it  
9 in the congressional appropriation language.

10 MR. UDDO: I'm not sure. I haven't seen that  
11 language. Does somebody have a copy of that?

12 MR. DANA: Does somebody have that language?

13 MR. UDDO: I'm not sure what language you are  
14 referring to.

15 MR. MARTIN: I didn't bring it.

16 MR. UDDO: Is that the committee report?

17 MR. MARTIN: No. It's in the language itself.

18 MR. DANA: In one of the appropriation riders?

19 MR. MARTIN: Isn't it, Dave? Am I wrong?

20 MR. RICHARDSON: I think it's in the appropriation  
21 itself.

22 MR. MARTIN: It's in the language. Yes.

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1 MR. UDDO: I hadn't seen it.

2 MR. STEINBERG: WE do have it. It will take a  
3 moment to find it.

4 MR. UDDO: All I was saying is that I think before  
5 there is a decision to hire someone to do that report, I mean  
6 I think that we ought to make the board familiar with the  
7 previous study that was done, which I agree was I think a more  
8 generic kind of study about competition in legal services.

9 I think that that needs to be looked at, and I think  
10 the board needs to make a decision to go ahead with this. So  
11 I don't think that is an emergency. I think you can certainly  
12 hire a vice president without having the whole carryover  
13 committed to M and A.

14 You know you've got \$800,000 coming, pretty much no  
15 matter what.

16 And they still haven't found the language.

17 MR. MARTIN: Well, I plan to raise that language  
18 with the board at the meeting next Friday.

19 MR. UDDO: I'd just like to take a look at it. I  
20 mean if we don't have any choice, then it may affect my  
21 motion.

22 MR. MARTIN: I don't think you do, but you should

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1 look at it, I think.

2 MR. DANA: I have raised this before, I think it was  
3 under a prior administration. My understanding is that the  
4 corporation has conducted a series of pilot projects to test  
5 competition. And at one board meeting I asked for -- and  
6 studies have been made in house of how well it worked. And I  
7 asked for those reports, and they have never been forthcoming.

8 Lots of people would like to find those, would like  
9 the corporation to release them, because there is a suspicion  
10 out there that the reason the corporation hasn't released them  
11 is that they are not complimentary of the process.

12 MR. UDDO: Do you have the language?

13 MR. STEINBERG: I do, sir. It says, "Nothing shall  
14 prohibit a study" is the language. "Provided further that  
15 after October 1, 1991, but not before, the Board of Directors  
16 of the Legal Services Corporation shall develop and implement  
17 a system for the competitive award of all grants and  
18 contracts, including support centers, except that nothing  
19 herein shall prohibit the corporation board members or staff  
20 from engaging in in-house reviews of or holding hearings on  
21 proposals for a system for the competitive award of all grants  
22 and contracts, including support centers, and that nothing

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1 herein shall apply to any competitive awards program currently  
2 in existence."

3 MR. UDDO: Could I see it?

4 MR. STEINBERG: Yes, sir.

5 (Document handed to Mr. Uddo.)

6 MR. UDDO: Maybe this isn't the language you were  
7 referring to, David, but I don't see that this is a mandate.  
8 It says that after October 1, 1991, but not before, the Board  
9 of Directors of the Legal Services Corporation shall develop  
10 and implement a system for the competitive award of all grants  
11 and contracts, including support centers, except that nothing  
12 herein shall prohibit the corporation board members or staff  
13 from engaging in in-house reviews or holding hearings on  
14 proposals for a system for the competitive award of all grants  
15 and contracts, including support centers.

16 So it says that nothing prohibits us from doing it  
17 now, but I don't see that it says we've got to do it now. And  
18 I want to do it.

19 MR. MARTIN: I think the "shall" in there -- I would  
20 have to look at it again. I don't think it's proper to debate  
21 it now, if you want to. It is a matter that I want to bring  
22 before the board at the next meeting.

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1           MR. UDDO: I think that's fine. All I am saying is  
2 that I'm not convinced that that's a reason why we've got to  
3 make the carryover decision today.

4           MR. MARTIN: My only point was that I really did  
5 want to move ahead on some -- I've delayed now a couple of  
6 months moving ahead because of the process here, and I respect  
7 that, but I do want to move ahead. So I will certainly try to  
8 do that within the parameters of what we're talking about here  
9 today.

10           MR. UDDO: Sure.

11           MR. DANA: And my feeling is that we should not hold  
12 you up from moving forward in a way that is appropriate. I  
13 would ask that you be mindful of the newly discovered  
14 guidelines that govern how we move forward as one and the  
15 processes implicit in that.

