

LEGAL SERVICES CORPORATION
AUDIT AND APPROPRIATIONS COMMITTEE MEETING
OPEN SESSION

Friday, May 13, 1994

10:00 a.m.

Occidental Grand Hotel
75 Fourteenth Street
Atlanta, Georgia 30309

BOARD MEMBERS PRESENT:

Douglas Eakeley, Chairman
Maria Luisa Mercado, Chair
John Broderick
Thomas Smegal

STAFF PRESENT:

Edouard Quatrevaux, Inspector General
Karen Voellm
David Richardson, Comptroller
Gerry Singsen, Fiscal and Special Consultant

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1 CHAIR MERCADO: Why don't we call this
2 meeting to order, the Audit and Appropriations meeting
3 for May 13th. And I will note for the record that
4 there is quorum. Mr. Thomas Smegal and John Broderick
5 and myself are here as a committee. We will go ahead
6 and start the meeting.

7 I would at this time entertain a motion to
8 approve the agenda and if there's any modifications or
9 changes in the agenda, if anyone wants to add or move.

10 MR. SMEGAL, JR.: Move the agenda as
11 published.

12 MR. BRODERICK: Second.

13 CHAIR MERCADO: All those in favor.

14 ALL: Aye.

15 CHAIR MERCADO: Motion carries.

16 Has everyone had an opportunity to read the
17 minutes of the April 15 meeting? Are there any changes
18 or corrections or additions to those minutes?

19 MR. SMEGAL, JR.: I move the minutes be
20 approved as submitted.

21 MR. BRODERICK: Seconded.

22 CHAIR MERCADO: All those in favor.

23 ALL: Aye.

24 CHAIR MERCADO: Opposed; abstention? Motion
25 carries.

1 Next item on the agenda is the consideration
2 of the review of budget and expenses for the six-month
3 period ending March 31, 1994. We will have Mr. David
4 Richardson our treasurer/comptroller, Legal Services.

5 MR. RICHARDSON: Thank you, Miss Mercado.

6 My name is David Richardson for the record,
7 treasurer of the corporation. What we will be
8 referring to at this point is pages 18 through 26 of
9 the board book at this point. We presented on page 18
10 a statement of the funds available. Number one, the
11 allocated portion has not changed since the board
12 adopted the budget. Budget this year of course is
13 \$401,300,000.

14 The keynote on this page that we need to
15 look at is the funds not allocated in the fiscal year
16 '94 budget. Originally we had projected \$526,000 in
17 grant recoveries, interest and miscellaneous income.
18 We are six months through the year and we have actually
19 collected to date \$480,280. So, we will no doubt go
20 over that projection as we get into the next segment
21 where we look at the projection of interest and grant
22 recoveries. I'll come back to that and show you that
23 we will be well over a hundred thousand dollars over
24 that projected mark.

25 CHAIR MERCADO: Mr. Richardson, when you're

1 talking about the projected \$526,000, was that for
2 six-month period of time or for the full fiscal year?

3 MR. RICHARDSON: That was for the full year.

4 And Roman Numeral III is the fund balance
5 deficit reduction plan and this shows the deficit for
6 management administration at 2.5 million. We allocated
7 at the beginning of the year the 848,000 for the
8 appropriate operation of the rent of Virginia Avenue.
9 Then with the funds not allocated in Roman Numeral II
10 we have a total to reduce the deficit of \$1.3 million
11 to date. So, the two-year deficit reduction plan we're
12 definitely on target and well ahead of in getting the
13 deficit taken care of.

14 On page 19 we present a summary of the
15 expenses. Roman Numeral I, the delivery of the
16 assistance you'll see just to reacquaint you with this
17 schedule, column 1 is the appropriation levels. Number
18 two, the allocation of the '93 carryover. Then the
19 Court of Veterans Appeals and other adjustments to the
20 appropriations each one of those columns one, two and
21 three added together will equal column four. Again,
22 that will show you that the revised budget \$401
23 million.

24 The expenses to date are \$392,578,000. Of
25 that, the delivery of legal assistance which had a

1 budget of \$3-basically-68-million we have contracted to
2 date \$364,800,000. So there's a balance of a little
3 over \$3 million left. Most of that is month-to-month
4 funded. There is some contingency money, and when we
5 go over the six-month review, I'll highlight those for
6 you.

7 MR. SMEGAL, JR.: You will highlight
8 subsections A and B of Roman Numeral I?

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

10 MR. SMEGAL, JR.: Thank you.

11 MR. RICHARDSON: Within Roman Numeral II,
12 the support for the delivery of legal assistance we
13 have our training support, the total budget
14 22-million-basically-800,000. With contracts to date
15 of 22 million, almost 500 million. So there is a
16 remaining balance there of \$300,000. And a good bit of
17 that is also in contingency. I again will highlight
18 that when we go over the projections.

19 Within management and administration,
20 there's two elements. Management administration itself
21 is \$10,229,000. We've spent to date 5,191,000 with a
22 \$5 million remaining amount. The board initiative
23 which encompasses the competition initiatives, the
24 money to NOCA and the presidential search. The budget
25 there is 360,000. 95,000 has been spent to date, so

1 there's 264,000 left.

2 The next couple of pages, and I'll defer to
3 the Chair how you would like to go through this, at
4 this point, or if you just like to review it with the
5 projections for six months but offers the detail with
6 the information that we've just gone over. You'll see
7 that -- I'll just go through Roman Numeral I, for
8 instance, with the basic field programs the \$342
9 million budget. We have expense to date entered into
10 contracts 341,400,000, so there's basically 800,000
11 left.

12 Within the Native American, the budget was 9
13 million. We've got contracts of 8.8 million, so
14 there's basically \$150,000 left there. Migrant
15 program, had a budget of 12,700,000 and we have
16 expenses to date of 12,700,000. Actually there is
17 \$64,000 left there as a contingency.

18 For the record, let me go back and repeat
19 that the migrant was \$12,788,000. And for the expenses
20 12,724,000 giving you the \$64,000 remaining funds.

21 The special contingency funds, we had a
22 beginning, or, excuse me, a special emergency funds, we
23 had a budget at first of the year of \$35,900. The
24 reason we have a credit in that line, when these awards
25 were originally given, they were given to support

1 natural disasters. But the contracts are written that
2 if insurance money comes into the program, that any
3 money that is not used for the disaster is returned to
4 the corporation to support the land.

5 So, in this particular case we had 45,000 --
6 \$43,000 returned to the corporation. So, we can use
7 that money to support any other natural disaster that
8 does occur.

9 You will also hear a legislative report,
10 it's not included in this, I got word yesterday that
11 the money for -- the special emergency earthquake money
12 for Los Angeles has been approved. The money should be
13 going into the accounts in the next few days so there
14 will be an additional \$500,000 added to this line to
15 support the earthquakes of Los Angeles.

16 Within the law school line, there has --
17 excuse me, under supplemental provision we have law
18 school and --

19 MR. SMEGAL, JR.: I'm sorry, I was going to
20 ask you a question about 185.

21 MR. RICHARDSON: I'm sorry.

22 MR. SMEGAL, JR.: I don't think you -- I
23 think you skipped over it or at least didn't focus on
24 it.

25 Those are just passthroughs, aren't they?

1 We don't do any of the administrative determinations?
2 We're told how much money to distribute to a particular
3 entity?

4 MR. RICHARDSON: Basically, that's true. We
5 do have a committee that's made up of corporation
6 personnel and court personnel who make the decisions as
7 to who was funded. But it is a passthrough.

8 MR. SMEGAL, JR.: So, do we have any
9 discretion as to whether that 394,129 remaining will be
10 expended or not?

11 MR. RICHARDSON: No, sir. It will be
12 dedicated to the courts whether it's this year or next.
13 It goes completely to support the Veterans of Court
14 project.

