

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
FINANCE COMMITTEE

OPEN SESSION

Sunday, July 21, 2013

1:30 p.m.

Warwick Hotel
Millennium Ballroom
1776 Grant Street
Denver, Colorado 80203

COMMITTEE MEMBERS PRESENT:

Robert J. Grey Jr., Chairperson
Sharon L. Browne
Laurie Mikva
Martha L. Minow (by telephone)
Father Pius Pietrzyk, O.P.
Robert E. Henley Jr. (Non-Director member,
by telephone)
Allan J. Tanenbaum (Non-Director member)
John G. Levi, ex officio

OTHER BOARD MEMBERS PRESENT:

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

STAFF AND PUBLIC PRESENT:

James J. Sandman, President
Lynn Jennings, Vice President for Grants Management
Wendy Rhein, Chief Development Officer
Richard L. Sloane, Special Assistant to the President
Rebecca Fertig, Special Assistant to the President
Ronald S. Flagg, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
David L. Richardson, Comptroller and Treasurer,
Office of Financial and Administrative Services
Bernie Brady, LSC Travel Coordinator
Carol A. Bergman, Director, Office of Government
Relations and Public Affairs
Jeffrey E. Schanz, Inspector General
Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, Office of the Inspector General
Ronald "Dutch" Merryman, Assistant Inspector General
for Audit, Office of the Inspector General
Thomas Coogan, Assistant Inspector General for
Investigations, Office of the Inspector General
David Maddox, Assistant Inspector General for
Management and Evaluation, Office of the
Inspector General
Lora M. Rath, Deputy Director, Office of Compliance
and Enforcement
Janet LaBella, Director, Office of Program
Performance
Herbert S. Garten, Non-Director Member, Institutional
Advancement Committee
Frank B. Strickland, Non-Director Member,
Institutional Advancement Committee
Anne Milne, Executive Director, Utah Legal Services

Chuck Greenfield, National Legal Aid and Defender
Association (NLADA)
Don Saunders, National Legal Aid and Defenders
Association (NLADA)
Lisa Wood, American Bar Association Standing
Committee on Legal Aid and Indigent Defendants
(SCLAID)

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1 PROCEEDINGS

2 (1:30 p.m.)

3 CHAIRMAN GREY: Good afternoon. This is
4 Robert Grey. I'd like to call the meeting of the
5 Finance Committee to order. On the phone is Martha
6 Minow and Bob Henley. Is there anyone else on the
7 phone?

8 (No response.)

9 CHAIRMAN GREY: All right. If not, I'd like
10 to ask for a motion to approve the agenda.

11 MOTION

12 FATHER PIUS: So moved.

13 MS. BROWNE: Second.
14 CHAIRMAN GREY: All in favor say one

15 (A chorus of augs.)

16 CHAIRMAN GREY: Opposed no

17 (No response.)

18 CHAIRMAN GREY: The first matter before the
19 Committee is the presentation of LSC's financial report
20 for the eight-month period ending May 31, 2013. I'd
21 like to call on the treasurer, David Richardson. Mr.
22 Treasurer?

1 MR. RICHARDSON: Thank you. For the record,
2 I'm David Richardson, the Treasurer of the Corporation.
3 In your board book, starting on page 11, is the
4 written report for the month of May. It is consistent
5 with the prior months' reporting.

6 We are substantially under budget. One of the
7 things that is not covered in the memo is I have been
8 giving you an update as to the expenses per month. We
9 have seen a little increase in the spending as we've
10 gone through the years as we've hired additional staff.

11 We started October through December spending
12 about a 1.27 per month, and in January, February, and
13 March, it was 1.36. And March was up a little bit
14 because of the Board meeting; it was \$1.4 million,
15 actually, 1.485 with the Board meeting and different
16 travel and stuff that was being conducted by the staff.
17 And then in April and May, to 1.36. So it's remaining
18 pretty constant.

19 We are well within budget. When you look at
20 the expenses for Management, you'll see that we are
21 actually \$2.1 million under budget.

22 Let me go back up just to call your attention

1 that we are under budget in the delivery of legal
2 assistance. We have small amounts of money available
3 for American Samoa and to pay some expenses in
4 Louisiana in a closeout audit, and that's what the
5 \$600,000 is there.

6 The remainder of the money, the Court of
7 Veterans' Appeals, there's going to be an additional
8 grant. Later I'll give you some information about the
9 grant. But at this point, I'll just hold on that.

10 The grants from other funds, we did give money
11 to Vermont to finish up a disaster grant. The
12 remaining funds are being reviewed. There's a couple
13 of grants underway now that will come out probably in
14 the next month or so. And then the technology grants
15 will be given. Hopefully everything will be completed
16 and awarded in September.

17 The loan repayment, you'll see that we have
18 made an adjustment there for the loans that were given.

19 In April -- I'm sorry, in January -- we recognized
20 500,000 in expenses. We are now awarding grants for
21 the new awards, so there's \$380,000 in receivables.
22 Most of that will be expensed in the next month. And

1 we're making additional payments that will go into that
2 also that will be shown as an expense.

3 As far as MGO, as I said, we're under budget.

4 Management, we're under budget. The research
5 initiative, we're under budget at this point, but that
6 project is moving forward.

7 On the attachment, starting page 15 and later,
8 there's some summary information. I'll be glad to
9 answer any questions that you may have about that.

10 FATHER PIUS: Just a question. The CNE
11 disaster relief grant applications, assuming they were
12 all granted in their full amount, what would the
13 liability for those be? Would those be more than the
14 950,000?

15 MR. RICHARDSON: Oh, no. They would not be.

16 FATHER PIUS: And what happens to that money?
17 Does that hold over for next year, so for more grant
18 applications? Or is that a one-year thing, and the
19 unused portion -- or a two-year thing, and then it gets
20 returned if it's not all used? Or what happens to that
21 money if it's not all used?

22 MS. BERGMAN: This is Carol Bergman, for the

1 record. The money has to be expanded within a certain
2 period of time, and if not, it then absolutely gets
3 returned. But we're very clear that -- all the
4 grantees, the application is very clear that the money
5 has to be spent within a certain amount of time.

6 FATHER PIUS: Thank you.

7 MS. REISKIN: That was my question. Thank
8 you.

9 CHAIRMAN GREY: Sharon?

10 MS. BROWNE: Just a real quick question. I
11 don't know if you can answer it, David or Carol. But
12 what's the time frame for a decision on one of these
13 emergency grants? It seems like the Hurricane Sandy
14 relief funds, that happened so long ago, and we're just
15 now getting decisions and we're just going to now fund
16 those grant applications. So what's the time frame?

17 MR. RICHARDSON: The grant proposals came in
18 June 24th. So we are hoping to get those awarded this
19 year and be able to fund those. A couple of the
20 grants, we did go back to them and ask them for
21 additional information. I don't exactly have the
22 information as to when the grants will be given; Carol,

1 do you have that?

2 MS. BERGMAN: Yes. The responses are due by
3 July 23rd. We're expecting to award any of the
4 Hurricane Sandy awards by the end of this fiscal year,
5 by October 1st. The challenge in the beginning -- are
6 you talking about Hurricane Sandy, or are we talking --

7 MS. BROWNE: Hurricane Sandy.

8 MS. BERGMAN: Okay. The challenge is that as
9 part of the requirements, LSC was considered a federal
10 agency under terms of this. So we had to comply with
11 certain federal budgetary reporting requirements. So
12 we've been working closely with OMB and GAO in this
13 process.

14 We are required to prepare an internal control
15 plan for submission to OMB, GAO, the congressional
16 Appropriations Committee staff, and to OIG. We had
17 entrance conferences with both GAO and IG so that by
18 the time the actual -- as David said, we got the -- I'm
19 trying to think. January 29th it was signed into law.
20 The application period for the grant program ended on
21 June 21st.

22 PRESIDENT SANDMAN: In addition, our

1 experience is that the legal needs that arise from a
2 disaster like that don't often mature until some time
3 after the disaster.

4 We hear repeatedly that it's very difficult in
5 the short run after a disaster to identify what the
6 scope of the need is going to be, and it would be
7 better to have aid available sooner rather than later.

8 But in terms of the legal needs that are out there,
9 many are still ripening.

10 MS. BROWNE: That answers my question, and I
11 really appreciate it.

12 Was there a reason why the funds for Hurricane
13 Sandy wasn't put into the grants from other funds?
14 Because it seems like Vermont was more expeditiously
15 handled than Hurricane Sandy. And I understand all the
16 different hoops you had to go through to finally get it
17 in place.