16           MR. UDDO: I would have my motion stand then as it  
17 is. I don't guess I can call the question, but if I could I  
18 would.

19           MR. DANA: Since you haven't tried to, is there any  
20 further discussion on the motion?

21           (No response.)

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

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1 (Chorus of ayes.)

2 MR. DANA: Opposed?

3 (No response.)

4 MR. DANA: It is a vote.

5 MOTION

6 MR. UDDO: My next motion is in connection with No.  
7 3 on the agenda, and in that regard I would make the motion  
8 that item No. 3 on the fiscal year 1991 consolidated operating  
9 budget be similarly deferred until the meeting at which we  
10 will discuss the carryover.

11 MR. DANA: Is there a second for purposes of a  
12 discussion?

13 MS. WOLBECK: I second it.

14 MR. DANA: It's been moved and seconded. Is there  
15 discussion on that?

16 MR. UDDO: I would suggest that one of the reasons  
17 why I'd like to see us do that is that I think there was  
18 fairly extensive colloquy today, and I commend David for  
19 being, as always, very well prepared and having an awful lot  
20 of information for us to deal with and to digest.

21 But I think there are some questions that the  
22 Chairman raised that we could use some more information on.

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1 One of the ones, of course, that concerns me is the amount of  
2 money being budgeted for the board. I think that's important.  
3 If we're going to have a board that is going to be active, I  
4 think that it needs to be budgeted appropriately.

5 And with M and A being proposed to have in excess of  
6 \$11 million in the budget and the board only having \$170,000,  
7 it strikes me that we need to take a look at that.

8 I think some of the Chairman's questions about the  
9 size of the staff and how quickly those decisions need to be  
10 made, and just the variety of questions that he raised, I  
11 would encourage the staff to develop some of the information  
12 to respond to those so that we can make that decision. I  
13 don't feel prepared to make it today, because I think despite  
14 the fruitfulness of the discussion, I think there is some  
15 additional information that we need to put together.

16 So that is my main reason for doing it.

17 MR. DANA: I too want to compliment David and David,  
18 really, for assisting in our understanding. We are part-time  
19 board members, and we are grappling with something that you  
20 live with day in and day out, and inevitably confuse apples  
21 with oranges. But it is a difficult subject to get your mind  
22 around, and the needs, we know or believe that the needs are

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1 very, very great in the field.

2 And so we've got to be very, very cautious that the  
3 monies we spend here at home are appropriate. I am very  
4 concerned if there are particular expenditure proposals that  
5 are not sort of budgeted within the dollars that Congress gave  
6 us and the money left over for next year -- I think that  
7 number comes to in the neighborhood of 9.6 or .7 -- I think  
8 until we get a COB, that that should be viewed as a ceiling,  
9 and if you were going to go over it I think we ought to hurry.

10 I am prepared, subject to my committee, I haven't  
11 talked to them about this, but to deal with this next  
12 Saturday.

13 MR. UDDO: As a committee? I may not be able to  
14 stay over through to Saturday.

15 MR. DANA: But I, too, feel that there is a need to  
16 better rationalize some numbers, provide the policy backup for  
17 the decision to move from 121 to 165 in eight months in terms  
18 of the employment here at the corporation, provide us so that  
19 we can join hands and be supportive of management if we can.

20 So I, too, am supportive of this motion, but I will  
21 work with the committee and management to try and find a time  
22 when we can deal with this as soon as you are prepared to

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1 regard to some of the concerns we have raised.

2 MR. UDDO: I might suggest, we've done it in the  
3 past, a committee meeting starting at eight in the morning  
4 Friday and maybe it could be over in an hour, hour and a half,  
5 two hours at the most, with the board meeting starting right  
6 after that. We've done that before.

7 MR. DANA: That might solve some problems. At least  
8 we might be in a position to -- not speaking for you, but  
9 you're going to be coming in the night before next Thursday,  
10 so maybe we could meet early. Eight o'clock?

11 MR. RICHARDSON: Sure.

12 MR. MARTIN: We're available.

13 MR. DANA: And I think maybe do the COB, do the  
14 carryover and look at the COB, too, if we can revisit some of  
15 these numbers.

16 MR. MARTIN: My only concern is if we have to notice  
17 this in the Federal Register, that time may have slipped.

18 MR. DANA: I think we can adjourn this meeting. We  
19 can adjourn this meeting to a date and time certain and solve  
20 the problem that way.