15 CHAIR MERCADO: We don't get any type of a
16 percentage for administering it at all, is that
17 correct?

18 MR. RICHARDSON: Actually, they are
19 reimbursing our expenses. Mr. Sundseth, who is working
20 with this project, if he spends an hour on it, they
21 reimburse an hour of his time to the corporation.

22 MR. SMEGAL, JR.: Is that how there was a
23 carryover from fiscal year 1993 by a reimbursement of
24 corporate administrative expenses or was that an excess
25 left from administrative grants?

1 MR. RICHARDSON: It was -- actually a
2 combination. One of the grants was returned to the
3 corporation. It was a \$50,000 grant, and 49,000 of it
4 was turned back because the entity decided not to
5 continue in the project. And then the balance of that
6 we did use some of that, the court told us that we
7 could use some of those funds to support the
8 administration of the corporation, that's the reason we
9 only have 46,000 money carryover. We use \$3,000 of it
10 basically to support the administration of the project.

11 MR. SMEGAL, JR.: That didn't require any
12 reprogramming, that was an approval we could get from
13 the courts, from the Veterans Appeals Courts?

14 MR. RICHARDSON: That's correct, yes.

15 MR. SMEGAL, JR.: Thank you.

16 MR. RICHARDSON: And just to make you
17 further aware, the 790 that we do have here now, 760 is
18 for grants, 30,000 is for the administration of the
19 program.

20 Under B, special provision, the Supplemental
21 Service Provision, we have law school clinics and
22 recruitment, we had a budget of 1.6 million. We have
23 given contracts of 135,000, so there is remaining to
24 support the law school programs this year of
25 \$1,571,000.

1 CHAIR MERCADO: Is there a particular reason
2 why the expenditure for the law school clinics, it
3 seems that the rate at which it's being expended is a
4 lot lower than any of the other categories that we have
5 looked at, is it just the process takes longer to
6 revive the grant applications?

7 MR. SMEGAL, JR.: Academic years?

8 MR. RICHARDSON: Academic year. We
9 submitted an RFP to the different projects, law schools
10 in February. And the awards will be in June and they
11 will be for the next academic year.

12 The other element under Roman numeral I B-2,
13 the supplemental field programs, the budget was 1.274
14 million. And we have contracts for the full amount of
15 those funds.

16 MR. BRODERICK: Mr. Richardson, with respect
17 to Roman Numeral I, delivery of legal services, would
18 you look at the six-month tabulations, is there
19 anything in there that concerns you?

20 MR. RICHARDSON: There is not, sir.
21 Normally this process is on a yearly basis, on a
22 calendar year basis. So, when we see that there's \$342
23 million, for instance, in basic field, we let grants
24 for the January through December term for the full
25 year. So, it's the normal cycle of operations at this

1 point.

2 MR. BRODERICK: The allocation as it appears
3 here and remaining funds that are identified are
4 consistent with where you believe we should be at the
5 end of six months?

6 MR. RICHARDSON: Yes, sir. Within the
7 contracts. For instance, cash statement, which I have
8 been working with, even though we have expenses on that
9 to date we still have that in our banks \$360 million.
10 So, even though we have expenses and contracts we're
11 only giving one-twelfth a month.

12 MR. BRODERICK: I understand. Thank you.

13 CHAIR MERCADO: Go ahead.

14 MR. RICHARDSON: Roman Numeral II. Within
15 the supplemental, the support for the delivery of legal
16 assistance, we have a budget of 22,796,000. And of
17 course the expenses of \$22,469,000. Training, \$795,000
18 for the regional training centers. All of that money
19 we've entered into contracts for.

20 Under support, national support center, the
21 budget was 9,685,000. 9,508,000 we've entered into
22 contracts for. The amount remaining of 176,000 is the
23 contingencies from last year and this year that are
24 remaining. There is no month-to-month funding
25 contracts in there.

1 In the state support, we have a budget of
2 10,564,000. Expenses of 10,414,000. There's remaining
3 balance of 149,825. There is \$100,000 there for five
4 new state support centers. The other \$49,000 is the
5 contingency in the line.

6 CHAIR MERCADO: When you say five new state
7 support centers, are these states that did not have a
8 support center?

9 MR. RICHARDSON: Yes, ma'am. In the
10 footnotes that I have on page 25, identify those for
11 you. Puerto Rico, Virgin Islands, District of
12 Columbia, Guam, Micronesia, did not have state support
13 centers. So this is money, seed money to establish
14 support centers in these areas.

15 The clearing house in CALR, clearing house
16 budget of one million one and CALR, six million or
17 651,000, both of those lines are completely expended.
18 We have contracts for the full amount.

19 MR. BRODERICK: Before you go on to the next
20 entry, Mr. Richardson, Roman Numeral II, support for
21 deliver of legal service assistance, again after six
22 months you're satisfied there's nothing irregular or
23 inordinate with what those numbers reflect?

24 MR. RICHARDSON: No, sir.

25 MR. BRODERICK: Those numbers indicate to

1 you where we should be at this point?

2 MR. RICHARDSON: That is correct, sir.

3 MR. BRODERICK: Thank you.

4 MR. RICHARDSON: On page 22, I would look at
5 corporate management and administration. And
6 Attachments D and E will support these elements and
7 give you the amount that was spent in each budget
8 category. In management administration the budget of
9 \$10,229,000, we've spent to date 5,191,000. So there's
10 basically a little over \$500 million for the remainder
11 of the year.

12 Attachment D shows the breakout as to how
13 much in each of the offices and cost centers is spent
14 by line item. And within Attachment E, if I'll direct
15 your attention there, we are at 50 percent through the
16 year. And to date, we have spent 50 percent -- 50.75
17 percent. The main reason for that is for the
18 terminations and the payout for the employees that did
19 leave the corporation. You'll see that the personnel
20 compensation is at 56 percent. When we look at the
21 projections you'll see that that is being taken care of
22 through the reallocations that we are proposing to you
23 and in reduced salaries for the next six months.

24 There is nothing at this point that is
25 inordinate or outlined with the expenses that we have

1 at this point.

2 MR. SMEGAL, JR.: Your column on Attachment
3 E, third column headed March expenses, is in reality
4 expenses through March?

5 MR. RICHARDSON: That is correct. The
6 footnotes will give you further breakout of the
7 short-term funded. You'll look at basic field and at
8 this point I would not go through those because we will
9 again go through those when we look at the projections.

10 But, for instance, the short-term funded we
11 do anticipate being completely expended during the
12 year. The legislative or corporate designated, for the
13 others we were also projecting to spend the remainder
14 of the year. I'll call your attention to one item,
15 which is the law school, it shows that the remaining
16 funds as 1,571,000. And the legislative corporate
17 designated as 1,608,000. That's a typo. There was a
18 \$35,000 grant given last month. The two figures should
19 be the same figure.

20 MR. BRODERICK: Which should be adjusted?

21 MR. RICHARDSON: Legislative and corporate
22 designated. Instead of 1608 it should be 1571.

23 MR. BRODERICK: Okay. Thank you.

24 MR. SMEGAL, JR.: Mr. Richardson, I guess
25 I'm a little bit confused. In looking at Attachment B,

1 remaining -- column six, remaining funds, then looking
2 at footnotes to attachment C, which is page 25, for
3 example, on the line basic field programs, I see a
4 remaining funds of 818,071. How do I get to the
5 million 520 I see on Attachment B 1-A?

6 MR. RICHARDSON: You need to look at
7 Attachment C. And you'll see this basic field is 818
8 there.

9 MR. SMEGAL, JR.: Now I understand. Thanks.
10 I see, they track right along. These
11 numbers are --

12 CHAIR MERCADO: Basically one of the
13 categories.

14 MR. RICHARDSON: That is correct.

15 MR. SMEGAL, JR.: Thank you.

16 CHAIR MERCADO: Mr. Richardson, are you at
17 this time asking us to approve any reallocations or are
18 you going to discuss in a minute?