18 But was there a way that it could have been
19 put into the other funds category to expedite it, where
20 we already have everything in place?

21 MR. RICHARDSON: It is not because they
22 required us to set up a separate account and track the

1 funds separately so that we could account to them, show
2 them when they were awarded. And the different
3 reporting requirements that they set up required us to
4 have it set up separately.

5 MS. BROWNE: Thank you.

6 CHAIRMAN GREY: Any other questions?

7 (No response.)

8 CHAIRMAN GREY: Then, Mr. Treasurer, your next
9 item is consideration of a revised consolidated
10 operating budget resolution.

11 MR. RICHARDSON: Yes, sir.

12 CHAIRMAN GREY: Would you like to walk us
13 through it?

14 MR. RICHARDSON: There's a resolution on page
15 30, but it is preceded by a memo on page 25 that lays
16 out the changes that we have made in this year's
17 budget. We had to make a couple adjustments. It has
18 taken quite a bit of time, with the sequestration, the
19 rescissions, going back and forth with OMB, and they
20 actually adjusted our appropriation by one dollar due
21 to a rounding issue. So I have to show that in the
22 adjustments.

1 FATHER PIUS: It didn't go unnoticed, David.

2 (Laughter.)

3 MR. RICHARDSON: And when the U.S. Court of
4 Veterans' Appeals reviewed their funding, there was an
5 adjustment to reduce the grant for \$13,500 also.

6 There are adjustments within the operations of
7 the Corporation that have been authored by the
8 President. There's a \$12,000 expense in temporary
9 operating to cover the costs of a temporary employee.
10 There's some other operating costs with the Chief
11 Development Officer coming in, some of the startup
12 costs. And all this money was available to fund these
13 initiatives within the Executive Office budget.

14 Legal Affairs, we did make an adjustment
15 there. We hired a person on a temporary basis for six
16 months. So we had to move money from an open position
17 in Legal Affairs to temporary to accommodate for that.

18 Most of the other adjustments are along those
19 lines. We did make one transfer in looking at a
20 reorganization. Many of you work with Bernie Brady.
21 She's been budgeted the position in Office of Program
22 Performance.

1 She has now been moved to Financial and
2 Administrative Services because she's handling not only
3 the Office of Program Performance and Office of
4 Compliance and Enforcement, but she's also handling the
5 Executive Office, the Board travel, and so forth. So
6 we felt that that was a better place to have her within
7 the organization. So she's been moved to my particular
8 office at this point.

9 With the Chief Information Officer, he has
10 come in and made a few adjustments within the office,
11 and those are reflected in here, just moving some money
12 from the consulting line to cover some costs, and move
13 some money to the travel. All this was available
14 within the office's budget.

15 So what we have before you -- and let me back
16 up. The Office of the Inspector General also went
17 through their review during this period. They have
18 offered no adjustments to their budget at this point.

19 So what we have for you on page 30 is a
20 resolution reflecting the changes. It provides all of
21 the funding. And then on page 28 and 29, you'll see
22 the breakout per line, and within budget category, and

1 management and administration and the Inspector
2 General's Office. And we would ask you to consider
3 that in your deliberations, to pass it, and then pass
4 it along to the Board for approval.

5 CHAIRMAN GREY: Any questions?

6 MS. BROWNE: David, I just have a question.
7 It has nothing to do with our consolidated operating
8 budget. But I notice that in your chart on page 28,
9 you have a fiscal year 2012 carryover, and it really
10 amounts to almost \$12 million when you add up all the
11 columns that you have for the total budget.

12 What happens to the carryover? Does it just
13 constantly move from year to year? Or is there a way
14 to actually move it down, to spend the money?

15 MR. RICHARDSON: Our budget is approved within
16 lines. So we cannot move it within the lines without a
17 law being passed, basically, unless legislation is
18 passed.

19 The money that is earmarked, for instance, for
20 basic field goes to a basic field program. The one
21 that we have currently that has continued to roll
22 forward is American Samoa. When we don't spend that

1 money, we put the prior year money into the current
2 year funding so that we do spend that in the next year.

3 Then the other thing is we add any of our
4 grant recoveries to the grants from other funds, so
5 that's how we fund that. We don't get an
6 appropriation. And then the grant recoveries,
7 questioned costs, anything like that, goes into that
8 line, and then we award special one-time grants, either
9 for emergencies or a special grant.

10 MS. BROWNE: So I guess my question is this.

11 Have we ever lobbied to put money from a line item to a
12 line item?

13 MR. RICHARDSON: We did a number of years ago,
14 when there was a shortfall in what is now considered
15 management and grants oversight. We moved money from
16 the loan repayment assistance program, and then the
17 next year when we got funds, we moved it back to the
18 loan assistance fund, the LRAP program.

19 MS. BROWNE: So if we had leftover money from
20 management and grants oversight based on 2012, is it
21 possible to lobby to move it over to the basic field
22 program?

1 MR. RICHARDSON: We could ask them to pass a
2 law that would allow us to be able to move it to that
3 line. But you need to remember that one of the reasons
4 we've had carryover here is we're going through a
5 reorganization with the new President.

6 We've had a number of open positions, and we
7 are now filing those. And there is carryover at this
8 time. At this point there's still a number of open
9 positions, but in the last month we've hired two new
10 people in OCE. And it's my understanding there are
11 more being interviewed now to be brought in. So as we
12 look at our funding, we look to spend it in the next
13 year, possibly year and a half, in the MGO line.

14 Same thing with the Inspector General.

15 They've had carryover. They've requested \$4.2 million
16 in the budget. As you see, their budget is 5.8.
17 They're spending at a level that they think there will
18 be carryover this year to help support next year's
19 operations.

20 Eventually, when we do staff up, we're going
21 to need additional funding to be able to fund all the
22 positions we have. But it's a matter of getting those

1 people hired and in the office performing their
2 functions before we spend it all.

3 MS. BROWNE: So basically, if we look at the
4 management and grants oversight, there's also
5 management and grants oversight contingency fund. So
6 what are the contingency funds used for?

7 Because even if we move the contingency funds
8 within management and grants oversight -- I guess what
9 I'm getting at is how difficult -- if the contingency
10 fund is not used for a specific purpose, how difficult
11 would it be to lobby to move it over to basic field
12 programs, which seems to be in desperate need of
13 additional funding?

14 MR. RICHARDSON: In the past, it's been very
15 difficult. They've not wanted to do that. Normally
16 what they would do is instead of moving the money from
17 a previous appropriation, previous line, they would
18 reduce the appropriation. We did see that in the late
19 '80s/early '90s, but not in the last number of years.

20 MS. BROWNE: So what is the contingency fund
21 used for, for management and grants oversight?

22 MR. RICHARDSON: Well, right now we're in the

1 middle of negotiating a union contract. We don't know
2 all the costs that will come about from that. So we've
3 set aside money for raises that could possibly be
4 negotiated, an amount.

5 There is an amount that is not set aside,
6 about a million dollars, that's not earmarked for
7 anything at this point that would be used to support
8 next year's operations.

9 PRESIDENT SANDMAN: We're also affected
10 currently by sequestration, and the carryover has
11 allowed us to mitigate the effects of sequestration
12 without having to reduce our oversight operations in
13 MGO.

14 I think Congress's actions over the past
15 couple of years, where cuts in the LSC budget have come
16 entirely from basic field grants, reflect Congress's
17 concern that they want robust oversight operations and
18 don't want to reduce that.

19 So I think for us to maintain the level of
20 oversight that's important to ensuring the prudent
21 expenditure of all of the funds we receive, including
22 basic field, we need to be sure that for the long haul

1 we have adequate funds to support oversight at the
2 level that Congress expects.

3 CHAIRMAN GREY: Mr. Treasurer, would you
4 consider at the next Finance Committee meeting -- I
5 think we'd like to work with you; the Committee would
6 like to work with you on this. And you've done a very
7 good job, let me tell you, because each time we've
8 drilled down on this, you've given us a little bit more
9 detail, and I think that's been very helpful, quite
10 frankly, as we've gone forward.

11 Mr. President, I think the explanations are
12 very useful in understanding what I would consider a
13 moving target of what we're working with here. I
14 think, in response to some of the inquiry, though, it
15 would be helpful for us, because some of the items are
16 in excess of a half a million dollars, to understand a
17 little more of Management's thinking about where and
18 why it is reserving funds.