21 MR. UDDO: And I would also not contemplate that we  
22 would have much need for or time for public comment. I mean

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1 we could certainly allow it within very rigid limits, but  
2 there shouldn't be anything much new that is going to come out  
3 at that meeting. It's mostly supplying information from  
4 things that have been discussed today or are evident in the  
5 materials that were presented.

6 And I would encourage anyone who has comments on  
7 these two matters to try to submit them in writing in advance,  
8 and it will save us an awful lot of time if we are going to  
9 try and do it in two hours next week.

10 MR. DANA: If we are going to do that, I would copy  
11 the two Davids in, so that they have an equal shot at the--  
12 so they are in a better position to respond to the  
13 observations.

14 MR. UDDO: We need to vote on that motion.

15 MR. DANA: All right. If there is no further  
16 discussion, all those in favor of the motion to defer a  
17 recommendation at this time, please say aye.

18 (Chorus of ayes.)

19 MR. DANA: Opposed?

20 (No response.)

21 MR. DANA: It's a vote.

22 MR. UDDO: All right. I have another motion that to

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1 some extent, I think, will affect the future consideration of  
2 the consolidated operating budget.

3 MOTION

4 MR. UDDO: And along the lines of some of the  
5 discussion that came up in the meeting today, I am going to  
6 move that the committee recommend to the board that in order  
7 to encourage and fairly compensate members of the board for  
8 their expenditure of time in connection with their  
9 corporation-related responsibilities, that the board revise  
10 its current board compensation guidelines to permit board  
11 compensation to the extent allowed by law.

12 MR. DANA: And I will jump in and second that for  
13 purposes of discussion. Is there any discussion?

14 (No response.)

15 MR. MARTIN: Would you like me to have the general  
16 counsel to prepare a memorandum explaining what that might be?

17 MR. DANA: I think that would be very helpful.

18 I would like to say publicly that I think that this  
19 decision is healthy for this corporation and for the field.  
20 Speaking as a director who has previously been vilified for  
21 taking immense fees, I can tell you that in my judgment this  
22 corporation and the field got its money's worth from a board

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1 that was sufficiently active and paid attention to the  
2 details, so that it learned about the program, understood what  
3 it was governing, understood the policy questions, and that we  
4 are not -- legal services for the poor is not served by a  
5 board that meets every other month and really doesn't pay  
6 attention to the issues facing the corporation.

7 And so I enthusiastically support this motion and  
8 hope that the board will support it too, recognizing that we  
9 will probably be vilified at confirmation hearings for looking  
10 out for ourselves. But I think it is the right thing to do  
11 and is in the interest of the corporation to adequately  
12 compensate people who are working in its behalf.

13 Is there any further discussion on that?

14 MR. UDDO: I would just echo your comments. I mean  
15 my experiences are the same. And I don't think it's for lack  
16 of interest, but the more people are torn in different  
17 directions with their responsibilities, the easier it is to  
18 pass on something like this. And I think it is helpful to  
19 have people well prepared and well involved, and they should  
20 be compensated for putting that time in.

21 MR. DANA: That will be the lead in the paper:  
22 "Board Votes to Raise Their Fees."

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1 Is there any further discussion?

2 (No response.)

3 MR. DANA: All those in favor, say aye.

4 (A chorus of ayes.)

5 MR. DANA: Opposed?

6 (No response.)

7 MR. DANA: If this is the wrong thing to do, the  
8 wiser heads next Friday will tell us.

9 MOTION

10 MR. UDDO: My final motion. In connection with  
11 agenda item No. 4, I move that we propose to the board that  
12 the FY 1992 budget mark be \$355 million and that it be broken  
13 down according to Proposal A, column 3, which I will ask David  
14 to supply to the court reporter to make a part of the record  
15 if you would, Proposal A, column 3, which details the division  
16 of the \$355 million.

17 The one amendment that I am suggesting is under  
18 Roman numeral III, subsection B., delete the words "new  
19 corporation" and insert the word "board" so that Roman numeral  
20 III B. would read "board initiatives."