19 MR. RICHARDSON: We see that with the
20 projections in the next segment. Yes, we will do that.

21 MR. SMEGAL, JR.: Before we leave this, let
22 me go back to the income side for just a moment and ask
23 a question not on the sheet. Is anything happening
24 with subleasing of portions of 400 Virginia Avenue;
25 that's occurred since our last meeting?

1 MR. RICHARDSON: Not as yet. There is two
2 proposals that should be signed within the next week
3 for small portions of space on the concourse level at
4 400 Virginia Avenue.

5 MR. SMEGAL, JR.: Are they for the remainder
6 of the lease period?

7 MR. RICHARDSON: Yes, they are.

8 MR. SMEGAL, JR.: That is through June of
9 '96?

10 MR. RICHARDSON: August '95.

11 CHAIR MERCADO: Do we have any idea of what
12 percentage, if any, our deficit will be reduced?

13 MR. RICHARDSON: I do not, at this point, of
14 the figures that are being worked out. But there were
15 small sections of space at 400 Virginia Avenue. There
16 is one other thing you might say in laying in wait.
17 There is a NASA contract, there is three bidders for
18 the contract. The space that we have are looking at
19 subleasing now are for the term. But the contracts
20 were written as such that if the NASA contract comes
21 through and the three bidders will choose our space at
22 400 Virginia to move into so that they can support the
23 NASA contract, then they vacate the premises and
24 there's a possibility that the space could be let
25 almost completely with that one contract.

1 MR. SMEGAL, JR.: I'm sorry, I'm not sure I
2 if understood. You mean irrespective of the three
3 applicants were to get the NASA contract the 400
4 Virginia space will be affected by it?

5 MR. RICHARDSON: It could. I say, could,
6 not -- it's not firm, because there is so much vacant
7 space in the 400 corridor now, that we have lowered our
8 price to basically \$13 a square foot. And there are
9 other people there, other buildings that could lower it
10 even further. So, it's not firm that we could, but
11 they are looking at the space all three of them as a
12 possibility for headquarter interoperations.

13 MR. SMEGAL, JR.: Our cost on that space is
14 what?

15 MR. RICHARDSON: About \$30 a square foot.

16 CHAIR MERCADO: \$30 a square foot?

17 MR. RICHARDSON: Yes, ma'am.

18 MR. SMEGAL, JR.: Thank you.

19 CHAIR MERCADO: Anyone have any additional
20 questions of the expenses?

21 We did go through, I didn't recall having
22 the footnote to Attachment C but I just -- as far as
23 the competition initiative, are we pretty much on
24 target with the expenditures?

25 MR. RICHARDSON: With the remaining portion

1 here is mainly for operations. So, yes, it does appear
2 that we're on -- we're on the right track there. We
3 have requested, as you're aware, 900,000 in next year's
4 appropriation because we do not have the money as yet
5 for the awards process. You'll see in the projections
6 I am showing that the money is to be fully expended
7 this year. There could be some decisions made that
8 will push some of those expenses to next year, but it's
9 still dedicated to that project. So, it will not
10 affect the bottom line of the fund balance as it were.

11 CHAIR MERCADO: We've already issued the
12 grant for NOCA, right, for the clients?

13 MR. RICHARDSON: Yes, we have.

14 CHAIR MERCADO: We've already done that.

15 Anyone have any other questions or comments
16 on expenses?

17 MR. BRODERICK: I don't.

18 MR. SMEGAL, JR.: No.

19 CHAIR MERCADO: We'll just accept the report
20 at this time.

21 MR. RICHARDSON: Thank you, ma'am.

22 CHAIR MERCADO: We'll go to the next item in
23 the agenda. Which is the possible need for internal
24 budgetary adjustments and/or reallocation with COB for
25 '94, if you could. If you could discuss both of those

1 items.

2 MR. RICHARDSON: Okay.

3 We're entering into another phase within our
4 budgeting process. When you as a Board were
5 established, we came in, started reviewing the budgets.
6 First adopting operating authority because there was no
7 budget. Took a few meetings, finally adopting a budget
8 in January at the annual meeting. And then at the last
9 meeting of course we adopted modified guidelines for
10 the next year's adoption of a consolidated operating
11 budget and a process for revisions of that through
12 quarterly review, be it six month, nine month.

13 And there's some other elements, such as
14 where the chairman will be given authority through the
15 Board, through the guidelines to make some adjustments
16 to the budget where that is the COB reallocations.

17 We are coming to you today after six months,
18 after we adopted a plan of operations. And we're
19 visiting at the -- to see if our projections were good.
20 And they're inevitably with operating experience and
21 decisions that are made will be revisions to that. So,
22 chapter or paragraph six of that guideline prepares
23 details and review that presented will go through, then
24 present the findings to the Board for review.

25 To give you some background, after receiving

1 the March expenses, each director is asked to give an
2 amendment on some direction as to review their budget
3 and project the expenses for the next six months. That
4 has occurred. It's been reviewed through the executive
5 office. There is some internal reallocations because
6 the operating experience has changed. There is some
7 new needs in the corporation with new management. So,
8 we're coming to you today to suggest that there be or
9 recommend some COB reallocations.

10 CHAIR MERCADO: Mr. Richardson, just before
11 you get any further, when you're talking about each
12 director reviewing their budget and expenses you're
13 talking about in-house staff directors rather than
14 Board of Directors?

15 MR. RICHARDSON: That's correct.

16 CHAIR MERCADO: Just to make sure it's clear
17 on the record.

18 MR. RICHARDSON: In addition to reviewing
19 the operating experience within each budget we look at
20 each grant line. So, we want to make sure that the
21 funds that are allocated and a byline process through
22 the appropriations we're not overspending and not
23 overallocating those funds.

24 I will apologize to you for handing you the
25 memo this morning, but with everybody's travel and

1 hearings of the last few days, it's been very hectic as
2 far as getting all the pieces together. But it is
3 before you now. I hope you've had an opportunity to
4 read it this morning, I tried to review with each of
5 you, but I do anticipate there will be a few questions.

6 CHAIR MERCADO: What I would like you to do,
7 especially what we will do probably is to just go ahead
8 and incorporate this document into the record in any
9 event so that it provides the explanations for it. But
10 still flag the key adjustments and allocations that we
11 need to look at.

12 MR. RICHARDSON: Okay.

13 CHAIR MERCADO: And we do -- I think that
14 part of our fiduciary obligation in taking care of the
15 business of the corporation is to be informed and to
16 make decisions that are based on facts and information
17 before it. And so we do appreciate getting the
18 information in enough time to review it and ask
19 questions on it. Thank you.

20 MR. RICHARDSON: I will summarize the memo
21 and the key points that I feel that you should be
22 concerned with. If there is additional questions, I'll
23 be glad to answer them as we go through.

24 The projections that we asked each of the
25 staff directors and officers who are responsible for

1 our budget to make, was to project their budget as if
2 there would be no furlough days. As you recall in the
3 original budget, there was five furlough days included
4 and there was a two percent attrition factor.

5 With the decisions regarding staffing of the
6 last few months, we are able to absorb the two percent
7 attrition factor, we are also able to absorb through
8 the shifting of personnel here and there the five
9 furlough days with the exception of one office and
10 that's the office of human resources. And we will, one
11 of the recommendations that will be provided additional
12 money to that office.

13 I will go down much like is presented in the
14 document, in the budget, first the Board of Directors
15 and executive office and so forth.

16 Within the Board of Directors, we originally
17 provided for two-day meetings. And in the budget that
18 was adopted in January those meetings have subsequently
19 changed to three- and some four-day meetings. So,
20 there is a need for an additional \$70,000 to support
21 the activities of the Board of Directors.

22 There are a few internal adjustments that
23 have to occur. For instance, with the postponing, not
24 having the annual report or the annual meeting, there
25 was some money that was available through printing and

1 reprographics that we will move to the other operating.
2 This is to support the need for renting audio equipment
3 and the different services that are required when we do
4 go on out-of-town meetings and have additional
5 meetings.