19 And just as a thought going forward, to the
20 extent that we could categorize it with some expected
21 date of expenditure, I think it would be very helpful
22 for us in our discussion, an understanding of the

1 moving target.

2 Mr. Chairman?

3 MR. LEVI: I just wanted to point out, though,
4 one of those items is the Public Welfare grant for
5 research.

6 CHAIRMAN GREY: Well, I think that you hit the
7 nail on the head, and that is, as we have grown to do
8 more things on the Board and tackle more what I would
9 consider operational issues, it's required the
10 administration, our administration, to think more about
11 how to anticipate the cost of those things.

12 The flip side of that is we've got a lot of
13 irons in the fire. It would be nice for us to pick
14 through those when we have Finance Committee meetings
15 to understand better where we are and where we're
16 going, if that's helpful.

17 PRESIDENT SANDMAN: We'll be happy to do that.

18 CHAIRMAN GREY: Thank you.

19 Any other questions?

20 (No response.)

21 CHAIRMAN GREY: All right. Mr. Treasurer,
22 you're still up, I believe.

1 MR. RICHARDSON: So I think we need a vote on
2 the resolution.

3 CHAIRMAN GREY: Yes, I guess we do. Is there
4 a motion?

5 MOTION

6 FATHER PIUS: I move that we approve the
7 resolution as drafted.

8 CHAIRMAN GREY: Thank you. Second?

9 MS. BROWNE: I'll second.

10 CHAIRMAN GREY: Thank you. All in favor say
11 aye.

12 (A chorus of ayes.)

13 CHAIRMAN GREY: Opposed, no.

14 (No response.)

15 CHAIRMAN GREY: Thank you. For the record,
16 Allan Tanenbaum, who is also an advisor to the Finance
17 Committee, is present.

18 All right. Selection of accounts and deposit
19 for LSC funds. Mr. Treasurer?

20 MR. RICHARDSON: We came to you in January

21 with an issue that we had because prior to December 31,
22 2012 our funds were being secured by the FDIC in any

1 amounts as long as they were interest-bearing accounts.

2 So we came to you after much discussion with our two
3 banks and we have them secured in treasury accounts.

4 But at the same time, we've been working with
5 the Friends of Legal Services because of the issuance
6 of bonds needed for the financing of the building. Our
7 current bank, Bank of America, has told the Friends of
8 Legal Services that they felt that the bond issue and
9 the working relationship, that they would like to back
10 out of the future funding of the building.

11 So they had to go to refinancing. And they
12 were going to look at a number of banks, which they
13 did. They sent out an RFP to seven different banks.
14 They then zeroed in on three banks.

15 At the same time, we provided them information
16 on our banking needs as far as the sweep accounts to
17 protect our funds, the depository for our accounts,
18 money coming out of the Treasury and then being able to
19 pay by wire our grantees, and then our opening accounts
20 and payroll.

21 It was decided it was basically down to two
22 banks. And after discussions with Friends and with the

1 banks in question, it was decided that TD Bank would be
2 the best bank for us moving forward.

3 They would meet all of our needs. They would
4 pay us actually a little more interest in regards to
5 the accounts. And it would be at a reduced fee
6 structure, and as you're aware, in this climate, bank
7 service charges are how they're making their money.

8 After looking at this, it looks like TD would
9 save us about \$4,000 a year on our banking if we would
10 move to them. So we are coming forward today with this
11 information to talk with you about it, let you know
12 what we're doing, and this memorandum is basically in
13 response to a Board requirement that we talk to the
14 Finance Committee and the Chair and let you know what
15 we're doing and present it to the Board also.

16 FATHER PIUS: And obviously, you don't see any
17 increased financial risk from moving from one bank to
18 the other?

19 MR. RICHARDSON: We do not. As we looked at
20 everything, they're a secure bank, as was Bank of
21 America. But Bank of America has had some skips the
22 last couple of years, and that has affected the

1 interest that Friends is paying. And we feel that TD
2 is a more secure bank at this time and can provide us
3 the better service.

4 PRESIDENT SANDMAN: At a lower cost.

5 MR. RICHARDSON: At a lower cost.

6 CHAIRMAN GREY: Questions? Comments?

7 (No response.)

8 CHAIRMAN GREY: Okay. Carol Bergman, a little
9 discussion about the status of the 2014 appropriation
10 might be in order at this time.

11 MS. BERGMAN: The Board meeting is coming at a
12 very opportune time since both the House and the Senate
13 have just marked up the appropriations bills that
14 include the funding for LSC. So it's a timely way to
15 be able to talk about what is happening, even if we
16 don't do such a good job of predicting where we go from
17 here.

18 So just to remind folks, LSC asked for \$486
19 million, was our budget request that we submitted. The
20 White House sent up a budget request to Congress of
21 \$430 million for LSC when it was sent up in April.

22 The Budget Control Act from 2011 had set a

1 spending cap of \$966 billion for fiscal year 2014. The
2 House and Senate then each passed budget resolutions
3 which were very different from each other. The House
4 budget resolution called for discretionary spending of
5 \$967 billion; the Senate called for discretionary
6 spending of \$1.58 trillion, which was \$91 billion more
7 than the plan that's moving forward in the House.

8 So then what happens is that the
9 appropriations committees divide up the numbers, and
10 they are referred to as 302(b)s for the number in the
11 Code. So the amount of money that went to the
12 Subcommittee on Commerce, Justice, and Science, which
13 is the committee that has jurisdiction over LSC, looked
14 very different in the House and the Senate.

15 The House had \$47.4 billion for CJS, and in
16 the Senate there was 52.272. So that's a difference of
17 almost \$5 billion between the Senate and the House
18 subcommittees. So that's the context in which we then
19 see the specific appropriations.

20 So in the House, the CJS subcommittee marked
21 up \$300 million for LSC. So obviously, it's a
22 significant decrease, but keeping in mind that they

1 were dealing with very, very different spending
2 numbers. The Senate marked up for \$430 million, which
3 is consistent with the White House request. So
4 dramatically different between the two.

5 The really good news is the conversation that
6 took place I think in the House both subcommittee and
7 full committee markup, in particular at the full
8 committee this week. There was very strong bipartisan
9 support both from the subcommittee chairman Frank Wolf
10 and from the ranking member Chaka Fattah about their
11 interest in increasing funding for LSC during the
12 House/Senate conference process.

13 In fact, Chairman Wolf only talked about one
14 other agency that he was interested in increasing funds
15 for. He put LSC in the same category as NSF, the
16 National Science Foundation, as the two things he
17 wanted to really try and increase funding for during
18 the conference process.

19 Congressman Quigley, Democrat from Illinois,
20 introduced an amendment to raise funding level of the
21 House for LSC to \$430 million, the number consistent
22 with the Senate and the White House ask. He then

1 withdrew the amendment, but not before Chaka Fattah had
2 a chance to articulate his support for it, as did Frank
3 Wolf, and again talked about his desire to raise the
4 amount during the conference process.

5 We were delighted that Mr. Quigley then
6 withdrew his amendment. There had been a series of
7 amendments during the markup that there had been roll
8 call votes requested by Nita Lowey, the ranking
9 Democrat on the Appropriations Committee. And we're
10 glad because we did not want to have to put Frank Wolf
11 in the position of voting against an increase for LSC.

12 So Mr. Quigley really used it as an
13 opportunity to send a message and to make very clear
14 the support. It set the tone for laying the groundwork
15 to have both the ranking member and the chairman talk
16 about how important this was to increase funding for
17 legal services.

18 We have gotten extremely positive feedback
19 throughout this process. I guess I want to start by
20 saying when we first went in -- the reason we got to
21 this point has a lot to do with how many meetings take
22 place. And thanks are really in order to a lot of

1 people on the Board because I didn't do these meetings
2 alone.

3 John came to an awful lot of meetings with
4 folks on the Hill, as did Robert, as did Vic Maddox, as
5 did Charles. And I know that both Laurie and Julie met
6 with folks on the ABA Day. It's a group effort. And
7 we can't do that enough. And those kinds of meetings
8 on both the House and the Senate side with Republicans
9 and Democrats really have an impact.

10 The feedback from the beginning was never
11 critical of our ask, which was really interesting. We
12 never got the feedback like, what are you talking
13 about, that that's crazy. People went through the
14 details of what our budget request was really for, what
15 was the Pro Bono Innovation Fund, what are we talking
16 about.

17 The feedback from the Senate in particular has
18 been very, very positive. They made it very clear to
19 us that the reason they felt like they could come in at
20 the White House ask was really due to the change in the
21 leadership of the Corporation.