21 MR. DANA: Is there a second for purposes of  
22 discussion?

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INSERT

LEGAL SERVICES CORPORATION  
PROPOSED CONSOLIDATED OPERATING BUDGET  
-----  
FOR FISCAL YEAR 1992

ATTACHMENT A

	(1)	(2)	(3)
	FY 91 APPROPRIATION LEVELS	PROPOSED FY 92 INCREASE	PROPOSED FY 92 BUDGET
	-----	-----	-----
I. DELIVERY OF LEGAL ASSISTANCE	\$300,267	\$24,112	\$324,379
-----	-----	-----	-----
A. FIELD PROGRAMS	298,041	23,937	321,978
-----	-----	-----	-----
1. Basic Field Programs	280,314	22,044	302,358
2. Native American Programs and Components	7,445	585	8,030
3. Migrant Programs and Components	10,282	808	11,090
4. Special Emergency Funds	---	500	500
B. SUPPLEMENTAL SERVICE PROVISION	2,226	175	2,401
-----	-----	-----	-----
1. Law School Clinics & Recruitment	1,166	92	1,258
2. Supplemental Field Programs	1,060	83	1,143
II. SUPPORT FOR THE DELIVERY OF LEGAL ASSISTANCE	18,098	1,423	19,521
-----	-----	-----	-----
A. TRAINING AND TECHNICAL ASSISTANCE	662	52	714
-----	-----	-----	-----
1. Training Development & Tech. Assistance	---	---	---
2. Regional Training Centers	662	52	714
B. OTHER SUPPORT	17,436	1,371	18,807
-----	-----	-----	-----
1. National Support	7,663	603	8,266
2. State Support	8,315	653	8,968
3. Clearinghouse	917	72	989
4. CALR Grants	541	43	584
III. CORPORATION MANAGEMENT & GRANT ADMINISTRATION	8,821	2,279	11,100
-----	-----	-----	-----
A. MANAGEMENT & ADMINISTRATION	8,821	1,179	10,000
B. <del>NEW CORPORATION</del> INITIATIVES	---	1,000	1,000
C. SPECIAL CONTINGENCY FUNDS	---	100	100
TOTAL PROPOSED BUDGET	\$327,186	\$27,814	\$355,000
	=====	=====	=====

BOARD

1 MR. DANA: Page 22 in the board book.

2 MR. UDDO: Page 22 in the board book.

3 MR. DANA: It's been moved and seconded that we  
4 recommend to the full board a budget mark of 355 for 1992. Is  
5 there any discussion?

6 (No response.)

7 MR. DANA: Well, let me say that for this board  
8 member, I will support this because I think it is a  
9 responsible request. Given the fiscal situation facing the  
10 country, I believe that the testimony we have heard today and  
11 that I have heard before from PAG and the ABA is correct and  
12 that the unmet legal needs of this nation are huge and should  
13 be funded.

14 I am personally torn between saying yes, we ought to  
15 ask Congress for \$721 million, in which event I think we would  
16 be ignored, or asking for increases far greater than they have  
17 given in recent memory in order to get them moving in the  
18 right direction at a rate greater than the level of inflation.

19 And so I will support this motion, and the only  
20 misgiving is that we may be behaving too responsibly and not  
21 aggressively enough in terms of the need that I am satisfied  
22 is there.

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1           Are there any other comments?

2           MR. UDDO: I would just say that I agree with the  
3 Chairman that this is an amount that I think is somewhat  
4 responsive to the needs. It's pretty clear that there are  
5 unmet needs, and we've known that for a while, and we need to  
6 try to address them.

7           I think at the same time that we're approving this,  
8 I think that we are mindful of the need to continue to try to  
9 be creative in creation of other funding sources, that  
10 competition is something that this board ought to be  
11 interested in as an additional device to try to increase the  
12 ability to meet that need, but that certainly additional  
13 funding is necessary even in a world where we are going to try  
14 to continue to define and develop supplemental and alternative  
15 sources for meeting that need.

16           It is with that in mind that I propose this budget  
17 mark.

18           MR. DANA: Any other comments?

19           (No response.)

20           MR. DANA: Hearing none, all those in favor say aye.

21           (Chorus of ayes.)

22           MR. DANA: Opposed?

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1 (No response.)

2 MR. DANA: It's a vote, unanimous.

3 MR. UDDO: And I think five needs no action in light  
4 of the material that the Chairman supplied. Six and seven, I  
5 think we have already had motions dealing with those agenda  
6 items. Therefore, I have no further motions, other than one  
7 to recess until next Friday morning, if that is in order,  
8 Mr. Chairman.

9 MR. DANA: I think it may be. Is there anything  
10 else that anyone would like to bring to our attention before  
11 we leave the Beltway Area to return in one week?