6 Of course we have the headquarters
7 buildings, but when we have concurrent meetings like we
8 have now we have to rent additional space and the -- we
9 have duplicate audio equipment so that the costs are
10 increasing there.

11 CHAIR MERCADO: Let me ask you real briefly
12 on that, because that's something that we're trying to
13 work as a board as far as how to handle the meetings.
14 We're doing simultaneous meetings right now. On a
15 financial end, does that cost us more to do it that way
16 than it would if we set them in succession rather than
17 concurrent?

18 MR. RICHARDSON: Yes, ma'am, it does. For
19 instance, we have three setups for court reporters. We
20 have three setups for audio equipment. And we have
21 three rooms that we are renting at this point to hold
22 our meetings. And we hold our meetings one day,
23 basically you're doing, instead of doing three, you're
24 doing two. So, you're increasing your cost one third.

25 MR. SINGSEN: My name is Gary Singesen, just

1 would note, however, that when you hold them
2 successively there may be more time committed by each
3 board member and an increase in the board member
4 consulting cost as well as increased nights in hotels
5 and food. So, that there -- the net is probably a
6 longer calculation.

7 MR. BRODERICK: Can I ask you,
8 Mr. Richardson, on the proposed reallocation for the
9 board here, what are we projecting fiscal year 1995 in
10 the \$500,000,000 budget if that comes to pass for Board
11 expenses, not Board initiative, just expenses of this
12 board meeting?

13 MR. RICHARDSON: I don't have the exact
14 figure with me. It's not reported in there.

15 CHAIR MERCADO: It's just a general amount.

16 MR. RICHARDSON: It's general, but as I
17 recall, we are projecting basically \$550,000 for next
18 year's board operations.

19 CHAIR MERCADO: We only had about a hundred
20 thousand dollars this year. And part of that money we
21 used for the presidential search. We didn't have very
22 much money.

23 MR. SINGSEN: The only additional comment
24 I'd make is you will shortly begin to consider the
25 parameters for the 1995 budget. And within the amount

1 allocated by Congress to management and administration
2 as a whole you'll have discretion to make allocations
3 in a broad range at the time that we begin to have a
4 clearer figure for what the management and
5 administration total will be.

6 MR. RICHARDSON: For the record, let me
7 identify Gary Singsen for the purpose of the court
8 reporter.

9 CHAIR MERCADO: Go ahead.

10 MR. RICHARDSON: I'm not sure if I repeated
11 the number, but what we're asking for because of the
12 increased travel cost is \$70,000 for Board of
13 Directors. Within the executive office --

14 CHAIR MERCADO: Let me just note something
15 here real quick. In that amount that we are talking
16 about in the \$70,000, that includes the travel for the
17 advisory committee and search committee, is that right;
18 or is that in a separate line?

19 MR. RICHARDSON: It's in a separate line.

20 CHAIR MERCADO: Is it under the presidential
21 search line?

22 MR. RICHARDSON: Yes, ma'am, it is.

23 CHAIR MERCADO: It wasn't specifically
24 spelled out in the budget so I couldn't tell exactly
25 where it was that it was allocated.

1 MR. RICHARDSON: When we first adopted the
2 budget, there was a hundred thousand dollars for board
3 initiatives. \$15,000 of that money was for the NOCA
4 grant. \$85,000 was for the presidential search. And
5 the search committee and even the board members, the
6 attendance fees that dealing with the presidential
7 search will be charged to that line. Not to -- if the
8 presidential search line needs additional money, it
9 will then go to the Board of Directors' line if we're
10 not over the \$85,000 allotted.

11 CHAIR MERCADO: Okay.

12 MR. RICHARDSON: Within the executive
13 office, we have some increased transition costs, most
14 of the transition or the costs for the transition was
15 budgeted through April. We are now budgeting through
16 July. We are -- we've also brought aboard to help with
17 communications and government affairs, an employee. So
18 we will need an additional \$44,000 in this particular
19 line to help support that hiring. There is also some
20 internal budgetary adjustments.

21 For instance, with the people leaving, we
22 had some vacation payout. So, the other main
23 adjustment is \$42,400 to move money that was originally
24 expensed through the personnel benefits line that we're
25 now paying out as compensation. When they leave to get

1 it of course into the W-2 for the taxing purposes so
2 now, we will make a reallocation or internal budgetary
3 adjustment, move the money from the personnel benefits
4 into personnel compensation.

5 There has also been some increased
6 communications costs that we're projecting in dealing
7 with the field and getting more communications to the
8 field. We've projected less travel cost of an amount
9 of \$50 and moved it to communications to support those
10 needs.

11 MR. BRODERICK: Mr. Richardson, can you tell
12 me the government affairs communication staff member,
13 the previous regime here, was there someone that filled
14 that slot?

15 MR. RICHARDSON: Yes, there was. That would
16 have been Mr. Boehm, who was also counsel to the Board,
17 but he also handled communication and liaison.

18 MR. BRODERICK: The person who would fill
19 that slot has not yet been hired?

20 MR. RICHARDSON: Actually, they are on board
21 now.

22 MR. BRODERICK: Who is that?

23 MR. RICHARDSON: The lady's name is Karen
24 Crosby.

25 MR. BRODERICK: What do you understand at

1 this point her responsibilities are?

2 MR. SINGSEN: Ms. Crosby is working with the
3 president and the executive vice-president and others
4 on the staff and the transition team responding to
5 congressional inquiries, maintaining information that
6 is needed and helping to develop that information in
7 anticipation of further requests for information. And
8 also working on things like the transition newsletter
9 and other communications to the field and the public.
10 She's got too many things on her plate.

11 MR. BRODERICK: I know that feeling.

12 MR. RICHARDSON: The other thing that she
13 did help assist with was, along with many other staff
14 members, was the writing of the testimony that went
15 before both House and Senate hearings the last two
16 weeks.

17 To continue with the Inspector General, he
18 and his staff has reviewed their budget, they have
19 asked that their budget be reduced 3,050, which I have
20 added to the Board of Directors' budget. So, instead
21 of seeing on the final pages when you look at 70,000
22 being added to the Board of Directors, it is \$73,050.

23 There is some other internal budgetary
24 adjustments. At this point, if you'd like,
25 Mr. Quatrevaux can speak to those. I am aware, for

1 instance, that he has an employee who is out on
2 disability. So, there is a need for some temporary
3 employee pay money, they are paying an agency for their
4 support help.

5 And there's some other small adjustments,
6 he's reduced the travel in his office. The other
7 operating cost he's reduced slightly and also the
8 capital expenditures in moving those monies into
9 personnel compensation, temporary benefits and also
10 printing reproductions. But if you would like further
11 explanation, he is here and can provide that.

12 MR. BRODERICK: I think we should stop the
13 proceeding and make an awards presentation. Very
14 impressed.

15 I don't have any further questions. I don't
16 see any need to do that unless you do, Tom.

17 MR. SMEGAL, JR.: No.

18 MR. RICHARDSON: Within the general
19 counsel's budget, there is some internal allocations.
20 We do anticipate with the mid-year operating experience
21 and what we're projecting through the end of the year
22 that there will be a small amount of money needed for
23 additional personnel benefits. Also, for travel. A
24 small amount for communications and other operating
25 expenses. We had originally budgeted \$150,000 for

1 consulting. And it looks like our litigation line in
2 consulting, hiring of outside counsel will be going
3 down so to accommodate the needs of the office we have
4 moved \$6300 into the areas that I described to you.

5 Within the office of human resources, this
6 is the one office that I had originally spoken to that
7 we're not able to absorb the five furlough days. There
8 is some money available to help support that within the
9 temporary employee pay, we've discontinued our pool of
10 personnel that would, for instance, fill in on the
11 telephone and help with filing in different offices.
12 The travel and transportation, there is decreased
13 transportation needs. We had originally budgeted here
14 for the director to be handling some EEO training with
15 the field. And that does not look like it's going to
16 be coming to pass this year. And there's a small
17 amount within the other operating of \$50 that we've
18 moved out to also support activities of the printing
19 within the area.