22 And they specifically attributed it to the

1 leadership of the Board in John, and to the leadership
2 of the Corporation in Jim, and that it's the
3 combination of the Board and the hiring of Jim and what
4 this has done.

5 And it's really reflected in the Senate
6 committee report language. It has a very different
7 tone than we've seen in the last few years. The
8 language is very positive in terms of asking that of
9 course we continue the oversight that we've been doing,
10 and that we move in the direction of the changes that
11 have been going on. It's a real sea change, and I
12 think people should feel good about that whole process.

13 What happens next? Well, if this were a
14 normal year -- and as Vic and I were laughing before,
15 it hasn't been a normal year in, I don't know, ten
16 years -- but we'd like to say that the House and the
17 Senate are going to line up their bills and they're
18 going to split the difference. But at the moment, I
19 don't think that's what anything looks like.

20 The House has passed six of the twelve
21 appropriations bills. None of them have come to the
22 floor of the House, and it's not clear whether they're

1 going to. In the Senate, the Republican leadership has
2 indicated that they have no intention of bringing any
3 of the appropriations bills to the floor of the Senate
4 because they're objecting to the fact that they're
5 dealing with a very different budgetary cap overall and
6 ignoring sequestration.

7 So what happened in the Senate markup was very
8 interesting. Senator Shelby is the ranking member on
9 our subcommittee, and the full committee talked about
10 his great support for the chair, Senator Mikulski, and
11 how much he enjoyed working with her, and how much he
12 thought it was a great bill, but why he intended to
13 vote against the subcommittee bill in full committee
14 because he objects to the overarching spending levels.

15 What was most interesting is that it was not a
16 party line vote. Actually, there were five Republicans
17 voted for the CJS appropriations bill out of committee,
18 but Mr. Shelby certainly voted against it. He just
19 wanted to clarify that it was not because he objected
20 to any of the particular items within the bill.

21 Going back to the fact that there's never been
22 a House/Senate conference on these different numbers,

1 the White House threatened to veto and conference bill
2 that ignored a House/Senate budget agreement, but there
3 is no House/Senate budget agreement.

4 So that's the framework in which this is
5 operating. If in fact it comes to the House floor, I
6 think once again we can expect there to be amendments
7 introduced to cut or eliminate LSC. And obviously, we
8 will prepare to take that on. But at the moment, the
9 word is, nothing's moving.

10 The general sense is that the debt ceiling is
11 going to come to a head again in November, and we're
12 expecting a CR, and that both sides are looking at how
13 to leverage the appropriations process in the
14 conversations about the debt ceiling, so that the
15 soonest we're going to see anything moving forward on
16 appropriations bills is going to be part of some
17 broader discussion about the budget in November.

18 That's how it looks right now. There are
19 rumors of lots of other things. There's rumors that
20 there's going to be a mini-omnibus of the five House
21 bills that have already passed that will move, and
22 there are rumors that, in fact, the leadership is

1 getting ready to think differently about discretionary
2 versus mandatory funding.

3 But I would say at this point right now, it
4 looks like we're talking about a CR that would be at
5 the current funding level, and we're looking at some
6 kind of negotiation that takes place in relation to the
7 debt ceiling.

8 Now, that said, I do want to remind folks that
9 last year the House and Senate did go to conference on
10 the CJS bill behind closed doors, and nobody knew about
11 it. And they did this on a couple of the bills that
12 they felt like they could come to agreement on and put
13 it on hold in case there was agreement overall on
14 appropriations for FY '13.

15 In fact, after the first sequestration on
16 March 1st and then with the March 27th new CR, that's
17 in fact what they did. And they pulled off the shelf
18 the several House/Senate negotiations that had taken
19 place to conference the appropriations bills.

20 The challenge was that nothing could be
21 opened. They were done as a done deal. So they were
22 negotiated in October, and obviously certain things had

1 changed, and one of the issues had to do with the
2 census adjustments at that point.

3 So we could be seeing a similar situation,
4 where it goes to conference and we don't know it's
5 going to conference. So Gloria and I were joking about
6 whose crystal ball is most helpful right now, and I
7 don't know. Maybe somebody else here has a better
8 idea.

9 But that's where we're ending up right now for
10 FY '14.

11 CHAIRMAN GREY: Vic?

12 MR. MADDOX: Right.

13 MS. BERGMAN: Yes?

14 MR. MADDOX: So Carol, you just said that
15 there was this conference that nobody knew about.

16 MS. BERGMAN: Yes.

17 MR. MADDOX: Can you explain that?

18 MS. BERGMAN: I can try.

19 MR. MADDOX: I'm just trying to understand how
20 is it even possible in a democratic republic?

21 MS. BERGMAN: Well, what happened -- yes, in
22 the interest of transparency. Okay. So last March,

1 when they were negotiating a new CR, all of a sudden
2 they said that we're actually going to use the numbers
3 that had been previously negotiated in House/Senate
4 conferences that had not been public, and that the only
5 way they could move forward is if it came forward as
6 out of whole cloth, that no changes could be made.

7 So when we then made contact with the House
8 and Senate staff, it was like, oh, yes. There was a
9 conference back in October. Oh, no, we weren't allowed
10 to release the details of any of this, but we came to
11 an agreement.

12 That's where they split the difference between
13 the House and the Senate bill, and then they came up
14 with a number, not knowing whether or not -- and then
15 the reason we ended up, you may recall, in for FY '13,
16 in addition to sequestration there were two
17 rescissions.

18 And this happened with several of the
19 pre-conference bills because they didn't want to open
20 them so there couldn't be any amendments. So the only
21 way they could get them to the actual number that then
22 was agreed on in March for the remainder of the year

1 was to make sure each appropriation subcommittee bill
2 came in at the exact right number. So those
3 rescissions are what enabled it to reach that number.

4 But the bottom line is I believe there were
5 four pre-conferenced appropriations bills that then
6 were brought whole to that negotiation in March that
7 nobody had ever seen, as far as I know.

8 MR. MADDOX: Can I just follow up?

9 CHAIRMAN GREY: Go ahead, Vic.

10 MR. MADDOX: Sorry, Sharon. I'm just trying
11 to go back to my ninth grade civics class.

12 (Laughter.)

13 MS. BERGMAN: Yes.

14 MR. MADDOX: So House and Senate
15 representatives held conferences. They didn't tell the
16 public, the stakeholders, the agencies -- they didn't
17 tell anyone that these conferences were even happening.

18 MS. BERGMAN: Correct. That is my
19 understanding.

20 MR. MADDOX: And ordinarily, a conference
21 between the House and the Senate is held in public.

22 No?

1 MS. BERGMAN: No.

2 MR. MADDOX: No?

3 MS. BERGMAN: No. Conferees are appointed in
4 public on the House and Senate floor.

5 MR. MADDOX: And people know who they are.

6 MS. BERGMAN: Yes, because it's listed -- it's
7 part of the filing in the Congressional Record. And
8 that's done automatically when the bill passes the
9 House or the Senate floor; they name conferees. Or
10 they can say, at the discretion of the chair. They
11 don't even --

12 MR. MADDOX: So no one knew when these
13 conferees were appointed?

14 MS. BERGMAN: Well, no. Nobody outside of
15 that role knew that.

16 MR. MADDOX: Just for what it's worth, I find
17 this a remarkable and a remarkably depressing state of
18 affairs, that this is what our government has come to.
19 I just find it shocking and disillusioning in the
20 extreme. Good luck doing your job, Carol.

21 (Laughter.)

22 MR. MADDOX: Because you need to know this

1 stuff, and apparently you're getting the memos late
2 just like the rest of us. I'm sorry to hear it. But
3 thanks for the explanation.

4 MS. BERGMAN: Yes.

5 CHAIRMAN GREY: Sharon?

6 MS. BROWNE: On your numbers, you have the
7 House suggesting 300 and the Senate 430. Did they
8 break that down by line item yet?

9 MS. BERGMAN: Oh, yes. Of course.

10 MS. BROWNE: Does that include the Pro Bono
11 Fund?

12 MS. BERGMAN: Yes, it does, but different
13 amounts. I can do that for you. The House calls for
14 \$2.5 million for the Pro Bono Innovation Fund, and the
15 Senate calls for \$1.5 million. So the House is asking
16 for more out of a smaller amount, but remember that
17 it's Chairman Wolf who was asking for this in the first
18 place.