12 MR. MARTIN: Eight o'clock, where are we meeting  
13 next week?

14 MS. BOZELL: Right here.

15 MR. MARTIN: Right here?

16 MR. DANA: I think we should meet in the same place  
17 that the board will be meeting.

18 MS. BOZELL: This committee, you're saying?

19 MR. DANA: Yes, so the board members who can join us  
20 can come up and do so.

21 MS. BOZELL: You should note that we have a  
22 restriction on the time next Friday. The corporation has to

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1 be out of the room by 4:45.

2 MR. UDDO: Does anybody know what the agenda looks  
3 like?

4 MS. BOZELL: It's the same as January 28, except  
5 that there is one new --

6 MR. MARTIN: I added the consideration of this  
7 language in the appropriation language on competition. I just  
8 want to bring it to the board's attention and let them kick it  
9 around.

10 MR. UDDO: I don't recall what else was on the  
11 agenda. Does it look like a long one?

12 MS. BOZELL: No. It's a rehashing of what this  
13 committee will take to the board primarily, and Mr. Martin's  
14 agenda item.

15 MR. UDDO: Do we have any problem starting at eight?  
16 I mean we can get the room at eight?

17 MS. BOZELL: There's no problem.

18 MR. UDDO: I think we can fit it in.

19 MR. DANA: The question is whether or not, if what  
20 the board is really doing is waiting for us, which I think may  
21 be the case, there may be something to be said for starting  
22 later in the day, starting the board meeting later.

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1 MR. MARTIN: So starting the board meeting maybe at  
2 10:30 or so.

3 MR. UDDO: Make sure we have time to finish.

4 MR. DANA: Yes. What we are --

5 MR. UDDO: Has the board meeting been noticed?

6 MS. BOZELL: Yes; today.

7 MR. UDDO: For what time?

8 MS. BOZELL: Nine. That can be amended.

9 MR. DANA: We can delay that. People come flying  
10 in. That would permit some board members to fly in that  
11 morning.

12 MR. MARTIN: Guy and Bud Kirk and probably Rath  
13 would all fly in that morning if they knew it was 11 instead  
14 of 9.

15 MR. UDDO: Eleven seems reasonable to me. We'll  
16 work through lunch anyway. Do we have an executive session  
17 planned?

18 MR. MARTIN: Yes, I think we need one.

19 MR. UDDO: How long do you think that will take?

20 MR. MARTIN: Not long. Probably through lunch; an  
21 hour.

22 MR. DANA: What occurs to me is that we may want to

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1 plan on having the executive session first at 11, go into  
2 lunch, and then really in effect start the board meeting at  
3 one.

4 MR. UDDO: Because if it stops and starts, it will  
5 end up taking a lot more time than we think.

6 MR. DANA: This room is going to be filled with  
7 people who -- I mean it's really tough when they come, and  
8 have to do a little something, and then they sit around in the  
9 hall for four hours while we talk about that which they can't  
10 hear.

11 So if we could --

12 MR. MARTIN: I'll try to organize that.

13 MR. DANA: Okay.

14 MR. UDDO: We could go from this meeting to the  
15 executive session to the board meeting.

16 MR. MARTIN: Let me think it through. I'm not sure  
17 everything that needs to be taken up in executive session,  
18 whether it's --

19 MR. DANA: We have to into session to go into  
20 executive session, so the full board would have to meet. And,  
21 say, if we met at 11, we could agree to -- if that made sense  
22 --to go from there immediately into executive session, and not

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1 start the public portion of the meeting until, say, 1 o'clock  
2 or 12:30 or sometime, so that people didn't have to come to  
3 get a little bit, and then hang around in the hall for hours.

4 I think it would be helpful, it just occurred to me  
5 that in the context of the carryover issue, if you could tell  
6 us what you told Congress, where you told Congress the \$1.925  
7 million was coming from --

8 MR. RICHARDSON: Sure.

9 MR. DANA: -- and compare that with where it  
10 actually came from, so that we get some sense of the two  
11 positions.

12 If there is nothing else, I think I heard a motion  
13 that we adjourn.

14 MR. UDDO: Are we adjourning or recessing?

15 MR. DANA: We recess until 8:00 a.m. on Friday the  
16 22nd of this month, at this location.

17 Do I hear a second?

18 MS. WOLBECK: Second.

19 MR. DANA: All those in favor say aye.

20 (A chorus of ayes.)

21 MR. DANA: It's a vote.

22 MR. MARTIN: Eight or nine? I thought you said

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