20 With the \$8,000 that we're asking to be
21 reallocated at this point, we can to support personnel
22 compensation to the amount of \$4800 and personnel
23 benefits, \$8100.

24 Within the comptroller's office and
25 administration, review shows that we're going to need

1 an additional \$17,800. This is again because of the
2 transition cost. Mr. Singesen, his salary and benefits
3 were originally projected through May. And now we're
4 projecting through the end of the year. Now, we're
5 able to absorb some of that because we've also reduced
6 staff. And in an additional review, we're showing that
7 we can reduce the occupancy cost now because of the
8 decisions that were made with the audited financial
9 statements to recognize some rent, some deferred rent
10 in the prior years, so we can move money, about
11 \$34,000, out of the occupancy costs. We've also to
12 reduce the amount of operating expenses that were
13 anticipated at 400 Virginia Avenue, that was in the
14 budget to support some security costs and so forth that
15 are no longer needed.

16 So basically the personnel compensation
17 would increase \$43,000. The benefits would go up
18 15,000. We originally budgeted Mr. Singesen as
19 consultant, it has ended up because of looking at it
20 that he needed to be budgeted as an employee instead of
21 a consultant, so that's the reason you'll see that
22 26,000 is moved from the consulting into the
23 compensation. The difference there is we have to --
24 we've had some increased audit costs and we've had a
25 couple of payments that we had to make to our real

1 estate consultants for the commissions for rented
2 space.

3 Travel we're showing an increase there.
4 Communications, we're showing as down a little bit.
5 And that money would go to support the increased
6 printing costs and the increased operating expenses of
7 the area.

8 Within the program monitoring evaluation or
9 peer group, with the departure of the employees that
10 has occurred, this is the budget that will absorb the
11 96,705 -- the attrition, the two percent attrition
12 factor that we built into the original budget.
13 Personnel compensation would reduce \$11,700. Temporary
14 employee pay 25,000. And the benefits 60,000. You
15 might think again that it should be the reverse,
16 because the personnel compensation should be higher.
17 But it's the same reason for the reallocation -- the
18 internal budgetary adjustment and the executive office
19 with the payout of vacation which would originally be
20 expensed in going through personnel benefits, that will
21 now move into the personnel compensation line and the
22 need for the internal budgetary adjustment there.

23 We're also showing that the consulting costs
24 will be increasing with the peer review concept and the
25 travel will be decreasing, so we've made an adjustment

1 there decreasing the travel 20,000 and increasing the
2 consulting \$20,000 also.

3 Within the office of program services, there
4 is no reallocations needed here. There is some
5 internal budgetary adjustments. Again, with staff
6 decisions the personnel compensation is down \$8500.
7 Work benefits is down 3100 and that would go to --
8 those two reductions would go to support consulting
9 expense that we have. And additional communications,
10 because this is one of the key offices that deal with
11 the field. We've had some increased fax communications
12 with the grantees, this money would go to support that
13 particular need.

14 MR. BRODERICK: Mr. Richardson, the increase
15 in the cost of communications are not related to the
16 fact that there was staff layoffs or are they related?

17 MR. RICHARDSON: They are not. When we were
18 working with AmeriCor, with the national service, we
19 had to increase that line because we had some very
20 quick overnight communications, fax transmissions to
21 the field because we had some very quick turnaround
22 time in getting some information together to submit.
23 And that is the main reason for the increased cost
24 here.

25 MR. BRODERICK: Do you know in light of the

1 staff layoffs that have taken place here during this
2 transition phase, what the net impact is in dollars of
3 the corporation, has it cost us money or saved us money
4 or where are we in that mix?

5 MR. RICHARDSON: It will save us money. As
6 we go through the projections for management and
7 administration, I'll point those out more clearly. But
8 basically, let me just turn to it, and for instance,
9 with -- if by projecting the --

10 CHAIR MERCADO: What table are you on?

11 MR. RICHARDSON: We're looking at the very
12 last page that is labeled Revised Attachment D. The
13 last page of the document that you have.

14 CHAIR MERCADO: Okay.

15 MR. RICHARDSON: The personnel compensation
16 line we will have to increase slightly, but as you see
17 we will save money in the long run by adjusting the
18 benefits. Where we have 5.3 million and 1.1, a total
19 basically 6.4 million for personnel benefits and
20 compensation. It was identical in the original budget,
21 it was 5.2 and 1.2. There is a small savings, but not
22 major at this particular point. I'm actually just for
23 further clarification, I'm looking at Attachment D in
24 two pages up and then the revised Attachment D as to
25 the comparison.

1 MR. BRODERICK: The staff layoffs here,
2 during this transition phase on a net basis have not
3 cost us, the corporation, money.

4 MR. RICHARDSON: They have not.

5 MR. BRODERICK: Thank you.

6 CHAIR MERCADO: Mr. Richardson, if we were
7 looking at a couple of categories where we felt there
8 needed to be some additional staff or permanent staff,
9 where might there be any allocations within the
10 budgets?

11 MR. RICHARDSON: Okay. The next to the last
12 page of --

13 CHAIR MERCADO: Attachment C?

14 MR. RICHARDSON: Let's go back to the
15 Revised Attachment D, it's the easiest one to get to.
16 There is still a special contingency fund, funds that
17 are not allocated, in the amount of 62,626. So, those
18 funds could be tapped for any purposes that the Board
19 desires.

20 CHAIR MERCADO: You know one of the areas
21 that we're looking at very seriously is the whole area
22 of communications, I think it's very important for not
23 only the field in our client community but the
24 community at large to get information about the kinds
25 of work that Legal Services is doing. And it seems

1 that that has been lacking. And it was definitely
2 brought even more evident that the work that we were
3 doing yesterday, while we were touring the housing
4 projects; that we needed to have someone coordinate
5 efforts to do the kind of public communication to let
6 pretty much the world at large know the kind of
7 important work that Legal Services does do in their
8 communities.

9 MR. RICHARDSON: Okay. Let me back up even
10 further. With this money, this is the money that's
11 available in the current budget for management
12 administration. There is additional money that could
13 be tapped. And if you'll look at Attachment A, page
14 four of four you'll see that the other funds available
15 in their original putting together of the budget we had
16 allocated over \$526,000 to the budget reduction.

17 CHAIR MERCADO: Attachment --

18 MR. SINGSEN: It's labeled Attachment C page
19 four of four. Only my copy was wrong.

20 MR. RICHARDSON: You'll see that I have the
21 other --

22 CHAIR MERCADO: Attachment C under the
23 revised?

24 MR. RICHARDSON: No. Attachment A, not a
25 revised.

1 MR. BRODERICK: What page was Attachment A?

2 MR. RICHARDSON: Right --

3 CHAIR MERCADO: Three of four?

4 MR. RICHARDSON: Next page. Four of four.

5 I'm sorry, you've --

6 CHAIR MERCADO: Four of four. Here we go.

7 MR. RICHARDSON: You'll see that there's
8 other funds there 480, that is what we have collected
9 to date. We have a budget plan showing that there's an
10 additional \$140,000 in funds coming into the
11 corporation. Which will get us in the area of 620,000
12 or a hundred thousand dollars over the projection that
13 we had.

14 The Board could allocate a portion of this
15 money to help support technology needs or again any
16 other needs that you feel are necessary to be
17 supported. You could use a hundred thousand over the
18 projection, you can use the full amount. It would
19 delay the deficit reduction plan.

20 CHAIR MERCADO: The way we left that in the
21 budget earlier that was 480,280 was going to be used
22 for the budget deficit.

23 MR. RICHARDSON: That's correct.

24 CHAIR MERCADO: But if we had a hundred
25 thousand over that coming in, then that would be

1 something that we could use for either the public
2 relations or any other computerized or technology that
3 we needed without necessarily affecting the budget
4 deficit.