19 Our ask in our initial request is for 5, and I
20 believe the White House ask included 1.5.

21 MS. BROWNE: Then my second question is, how
22 much input or how much are you going to be able to

1 interface with the committees and the members of the
2 House and the Senate? I guess may none at all. We
3 don't know.

4 But is there an additional opportunity for you
5 to participate in the negotiation process here? Or is
6 it all going to be, unfortunately, behind closed doors?

7 MS. BERGMAN: Well, theoretically -- let's
8 pretend it was a normal year. Okay? And this would go
9 to a House/Senate conference that everybody knew was
10 taking place.

11 What happens in that process is you know who
12 the conferees are, and so that's when we would work
13 with the staff for those people or I would ask members
14 of the Board to make contact with the people who are
15 named conferees to make it clear what's important and
16 what those priorities are. Absolutely.

17 That's where lobbying always takes place.
18 It's focused on the people who are the named conferees.
19 And in many ways, that holds true regardless because
20 those are the people who are going to be consulted
21 whether or not there's a conference. Okay?

22 So the leadership isn't going to make

1 appropriations decisions on individual bills and line
2 items without consulting with the conferees, who tend
3 to be the chair and the ranking of the subcommittees
4 and whoever else has indicated that they have a huge
5 stake in the outcome, keeping in mind that it's the
6 range of issues. Right? So that it's Commerce,
7 Science, and Justice, so there are many, many special
8 interests within all of this, and there's a limited
9 number of conferees.

10 So there are opportunities, but they're not
11 necessarily obvious opportunities. The biggest
12 challenge is that we're talking about things not even
13 having made it to the House or Senate floor and no
14 clarity that it's going to happen and when. So the
15 next place is going to be when things actually move, if
16 they move, if bills move to the floor. Right?

17 So then yes, of course. And we'll hope that
18 we're not fighting off an onslaught in the House again
19 from certain factions to dramatically cut LSC, and that
20 that's another piece of it.

21 CHAIRMAN GREY: Laurie?

22 MS. MIKVA: The \$300 million by the House, as

1 a percentage of their overall number is that about the
2 same it's always been?

3 MS. BERGMAN: Well, that's actually a good
4 question. LSC was actually cut by approximately 11
5 percent, and most of the other agencies that were cut
6 were cut by approximately 6.7 percent. So LSC actually
7 got a bigger percentage cut.

8 At the same time, we got an amount that we've
9 had before, so it's not unheard of, and keeping in mind
10 there were also other agencies that were zeroed
11 out -- the COPS program was eliminated entirely. So
12 it's really apples and oranges to start trying to
13 figure out how to compare because there are different
14 specifics.

15 We do have a line item breakout of how the
16 committee did its mark. So in other words, there's a
17 significant cut in the House to NASA, which then, of
18 course, the Senate committee restores. So there are
19 huge differences in the much bigger agencies. So it's
20 hard to really hang your hat on the specifics of that,
21 to be really honest.

22 CHAIRMAN GREY: Any other comments or

1 questions? Julie?

2 MS. REISKIN: I agree with Victor about how
3 depressing that closed-door stuff is. But it was
4 really heartening to hear about the tone change. And
5 when you were talking, I was thinking of the first few
6 meetings that I observed, and even the first one when
7 we started, on how it seemed like we were so much on
8 the defensive.

9 I just want to compliment John, Jim, and
10 everyone for a really great job. That's really nice to
11 hear.

12 CHAIRMAN GREY: Mr. Chairman?

13 MR. LEVI: Yes. I just want to thank Carol
14 because I know how hard she's been working on this, and
15 imagine with all the shifting ground. So she's had to
16 be really on her toes this year.

17 MS. BERGMAN: Well, thank you. But your
18 effort makes my job a lot easier, there's no question.
19 It's very nice to not be on the defensive, Julie. I
20 agree.

21 CHAIRMAN GREY: Any other observations or
22 comments? Questions?

1 (No response.)

2 CHAIRMAN GREY: Thank you for that very
3 enlightening report, the detail of which has been
4 excruciatingly received, and I think understood, Carol.
5 So congratulations.

6 Is there a resolution, Mr. Treasurer?

7 MR. RICHARDSON: No.

8 CHAIRMAN GREY: Not on the operating --

9 MR. RICHARDSON: Sorry.

10 CHAIRMAN GREY: On temporary operating?

11 MR. RICHARDSON: On the temporary operating?

12 Yes, there is. On page 35 there's a memo, and page 36
13 there's a resolution. And basically, this is the last
14 meeting prior to the close of the fiscal year, so this
15 is to grant us temporary operating authority at the
16 current budget level.

17 We will come back to you at the end of October
18 at our next meeting with a full temporary operating
19 budget based on whatever information we have on the
20 2014 funding so that we can build a budget and come to
21 you with it.

22 CHAIRMAN GREY: That's why it's temporary.

1 MR. RICHARDSON: That's why it's temporary.

2 CHAIRMAN GREY: All right.

3 FATHER PIUS: (Inaudible, microphone off.)

4 MR. RICHARDSON: That's correct.

5 CHAIRMAN GREY: Is there a motion for --

6 M O T I O N

7 MR. LEVI: So move.

8 CHAIRMAN GREY: Is there a second?

9 FATHER PIUS: Second.

10 DEAN MINOW: Second.

11 CHAIRMAN GREY: Thank you. All in favor say
12 aye.

13 (A chorus of ayes.)

14 CHAIRMAN GREY: Opposed, no.

15 (No response.)

16 CHAIRMAN GREY: Thank you.

17 MR. TANENBAUM: Robert, can I ask a question
18 of the treasurer?

19 Do we have any anecdotal information in terms
20 of the financial health of our grantees as a direct
21 result of the sequestration issue, or are they
22 understanding it? You're comfortable that they are

1 budgeting to the best that they can, and they
2 understand and continue to anticipate how we're doing?

3 MR. RICHARDSON: Yes, sir. We've had a couple
4 webinars with them. They receive information all the
5 time from us in regards to what the current funding is.
6 We had a webinar on what their projected checks would
7 be.

8 They are given information all the time in
9 regards to the LSC Update as to the prospects of
10 funding. This House information and the Senate
11 information did go to our grantees so that they could
12 help prepare for this moving forward. They're looking
13 at the uncertainty just like we are.

14 CHAIRMAN GREY: Thank you.

15 This puts us at a point where I think what
16 we'd like to do, if there are no questions or comments,
17 is to ask the President to share with us his
18 recommendation for FY '15. And there is a handout that
19 has been updated that is in the back of the room and is
20 being distributed. So, Mr. President, if you'd just
21 give us a moment.

22 MR. LEVI: Now, this is a followup meeting

1 from the -- it's been presented before but --

2 CHAIRMAN GREY: It has been. This is an
3 updated visual version. This is a Finance Committee
4 report from the President dated July 19, 2013,
5 Management's recommendation for LSC's FY 2015 budget
6 request. Everybody on the same page?

7 Mr. President?

8 PRESIDENT SANDMAN: I circulated on Friday the
9 revised memorandum with Management's recommendation for
10 LSC's fiscal '15 budget request. We continue to
11 recommend that the number be \$486 million. The
12 revision is intended to respond to the suggestions and
13 questions that the committee raised at its meeting by
14 telephone on July 9th.

15 I think the memo is self-explanatory, and I
16 won't repeat what it says. But I would like to make
17 two additional points.

18 First, the memo provides information about
19 total funding for our grantees, not only from LSC but
20 from non-LSC sources. And on page 3, there's a chart
21 at the bottom that shows total funding, LSC and
22 non-LSC, per eligible person from 2007 through 2012.

1 There's a similar chart on page 6 that shows
2 total funding per eligible person, looking only at
3 basic field funding, LSC basic field funding from 2007
4 through 2013. I'd like to make some important points
5 about non-LSC funding.

6 I don't want to suggest that non-LSC funding
7 is fungible with LSC funding. It is not. And I hear
8 repeatedly from grantees about limitations on the use
9 of non-LSC funding that post problems for them. I'm
10 sure this is a phenomenon that Julie, in her work, is
11 familiar with. But let me mention three limitations
12 that everyone should be aware of in thinking about
13 non-LSC funding.

14 First, it's often for limited purposes, for a
15 special designated purpose. Take, for example, non-LSC
16 federal funded. That's almost always for a specialized
17 purpose, whether it's for Violence Against Women Act
18 cases or whether it's work for seniors funded by the
19 Agency on Aging, or housing-related work. It's
20 targeted funding that has to be used for a specific
21 purpose.

22 That's an even greater problem, often, with

1 private funding, where a private foundation might have
2 a particular and narrow interest that they're willing
3 to fund a legal services program for that may or may
4 not align with the broader needs of the client
5 population.

6 The grantee is reluctant to turn it down
7 because some money is better than no money. But it can
8 sometimes cause a misalignment between the expenditure
9 of their time and what they've identified as their
10 local broader client priorities.

11 Second, other funding often carries a very
12 high administrative cost. The reporting obligations
13 can be quite burdensome. I attended a conference in
14 Chicago on Wednesday of last week of executive
15 directors, both from LSC-funded programs and others,
16 and some were reporting that there are grants where the
17 reporting obligations are so burdensome that they
18 really have to ask themselves whether the money is
19 worth it, that they're left feeling that they're
20 spending more time reporting what they do than doing
21 what they do. The recordkeeping requirements can be
22 difficult to justify in light of the magnitude of the

1 particular great.

2 Third, many of these non-LSC funding sources
3 limit the amount of the grant that can be used for
4 general overhead, for overall administrative purposes
5 not directly tied to the grant. Our money doesn't have
6 any of those limitations.

7 In the nonprofit lexicon, our money is
8 described as "unrestricted." We use the term
9 "restricted" as a term of art in the LSC world because
10 there are lots of restrictions that come with our
11 money. But they don't include limitations on use for
12 administrative and overhead purposes.

13 So I wouldn't want anyone to think that we can
14 take a lot of comfort in non-LSC funding sources. Some
15 of it is of general use -- often IOLTA funds, for
16 example. Some categories of funds that come through
17 state appropriations can work that way, but sometimes
18 not. Some state appropriations are for limited
19 purposes.

20 So I think we do need to take non-LSC funding
21 into account. But don't ever equate a
22 dollar-for-dollar as having the same value to our

1 grantees as our funding does.

2 The second thing I wanted to note was a point
3 that Carol made. We do think carefully about whether
4 we're asking for too much and whether in this budget
5 climate we risk our credibility by coming in with a
6 number so far above where we are currently, and above
7 what the President asked for for fiscal '14, and what
8 the Senate Appropriations Subcommittee has voted for us
9 for '14.

10 But we haven't received any feedback in
11 response to the many presentations we've made on
12 Capitol Hill over the course of the past nine months or
13 so about our '14 request that anybody thought that it
14 was wildly out of line. People did not start meetings
15 by saying, what's your real number? Which they used to
16 do.

17 So we're not picking up a message that the
18 amount that we asked for in '14, which is exactly the
19 same amount that we're recommending for '15, has put us
20 outside of zone of reasonableness.

21 CHAIRMAN GREY: Questions? Father Pius and
22 then Julie.

1 FATHER PIUS: Just more thoughts, really, than
2 questions. A couple things. I think several years
3 ago, despite great pressure, we decided as a group that
4 we wanted to propose numbers that were more within the
5 realm of reasonability.

6 There was controversy among that, among more
7 people, but I think our experience has been your
8 experience, and Carol's as well, is that has been a
9 good approach, that we now have a credible seat at the
10 table with those people who are making these decisions
11 so that they trust us when we say, this is the amount
12 of money we need.

13 So I'm grateful that we as a Board made that
14 decision some years ago, and I hope that we will
15 continue to do that so that we can maintain that
16 credibility and that we can get realistic numbers and
17 realistic increases to deal with the incredibly
18 increasing amount of work that our grantees have to do.

19 But it has done us no service, I think, to just throw
20 out crazy numbers. And so I think that's been a good
21 thing.

22 The other thing is, I want to reiterate

1 something that I brought up before a number of times,
2 and that is something that Sharon brought up earlier,
3 and that is the line items. I understand that
4 Management wants the amount that it needs.

5 I do think that it would be a good indication
6 to the field, as well as an important gesture on our
7 part, to decrease our line item, requested line item,
8 for Management by a million and a half and change that
9 or put that into the field number.

10 I think that we have not suffered the
11 decreases at the Management level that has been
12 reflected in the amounts; all of it has been gone into
13 the field. I understand why, and I understand the
14 future.

15 I take into account, too, the concerns about
16 the field carryover. I understand why they're there
17 and their need for the future. But I would recommend
18 and suggest that when giving the number, that it
19 reflect at least some change out of the management line
20 item into the field grant line item.

21 So those are just my two comments.

22 CHAIRMAN GREY: Julie?

1 MS. REISKIN: Yes. I just wanted to respond
2 to what President Sandman said about private money.
3 There's also often time limits, so often you can only
4 get a grant for a certain number of years. And even
5 the ones that are likely to be more ongoing require
6 time off periods -- for example, the Denver Foundation,
7 you can get a grant for three years, then you have to
8 take a year off.

9 So it's not consistent money. And there's
10 also a lot of feeling, and now it's even becoming
11 requirements in the private foundation world, that they
12 don't want to supplant. They don't want to pick up for
13 federal cuts for a whole bunch of reasons. So that's
14 just another thing to keep in mind.

15 And then the final thing is that they're run
16 by private boards, too, so they can do a strategic plan
17 and have new directions, and it could change. And they
18 do on a regular basis for very good and legitimate
19 reasons.

20 But it's not something that we should ever
21 think, oh, well, if they're getting this much, then
22 that's a done deal, or that they'll be able to keep

1 getting that much, because that world changes the way
2 everything else does.

3 And I agree with what Father Pius said about
4 the management and field.

5 CHAIRMAN GREY: Jim, and let you finish up.

6 Sharon?

7 MS. BROWNE: I just have a question. I know
8 Carol sent around a copy of a memo from the Executive
9 Office of the President dated May 29, 2013, and it's
10 dealing with the fiscal year 2015 budget guidance.

11 I recognize that maybe LSC is not wedded to
12 this particular memo. But it is suggesting a 10
13 percent cut across the board from each agency. Has LSC
14 tried to align its 2015 budget request with this memo?

15 Because I did a quick math, and it seemed like it was
16 more consistent with what the White House was
17 suggesting for 2014, the 430. A 10 percent cut with
18 our 486 would be about 437.4.

19 So I'm just wondering, is there any type of an
20 alignment here that we've looked at?

21 PRESIDENT SANDMAN: We did consider the memo
22 carefully. The memo is not binding on LSC because

1 we're not an executive agency. We're not an agency of
2 the Federal Government.

3 We looked at what the White House did with
4 fiscal '14 relative to where we are currently. We're
5 currently at \$340 million, and the White House asked
6 430 for us, which in percentage terms in this budget
7 climate is huge.

8 So our thinking was that in light of that
9 feedback, that for us to lower our request compared to
10 last year in light of the amount by which the White
11 House came up from our current funding would send the
12 wrong signal.

13 I think our communications with -- we have not
14 received any feedback from the White House that our ask
15 for '14 was out of line. And so we're acting in
16 response to strong support from the White House
17 generally and the lack of any criticism of what we
18 asked for for '14.

19 MS. BROWNE: Thank you. and I also just want
20 to mention that I thought your revised memo of July
21 19th was terrific. It had reorganization. It included
22 additional information that we requested at an earlier

1 meeting. And so I thought the revised memo was
2 excellent. Thank you.

3 MR. LEVI: Can I just --

4 CHAIRMAN GREY: Mr. Chairman?

5 MR. LEVI: I think the revised memo is really
6 first-rate, and thank you for that, Jim. If we were to
7 change the number and actually go down, it also
8 undermines the reasoning of last year and the year
9 before programs that we gave.

10 I think the White House response, which you
11 have seen, this year was very strong support for us and
12 a recognition of what's happening in the country. So I
13 think that we understand. We're being prudent and
14 holding the line, in a sense, in the face of even
15 increased need and decreased resources elsewhere.

16 So in a funny way, if we were to look fully at
17 what we did last year and apply that math, we would be
18 at a higher number. And we elected, in view of the
19 budget climate, to hold the line at where we
20 were -- with, I might say, some great reluctance.

21 CHAIRMAN GREY: This is and has been and
22 continues to be, I think, one of the most important

1 topics for the Finance Committee to review and give
2 advice to the Board about. I'd like to give those on
3 the phone an opportunity to weigh in on their thoughts
4 specifically, if they care to.

5 So Martha, we'll start with you. If you have
6 any particular thoughts about this, be happy to hear
7 your comments.

8 DEAN MINOW: This is Martha. I think it's
9 been a very good discussion thus far, and I concur that
10 the revised memo was very good and very thorough.