5 MR. RICHARDSON: That's correct.

6 MR. SINGSEN: Madame Chairman?

7 CHAIR MERCADO: Yes.

8 MR. SINGSEN: Let me just note that if you
9 anticipate future needs of that kind.

10 CHAIR MERCADO: Yes.

11 MR. SINGSEN: The money that will come in
12 for interest and miscellaneous is outside of the
13 management and administration budget at the moment and
14 under the budget modification guidelines. There would
15 have to be a proposed reallocation of some of that
16 money into management and administration that was
17 adopted by the Board before the money could be brought
18 in.

19 So that if it's your current anticipation
20 the committee -- that the money will be needed, your
21 committee might want to consider adopting a resolution
22 and recommending to the Board that some of the money be
23 brought into the budget at this time rather than
24 waiting for either the third quarter review in August
25 or for special action of the meeting between now and

1 then.

2 CHAIR MERCADO: I think that that would be
3 most timely. Because we really do need to take care of
4 a lot of the other matters for the corporation. And it
5 was just a matter of trying to determine based on the
6 budget and what funds might be available without
7 jeopardizing or taking away from any other -- any of
8 the other divisions in the work that they need to do.
9 To be able to have some additional money to take care
10 of that need. That actually for us I think is probably
11 more urgent. So, we do need to go ahead, if
12 Mr. Richardson and Mr. Singsen, if you will get
13 together and submit a proposed resolution for us to
14 review so that we can go ahead and take action on it.

15 MR. SINGSEN: We'll do that.

16 MR. RICHARDSON: Is there an amount that you
17 had in mind that we should include in the resolution?

18 CHAIR MERCADO: I would need to get some
19 actual data from you, I think, as to given the time
20 left on our fiscal year, assuming that we brought in a
21 couple of more people in to help us. As you know we're
22 very shorthanded with the transition team. And there's
23 a lot of work that needs to be done. And I guess we
24 would need to, with your discretion, both yours and
25 Mr. Singsen's, to look at what the costs will be of

1 adding on a couple of additional people. And also
2 looking at the actual cost of the public relations
3 aspect of it, whether it's printing or faxing, and get
4 us a figure that would come within any amounts that we
5 actually know for sure we have now, that we can either
6 get from other funds available or from interest income,
7 that would still leave us a little bit of money left in
8 there for contingencies, I wouldn't want to take away
9 all that amount of money from contingency. But I would
10 want to take sufficient to be able to have at least two
11 or three people to help the transition team in some of
12 the areas that the Board feels that there is not a
13 sufficient staff of personnel to meet those needs.

14 MR. RICHARDSON: We will work on those and
15 get back to you between me and Mr. Singesen.

16 CHAIR MERCADO: The other area I think was
17 someone specifically working with the whole area of
18 reauthorization in regulations, so that will be someone
19 that will be working with a lot of the regulatory
20 changes in house for the corporation.

21 MR. RICHARDSON: Okay.

22 MR. SINGSEN: Madame Chair?

23 CHAIR MERCADO: Yes.

24 MR. SINGSEN: Procedurally, I don't know the
25 proper procedure for having this presented to the whole

1 Board. But my assumption is that you would be able to
2 propose such a resolution as a board member certainly
3 if it's going to be a recommendation from the
4 committee, the committee may need to have a motion
5 voted on so that if the recommendation of the committee
6 that is presented as opposed to an individual board
7 member's motion either would be considered at the
8 meeting.

9 CHAIR MERCADO: If we can get that, I don't
10 know whether you have access to that information, we
11 could get that type of resolution before our committee
12 meeting is over, that we could take action on it, if
13 that's possible.

14 MR. SINGSEN: If you put that question to
15 the bottom of the agenda I'm sure we can have language
16 and a proposed figure for bringing funds in from the
17 other funds available category.

18 CHAIR MERCADO: That would be great.

19 We've pretty much gone over all the
20 budgetary adjustments and reallocations that we need
21 with the exception of the specifics that we need to
22 add. I don't know whether we want to just go ahead and
23 defer the adjustments and reallocation until we get the
24 resolution to go along with it, or whether you want us
25 to go ahead and accept the reallocations that you have

1 already submitted. I would think that the numbers
2 would be different and therefore, approving this
3 particular reallocation without looking at the numbers
4 that would be affected for the additional staff that we
5 need.

6 MR. SINGSEN: We can do it either way. We
7 do have a resolution in handwritten form which
8 basically says, adoption of the things that have been
9 presented to this point. And we could have a separate
10 resolution moving funds, reallocating funds from other
11 funds available into management and administration. Or
12 although it doesn't have the same kind of documentary
13 basis as what's been discussed so far, we can combine
14 the two in a single resolution at the end of the
15 meeting.

16 CHAIR MERCADO: Since you already have the
17 resolution for the first item which we have already
18 discussed and we already have the budgetary
19 justifications for, why don't we go ahead and present
20 that resolution and then we will just have the separate
21 resolution to deal with the additional one.

22 MR. SINGSEN: Madame Chair, I have a
23 resolution in handwritten form which I could read the
24 entirety of, or only the operative language of,
25 whatever you'd prefer.

1 CHAIR MERCADO: Why don't we go ahead since
2 we don't have a written portion just read all of it so
3 we can have it into the record. And as time permits if
4 we could have the secretary go ahead and put that into
5 typewritten form so that we could also submit it for
6 the record.

7 MR. SINGSEN: Whereas, the Legal Services
8 Corporation has completed six months of fiscal year
9 1994 with expenses under tight controls. And whereas,
10 experience during the six months has provided a basis
11 for revising the consolidated operating budget for
12 management and administration to more accurately
13 reflect the expected costs of the balance of the fiscal
14 year pursuant to the current plans of the Board of
15 Directors. And whereas, careful management of
16 expenditures and increased efficiency in performing
17 corporation funds has made it possible to complete the
18 fiscal year without the necessity of forcing employees
19 to give up a portion of their regular salaries in order
20 to balance the budget through furlough days.

21 Now, therefore, the Board of Directors of
22 the Legal Services Corporation resolves that the
23 internal budget adjustments and consolidated operating
24 budget reallocations recommended by the president
25 pursuant to the corporation's budget modification

1 guidelines, as reported in the memorandum of David L.
2 Richardson, treasurer/comptroller to the Audit and
3 Appropriations Committee dated May 10, 1994, are hereby
4 adopted.

5 One, 139,800 is reallocated from special
6 contingency funds to the Board of Directors. 70,000.
7 Executive office, 44,000. Office of human resources
8 8,000 and comptroller and administration, 17,800.

9 Two, staff attrition projection is increased
10 to zero, 96,705. By reallocation of the same amount
11 from the office of program evaluation analysis and
12 review.

13 Three, \$3,050 is reallocated from Inspector
14 General to the Board of Directors.

15 Four, internal budgetary adjustments as
16 detailed in the above-mentioned memorandum of May 10,
17 1994, are accepted including the elimination of
18 furlough days from the budgets in each office in the
19 corporation.

20 MR. BRODERICK: Having heard the resolution
21 read into the record, I would move that it be adopted
22 by this committee.

23 MR. SMEGAL, JR.: Seconded.

24 CHAIR MERCADO: Is there any further
25 discussion of the resolution? Hearing none, all those

1 in favor?

2 ALL: Aye

3 CHAIR MERCADO: Opposed; abstentions?

4 Motion carries.

5 MR. SINGSEN: We'll have this typed up for
6 the record, and available for the Board this afternoon.
7 I'm not sure whether it will be in a typed or in a
8 copied handwritten version, but either way it will be
9 in the Board's hands.

10 CHAIR MERCADO: I think I had already for
11 the record requested that memorandum of Mr. Richardson
12 go ahead be submitted for the record. So that is
13 already in there. But just add the resolution to it.