11 I also think that, as we've all come to
12 realize, even in this terribly different budget
13 climate, what this organization does is it helps people
14 who are at risk in so many other settings, and would
15 actually offer savings to state and federal government
16 if there were enforcement on behalf of the eligible
17 participants.

18 And it's with that long-term view that I think
19 the request that we made, aligned with the White House
20 request, makes a lot of sense.

21 CHAIRMAN GREY: Thank you, Martha.

22 Bob? Any thoughts?

1 MR. HENLEY: I, too, think that Management's
2 recommendation and the way it was supported was very
3 well put together and makes a lot of sense and reflects
4 a balance.

5 I think the suggestion for the shift in the
6 \$1.5 million -- I like that idea. I think it shows a
7 focus on the importance of getting money out in the
8 field. But I guess I also recognize the budgeting
9 reality, so I leave that to people that are more in
10 tune with the appropriation process.

11 CHAIRMAN GREY: Let me ask a question. One of
12 the things I think I have really enjoyed about the
13 discussion that this Committee has had over time has
14 always been a sense of how creative and where can we
15 find new opportunities, and if we're going to ask for
16 increased funds, how do we think we would spend that in
17 advancing the mission of LSC? And Father Pius, that's
18 creative, what you just said.

19 What I'd like to do is ask a question
20 particularly of Carol, because I hate for us to
21 consider doing something that would be what I would
22 consider a gesture of goodwill in furtherance of the

1 mission and get penalized for it at the same time by
2 those saying, well, thank you very much. We'll take
3 that money and, by the way, you're still not going to
4 get anything else in the grand scheme of things.

5 Do we run that risk?

6 MS. BERGMAN: I believe you do, in particular
7 because I think so much of the positive response on
8 Capitol Hill right now is to what they see is the
9 increased oversight. And I think that that would be
10 the concern.

11 In fact, just this past year, the House
12 Appropriations Committee asked Jim and Dave and I to
13 come up and sit with them and talk about the carryover
14 and talk about how Management intended to spend the
15 money because they were asking that same question with
16 regard to the Pro Bono Innovation Fund and whether or
17 not, since they were looking at carryover and saying,
18 why don't we reconsider moving this into the Pro Bono
19 Innovation Fund.

20 We left that meeting with them feeling like
21 that's not where it belongs, that in fact they felt
22 like the fund -- what's needed is that amount of money

1 to be available in terms of the kind of oversight.

2 And I think that my concern is that we would
3 not see that kind of a shift, that by moving it we
4 don't get to guarantee that that's what happens. But I
5 would defer to Jim as well.

6 PRESIDENT SANDMAN: I'd like to make two
7 points here. I understand and sympathize with the
8 sentiment. Our fundamental purpose is to enable the
9 provision of legal services to low income people, and
10 we should never lose focus on that.

11 But our oversight responsibilities are
12 critical to our ability to doing it. The two go hand
13 in hand. The 4 percent of our total budget that we
14 spend on management and grants oversight is, in my
15 experience, extraordinarily low.

16 There are very few organizations that manage
17 the amount of money that we manage spending so little
18 on management and grants oversight. I'd be
19 hard-pressed to be able to identify any other
20 grant-making organization where the percentage is so
21 low.

22 I know I'm very conscious of the carryover

1 we've had. I'm sensitive about it, and I take personal
2 responsibility for it. I'm very conservative in the
3 way I spend other people's money, particularly
4 taxpayers' money.

5 We have been in a period of transition. We're
6 in the process of going through a reorganization. I
7 think there's more that we can do and need to do to
8 support our grantees and to do oversight.

9 For example, I think we need to do more, as
10 you'll hear over the course of the next couple of days,
11 in grantee training. A lot of compliance and
12 enforcement work can be obviated if you have great
13 training in place to anticipate problems and to make
14 sure people know what the rules of the road are before
15 problems arise.

16 I don't think we're doing the level of
17 training currently that we should be doing with the
18 frequency we need to be doing it. It takes some money
19 to do that. I think that we need to have additional
20 resources for fiscal oversight, and have more trained
21 CPAs, auditors, people with on-the-ground fiscal
22 experience, and we will need to beef up our staff.

1 I haven't filled positions just to fill them.
2 I've wanted to have all of the pieces in place and know
3 where we're going, have our reorganization well thought
4 through, and be able to accomplish those things in a
5 thoughtful, thorough, complete way.

6 So I believe that the carryover that we've had
7 over the past couple of years has been transitional,
8 somewhat aberrational. It's not what I would
9 anticipate over the long term, and I don't think it
10 would be in the best interests of the Corporation or in
11 the best interests of the clients out there,
12 ultimately, to be sending a signal that we think that
13 we can get by with less.

14 CHAIRMAN GREY: Mr. Chairman?

15 MR. LEVI: I, too, understand where Father
16 Pius is coming from. But I do want to remind
17 everybody, all of us, where we started as a Board, and
18 that we are in the middle of implementing a whole
19 series of recommendations from a Fiscal Oversight Task
20 Force, and that not all positions are filled yet.

21 I don't want to send a signal that might
22 suggest to some that we become less interested in

1 oversight when we have so little, really, out of our
2 budget that is dedicated towards that. So I hear where
3 Father Pius is coming from. I also hear where Jim's
4 coming from. And I kind of think, let's see how we are
5 a year from now and take another look in another year.

6 But we actually have not raised that number in
7 some time, I believe, even with the reorganization. I
8 think this is the same management and grants oversight
9 number that we've had in budget after budget request.

10 So that's my observation, that we're in the
11 midst of implementing plans that our Board worked hard
12 on, including the strategic plan, and Management is
13 saying they do need this money. So I want to make sure
14 they have it.

15 DEAN MINOW: Could I say one more thing? This
16 is Martha Minow again. As I understand it, and maybe
17 Jim wants to comment on this, we have not yet fully
18 implemented the recommendations of the Fiscal Oversight
19 committee, nor have we fully reorganized the
20 performance review. And pending that as well as
21 pending the negotiations with the union, it might be
22 premature to reduce the central budget.

1 PRESIDENT SANDMAN: Yes, yes, and yes.

2 MR. MADDOX: Robert, can I just echo --

3 CHAIRMAN GREY: Let me -- the answer is yes.

4 But let me go to Gloria, Father Pius, and then Vic.

5 PROFESSOR VALENCIA-WEBER: Two items. On your
6 memorandum, the revised one, which I find very useful,
7 the graphics are quite effective. And I'm wondering
8 how much we can borrow from this, to use the graphics,
9 for instance.

10 I'm lucky in that my congressional delegation
11 is very supportive of LSC. But in those conversations,
12 including the next round we're going to have, these
13 graphics make very clear, even moreso than when we have
14 our conversation from people who say they're generally
15 supportive of what we're doing.

16 PRESIDENT SANDMAN: Oh, yes. We can make the
17 graphics available to you in any number of formats.
18 We'd be happy to do that.

19 PROFESSOR VALENCIA-WEBER: Okay. I would like
20 to also add my comment to the cutting down of the
21 administrative and management cost. I do not see us as
22 excessively spending money in that way, given our

1 evolving, transitional stage that we've been in and
2 will be in for some time to come.

3 Additionally, on the TED talks, those of you
4 that go and tune into them, there's been a couple of
5 talks by some first-class nonprofit developers as well
6 as people who work with nonprofits that have made clear
7 that they question some of the rating systems where
8 people go and say, oh, I'm giving my money to this
9 charity because they only use 1 or 2 or less than some
10 big number for administrative costs, when in fact the
11 real challenge for nonprofits is what we've talked
12 about, that is, developing effective management plus
13 including the ability within the nonprofit for
14 innovative ways of doing that would generate more than
15 just simply trying to keep management costs to the
16 minimum.

17 And they've tracked the differences in what
18 you do generate. And I think we should be careful
19 about saying we're just going to do it the cheapest way
20 possible.

21 CHAIRMAN GREY: Thank you.

22 Father Pius?

1 FATHER PIUS: Thank you very much, both to
2 Carol and to Jim, for the responses. I just want to
3 say at the beginning, and I should have said it before,
4 thank you for the Management proposal, which I think is
5 excellent.

6 I've said this publicly, and I'll say it
7 again -- if I am remembered for one thing that I have
8 done on this Board that is greater than all other
9 things, that it was my vote for Jim Sandman as
10 President of the LSC. And I think that alone redeems
11 any bad I might have done.

12 So don't take my suggestions or my thoughts as
13 anything less than full confidence in what you do and
14 the job that you have done and the job that you
15 continuation to do on this.

16 And I take to heart what you say, and that's
17 why I didn't offer my view as a formal amendment but as
18 a talking point. And I will keep raising it as a
19 talking point because I think we should. And I think
20 every year that we think about our budgeting, we should
21 ask ourselves, are we using the money -- the money that
22 we're using for management and oversight, could that be

1 better spent in giving it to grantees to help poor
2 people?

3 I think your answer is not really yes, or this
4 year no. The money is well spent on management, and
5 with an exclamation point at the end. And I take that
6 to heart and consider that. And I want you to keep
7 thinking about that and make that a regular part -- and
8 I hope we all do -- a regular part of the way we think
9 about budgeting, and especially with that piece of the
10 budgeting puzzle.

11 I take to heart especially -- I didn't talk so
12 much about the carryover, especially because I looked
13 at your suggestions or your thoughts about what the
14 staffing was going to be like in 2015. And that's your
15 projections on what that's going to be.

16 Considering especially that salaries and human
17 resources are the biggest part of any budget, that
18 tells a lot about where you're thinking things are
19 going. So I can understand why the carryover is
20 remaining until all that is done, and why the budget is
21 done.

22 But I do think it's helpful to at least

1 address it that starkly as an issue so that we can
2 really think about it and make sure we are requesting
3 the right amount.

4 CHAIRMAN GREY: Thank you, Father Pius. Vic?

5 MR. MADDOX: Just briefly, I just wanted to
6 make clear that I had made the same basic comment as
7 Father Pius at the July meeting, suggesting that the
8 money might be better used in our technology program
9 because that seems to be where we leverage money the
10 most.

11 But Jim made a persuasive argument then that I
12 should at least withhold judgment, and I think an even
13 more persuasive argument today. So I just think it's
14 been a great discussion.

15 I do want it clear, though, that I agree with
16 you, Father Pius and Julie Reiskin, that I think we
17 need to be looking at all times for ways to be more
18 efficient, and I don't know who better to do it than
19 Jim Sandman. So that's that.

20 On the creative thinking area, one of the
21 things that's always bugged me is the way some states
22 don't provide much money for their grantees, like

1 Vermont, for instance, which as far as I can tell is
2 49th out of 50 states in providing money for our
3 LSC-funded grantee there.

4 I gather that there's nothing we can do
5 because of our formula to encourage or somehow provide
6 a matching incentive to a state to provide more funding
7 for its grantees. If there were a way to do that, I
8 think that would be something we should think about
9 trying to do because when Alabama, for goodness sakes,
10 gets 60 percent of its money from non-LSC funds and
11 Vermont gets 16, or Connecticut gets 10, what's going
12 on there?

13 Maybe that's what our chief justices and the
14 Access to Justice Commissions are focused on, and maybe
15 we just need to help them pursue that. But if there
16 were some way that we could do anything to cajole, even
17 our grantees to be more generous at the state level, I
18 think it would be a good use of our time and effort.

19 CHAIRMAN GREY: Mr. President?

20 PRESIDENT SANDMAN: The figures that you see
21 from us on state-level funding for LSC grantees reflect
22 only state funding for our grantees. They don't

1 necessarily tell the full story. There may be state
2 funding going to non-LSC grantees.

3 There is, for example, in Vermont a
4 full-service legal aid program that's not
5 LSC-supported. And what happens in some places is the
6 state makes the decision that because the LSC-funded
7 grantee is getting federal money, they're going to
8 direct their state money to the non-LSC program.

9 There are other states where nobody's getting
10 the money. So it's a varied picture across the
11 country. But you're not seeing the full picture when
12 you look at the numbers that we present. That's all
13 we've got. We've just got the numbers for our
14 grantees. But it's an excellent point because there
15 are definitely places where the states aren't doing
16 much at all.

17 I appreciate the comments and the compliments
18 about the memo. I want to emphasize that this was a
19 team effort, and to acknowledge specifically the work
20 of Carol Bergman, Rebecca Weir, Patrick Malloy, Kevin
21 Grady, and Marcus Navarro. If I left anybody out, I'll
22 ask Carol to name them. But I hope they're listening

1 on the phone. They do great work, and I love working
2 with them.

3 MR. LEVI: I think even your summer interns
4 were working on this.

5 MS. BERGMAN: Well, and in fact, Kevin just
6 got a shout-out. The only person I think you left out
7 is Bristow Hardin, who also worked on it.

8 PRESIDENT SANDMAN: Oh, thank you. Thank you,
9 Bristow.

10 CHAIRMAN GREY: Any other comments or thoughts
11 about this particular item? I think that I've got to
12 open it up for public comment -- well, I think that we
13 have had public comment on this. I apologize. But
14 public comment on the Committee's work is to follow
15 this.

16 Let me just say this. I guess the challenge
17 of any organization with our mission is not only the
18 equitable distribution of resources for a very critical
19 element of our society in terms of access to justice,
20 but what I appreciate more about my colleagues on the
21 Board and the staff of LSC is the seriousness with
22 which that mission and understanding an execution is

1 taken.

2 I would like, going forward, to actually be
3 more educated about the issues as they present
4 themselves. And I recognize that we have a very
5 informed staff. From time to time, Jim, I think this
6 notion about who does what in a state and who doesn't
7 do things gives us more credibility as Board members
8 when we have that information.

9 From time to time, as we have our meetings,
10 Mr. Chairman, it would be good, I think, if we took a
11 deeper dive on some issues for educational purposes. I
12 think a better-informed Board is going to be a lot more
13 useful to LSC. And to the extent we know,
14 differentiating issues with regard to funding and the
15 execution and delivery of services actually will make
16 us a lot more creative at the end of the day.

17 So this has been a good conversation. This
18 has been actually a terrific conversation. And I would
19 just ask the Chair and the President to consider
20 special recognition -- not recognition, but special
21 examination of certain issues that would allow the
22 Board to take a deeper dive from time to time into

1 these issues.

2 MR. LEVI: Will do.

3 CHAIRMAN GREY: Thank you.

4 The Committee has a resolution before it
5 adopting LSC's appropriation request for fiscal year
6 2015. Discussion has been robust, and I would like for
7 the Committee to consider the resolution.

8 M O T I O N

9 MS. BROWNE: I'll move it.

10 CHAIRMAN GREY: The motion has been moved. Is
11 there a second?

12 DEAN MINOW: I'll second.

13 CHAIRMAN GREY: There is a second. All in
14 favor say aye.

15 (A chorus of ayes.)

16 CHAIRMAN GREY: Opposed, no.

17 (No response.)

18 CHAIRMAN GREY: The resolution is adopted and
19 recommended to the Board.

20 Mr. Chairman, I think I'm going to open the
21 floor for public comment for those who would like to
22 make any comments about the Committee's --

1 MR. LEVI: Well, since I didn't see anything
2 on the agenda right no where I could interject
3 something that needs to be said, I thought I'd take the
4 moment of public comment because I see that our full
5 Board is here, and I know that Martha is on the phone,
6 just to say how thrilled we are to have Sharon Browne
7 with us today and back with us having recovered.

8 DEAN MINOW: Hear, hear.

9 (APPLAUSE)

10 MS. BROWNE: Thank you, and it's a pleasure to
11 be back.

12 MR. LEVI: That was my public comment.

13 CHAIRMAN GREY: Well, that's a very good
14 public comment.

15 Any others in the audience? Any others on the
16 phone?

17 MR. SAUNDERS: I'm Don Saunders with the
18 National Legal Aid and Defender Association. I wanted
19 to concur with the Chairman in welcoming Ms. Browne
20 back, but also to thank the Committee and everyone on
21 the Board for once again sending a strong signal to the
22 community.

1 These are challenging times for your grantees,
2 and your leadership and willingness to support the
3 Management recommendation is very much appreciated by
4 the field. And I just wanted to express that on the
5 record.

6 CHAIRMAN GREY: Don, thank you, and thank you
7 for all of your good work.

8 Is there any other business to come before the
9 Committee?

10 (No response.)

11 CHAIRMAN GREY: IS there a motion to adjourn?

12 MOTION

13 MS. BROWNE: I'll move to adjourn.

14 DEAN MINOW: Second.

15 CHAIRMAN GREY: All in favor say aye.

16 (A chorus of ayes.)

17 CHAIRMAN GREY: Opposed, no.

18 (No response.)

19 CHAIRMAN GREY: The meeting is adjourned.

20 Thank you very much.