14 CHAIR MERCADO: Thank you. We will, if you
15 will please note on your agenda, the last item on our
16 agenda will be to consider that additional resolution
17 on the reallocation. I guess we can call it eight.
18 It's not actually eight, just a continuance of four.

19 Thank you. We now have the Project Advisory
20 Group's recommendation for Corporation priorities and
21 allocation of its fiscal year of 1995 appropriation.
22 And Mr. Andy Steinberg and Don Sanders, no?

23 Mr. Andy Steinberg will present to the
24 Board, to the Audit and Appropriation Committee.

25 Thank you, Mr. Singesen and Mr. Richardson.

1 I do want to for the record thank Mr. Singsen and
2 Mr. Richardson for the over extensive amount of work
3 that they have put in helping us prepare for the budget
4 hearings in Congress. I do want to make sure and take
5 the opportunity to thank them personally because they
6 have definitely put in over and above the amount of
7 time that a normal employee or consultant would put
8 into our awards. We do want to thank you on behalf of
9 the Appropriations Committee, you made our job a little
10 bit easier.

11 MR. SINGSEN: Thank you for saying so. But
12 it strikes me that we do the paperwork and you take the
13 battery.

14 CHAIR MERCADO: Thanks. Mr. Steinberg.

15 MR. STEINBERG: Thank you. For the record
16 my name is Andrew Steinberg, I am cochair of the
17 funding criteria committee of the Project Advisory
18 Group. And also the executive director of Western
19 Massachusetts Legal Services, which is located in
20 Springfield, Massachusetts.

21 I would like to start by thanking the Chair
22 for what she has done on behalf of the legal services
23 community in making three separate trips to
24 congressional committees to carry the message for all
25 of us about the need for equal justice for people in

1 poverty, and as Mr. Singesen noted, taking somewhat of
2 an apparent bashing from what I have read, which is of
3 course not I know ever a personal thing, but it's very
4 difficult position to be in.

5 These are difficult times. I was talking
6 with Gary, who is familiar with Massachusetts since
7 that's his home, too, and we've been having a difficult
8 time the last couple weeks in Massachusetts
9 legislature, and I guess my observation that what's
10 been happening is that these are not popular times for
11 a lot of the issues that we are concerned about in
12 legal services, and that has a direct affect on low
13 income people through the decisions that are being made
14 around welfare reform and other issues. But it has a
15 spinoff on advocates for low income people, which is
16 who all of us are.

17 And what's happened in the Massachusetts
18 House of Representatives through the budget debate in
19 the last couple of weeks, has culminated this week in
20 passage of a budget that includes provisions that take
21 all of the IOLTA funds away from the current uses and
22 put it into, quote, courthouse security. And take away
23 all of the filing fee money and put it into what's
24 called the general fund, which is effectively to take
25 it all away. We hope that that will be reversed in the

1 senate, in Massachusetts senate.

2 This is a major, obviously, problem for us
3 to give you context, Western Massachusetts Legal
4 Services had income in 1993 of \$2.5 million, and a
5 million dollars of the 2.5 was combination of filing
6 fee and IOLTA funds so that we're talking about 40
7 percent of the budget.

8 And the other thing that was fairly obvious
9 to me, the reason that I brought yesterday's Boston
10 Globe up to the table yesterday, I don't know if
11 Mr. Broderick saw the paper, you weren't in New England
12 yesterday, but lead article on the front page is
13 entitled "Disability Grants for Children Fuel Welfare
14 Debate" and we have always in legal services been very
15 proud of the Zeble case and what it has accomplished in
16 providing resources for disabled children in making
17 sure that the rights of disabled children are
18 protected. And what this article does, is to criticize
19 some of the consequences of the case that we are very
20 proud of.

21 As I was reading the paper, The Globe, on
22 the plane yesterday coming to Atlanta, I counted no
23 less than five articles that were directly affecting
24 either the welfare issue or in some other way
25 reflecting on the work that we do in legal services in

1 Massachusetts. It is a difficult time. And I
2 appreciate the fact that you are the one who is up
3 there for us because I know that you spoke from the
4 heart and very eloquently and all of us appreciate it.

5 CHAIR MERCADO: Thank you.

6 MR. SMEGAL, JR.: Andy, before you proceed,
7 let me ask you a question. Part of the difficulty with
8 funding is interest rates at the banks these days, I
9 know in California the IOLTA funding, there was a
10 similar piece of legislation that would have
11 transferred IOLTA funding to other activities. But the
12 reality of it is, even though that was defeated, what's
13 left of IOLTA funding because of interest reductions is
14 probably one third of what it's been. Assuming the
15 senate or your other legislative body in Massachusetts
16 takes a different view and you were to receive the
17 IOLTA funds, proportionally to how you have as recently
18 as last year award where it represented 40 percent,
19 what in fact would that be, how much of a reduction
20 would you be faced with in any event?

21 MR. STEINBERG: Maybe Mr. Singsen would have
22 more accurate information.

23 MR. SMEGAL, JR.: I don't want a specific
24 number but there is --

25 MR. STEINBERG: The one answer that I have,

1 Massachusetts has not had the problem that California
2 has had so far, but we see it coming. In California
3 it's my understanding that -- and in New York the rate
4 of income title plummeted substantially. In
5 Massachusetts that only has happened in the last
6 quarter, when the quarterly collections for IOLTA were
7 down by about \$200,000, which is about 800,000 for the
8 year. And that could ultimately translate to something
9 approaching a 20 percent reduction.

10 I think that some of the reason that
11 Massachusetts was a little different -- and this varies
12 tremendously by state, which is why I think California
13 was in such -- in a much more drastic situation, when
14 the interest rates starting to go down in Massachusetts
15 was just about the time that the Massachusetts program
16 went from an optional to a mandatory program. So, the
17 upswing in the amount of money that was being put into
18 IOLTA accounts was tending to offset the interest rate
19 reduction.

20 But that varies, and as we talk about it in
21 a moment, the appropriations increase, it's a very
22 important point to note that in every state and in
23 varying degrees by state, the increases may not even
24 offset the interest, the IOLTA reduction.

25 When that happened this year, in

1 Ms. Mercado's state, Texas, there was a lot of new
2 money that went into programs, the other co-chair was
3 Gina Rogoff of the Austin, Texas program and they had a
4 tremendous increase because of the appropriations
5 increased combined with the census increase and it just
6 offset the IOLTA reduction so that the net affect of
7 all of that additional funds which was intended to
8 recognize that increase in poverty population in the
9 central Texas service area, ended up not being used for
10 additional services, not being used to actually
11 recognize that the poverty increase, but just offset
12 the IOLTA reduction.

13 CHAIR MERCADO: You know, in one of the
14 things that unfortunately from the congressional areas
15 that we've had so far is that at least several of the
16 congressional folks in the committees have repeatedly
17 asked about the IOLTA funding as well as a pro bono
18 attorney involvement, sort of as an alternative to them
19 giving us an increase in funding is that we can get the
20 money from somewhere else.

21 And one of the factors that we did point out
22 was the fact that a lot of those states because of a
23 fiscal crisis is that they find themselves in, are
24 using IOLTA funds to fund their general revenue or as
25 you say, court security, something else, other than

1 legal services for poor people. And that's a message
2 that needs to go out to people on the hill, that in
3 fact is what's happening and it seems to be a trend
4 that's going out there. And they need to understand
5 that the alternatives are not there for us in IOLTA.

6 MR. STEINBERG: The alternatives are not
7 there, and as I know you appreciate and we've talked
8 about in prior committee meetings, we are no where near
9 addressing the needs of equal justice now. And the
10 equal justice is always going to require a combination
11 of resources, it's going to require growth in resources
12 on the federal level as well as from these alternatives
13 not -- and one cannot replace the other. They have to
14 work together.

15 MR. BRODERICK: I just want to make a
16 comment on this topic. And it relates to my state,
17 which is New Hampshire. Bob Gross, he's not here but
18 I'd like to congratulate him on this public record,
19 he's the director of New Hampshire Legal Services and
20 has been such for many years.

21 I come from one of the most conservative
22 states in the United States. They describe themselves
23 and justifiably as fiscally responsible. Our IOLTA
24 funds have also been struck now in New Hampshire
25 because of bad times, but the legislature hasn't

1 cooperated with them and I don't think they will. Bob
2 Gross with the aid of people in his office but largely
3 the credit goes to him was successful this year in New
4 Hampshire in putting through the state legislature both
5 the senate and the house a proposal that would have
6 increased funding for legal services in my state by
7 several hundred thousand dollars annually. Regrettably
8 that will be vetoed by the governor of my state.

9 But I think Bob Gross should be commended
10 given the difficult circumstances that exist around the
11 country. And the attitude that exists in state
12 legislatures who are confronting tough times for the
13 work that he did. It is truly remarkable that he was
14 able to do that. I wish he had been successful in its
15 entirety but I think next year is another year.

16 MR. STEINBERG: Well, I'm sure that Bob will
17 be very pleased to hear of your remarks and he
18 certainly is one of the people that I find a true joy
19 to work with in legal services.

20 The other thing I guess I wanted to just say
21 in introduction, is about the PAG process. It's a
22 sensitive subject, and one that I realize it's been
23 difficult for the committee and created difficulties
24 for Ms. Mercado and Mr. Eakeley, and we certainly
25 appreciate the fact that you understand what the PAG

1 process is and how important it is to the community.

2 We are all in different times, and working
3 in different ways, we're all learning, and of course,
4 what had happened in prior years was that the kind of
5 information about how a budget should be broken out for
6 the next year was never requested from PAG, at least
7 not in the last eight or ten years, until the time of
8 the markup, which took place in May or June. And so
9 that we were working on always a schedule to complete
10 it so that we would have the information available when
11 we were asked the question.

12 Because it's a lean organization that only
13 has its major committee meetings twice a year, it was
14 -- once the cycle was set, it became impossible to move
15 it up more quickly. But that was last for this current
16 year.

17 We do intend to move it up more quickly and
18 to have in the next cycle of meetings in the fall the
19 discussion about the fiscal year 1996 budget principals
20 and how we would allocate amongst line items for fiscal
21 year 1996. So instead of dealing with it in the spring
22 meeting at the steering committee, which is where this
23 gets closure, it will take place in the meeting that
24 happens in December in conjunction with the NLADA
25 meeting in Washington. And will be ready to answer the

1 question for FY '96 cycle at the time that you were
2 really asking for it for the FY 1995 cycle. And I wish
3 that we had done that this year, if one could do things
4 over again, there are lots of things that would have
5 been done and that would have been one of them in
6 producing the testimony that I distributed to you this
7 morning and have on the back table for the public.
8 Would have also been available a week earlier.

9 The PAG process was a very important one,
10 especially around the issue of linkage plus which I'm
11 going to talk about in a minute. Because it is
12 certainly for PAG the most radical change in its
13 approach that has taken place in quite a number of
14 years and we needed to make sure that our community,
15 the providers of legal assistance and compliance were
16 in agreement with the approach that was being suggested
17 for the line items that are involved.

18 And the steering committee, which consists
19 of 50 members who are representatives by region and
20 then approximately another dozen members who are
21 representatives of the different categories of support
22 in special delivery categories, it's certainly the most
23 representative group of legal services, workers and
24 clients that meets on a regular basis.

25 And the funding criteria recommendations

1 were circulated to all legal services programs with the
2 request that they be circulated within the programs,
3 steering committee member list which was distributed,
4 there was plenty of opportunity for comment and input
5 in the discussion that took place in San Diego two
6 weeks ago, was a very extensive, knowledgeable,
7 informed discussion of the priorities and needs and
8 interests of both the basic field program, well, really
9 of all the basic field programs because really it has
10 to do with our infrastructure.

11 And the legal services community through the
12 steering committee is overwhelmingly endorsed the
13 concept, so that it was an important process to go
14 through and I realize that it would have been helpful
15 to have that process earlier, but that doesn't negate
16 the significance of it.

17 What I have presented to you in writing I
18 will need to refer to because there are a number of
19 charts, and as I wanted to go through it, and if all of
20 you don't have copies, I have some additional copies
21 also here. But I'm going to touch on principally three
22 topics. And certainly I'll welcome questions as I go
23 through each of the three topics.

24 Because one is the special needs of four
25 groups of programs, migrants, regional training

1 centers, national support and state support. And the
2 approach that we are suggesting to take from that
3 towards calculating the funding for those four
4 programs.

5 The second general topic that I want to then
6 talk about is sort of the principals for allocating
7 funding for next year. I have attached a budget at the
8 back, a couple of versions regarding \$500 million since
9 that's what's being talked about, that PAG has actually
10 developed this as a series of funding principals to
11 recommend that would be applicable at any level.

12 And the third topic is the allocation of
13 funding amongst programs within lines specifically in
14 most specifically on basic field. So, those are the
15 three topics that I want to talk about.

16 The major, or the first one I talked about
17 is what we've talked about as linkage plus, and two
18 meetings ago when you met in San Francisco, Gary
19 Singsen and I made a presentation about some of the
20 funding principals, and I think that Mr. Singsen made a
21 fairly thorough presentation about what linkage plus is
22 about. We talked about linkage, linkage plus and
23 unlinked categories of funding. Of course the general
24 concept is that if you have linkage that that generally
25 assumes the programs are all sharing equally in any

1 increase that comes to funding.

2 Unlinked is just having individual decisions
3 made about a category. Linkage plus is to take the
4 idea that you want to do something with linkage but
5 you're going to add to it to a higher allocation. And
6 of course, that ultimately means that you are making a
7 priority choice.

8 The categories of programs that PAG is
9 focused on in its discussions are migrant programs, the
10 national state support centers and the regional
11 training centers. And the reason that we have chosen
12 those categories is for various reasons. They are all
13 categories where significant thought has been given
14 about the funding needs for those programs, about their
15 significance to the legal services community and a
16 realization that their needs are important.

17 For national state support and regional
18 training centers, the three of them constitute what I
19 just a moment ago referred to as the infrastructure for
20 legal services. It's sort of one of those catch
21 phrases of the current political era, but what we
22 realize is that the work that goes on in local programs
23 is not going to take place with the quality that is
24 possible without the work of the national state support
25 centers and the regional training centers. That the

1 expertise that they have are the ability to consult
2 with them, their availability to co-counsel with us.
3 Their ability to provide us with specialized training,
4 the publications are all critical to quality legal
5 service delivery. And that we can't get by without
6 them.

7 The private bar relies heavily on bar
8 associations and continuing legal education programs to
9 make sure that attorneys are on the cutting edge of
10 their areas of practice in legal services. We rely on
11 our version of those same programs which are the
12 support centers and training programs and they need to
13 be adequately funded.

14 We have long ago, and the "we" is really an
15 inclusively, because it involved a lot of work that the
16 Legal Services Corporation 12, 15 and more years ago
17 could identify the goal of four percent of field
18 funding as what is necessary for both national support
19 and for state support. And we're not there.

20 And the other category that we have included
21 is migrant programs. And the reality is simply that
22 the number of migrant farm workers who are in -- who
23 are doing labor in the United States has increased at a
24 rate greater than the poverty population has increased
25 over the period of time since its last measure. And

1 unless we do something to recognize that that
2 percentage increase is greater, there's going to be a
3 continued shortage of services to a group of clients
4 who desperately need assistance. That is the basis of
5 this linkage plus discussion.

6 It is set forth then on table one page two,
7 because what you see is just a comparison to the
8 minimum access budget presentation that has been made
9 in previous meetings to the current year's
10 appropriation. It shows the percentage of the way that
11 we are towards that long-term goal of minimum access.
12 And for basic field, basic field funding is currently
13 at about 50 percent of the minimum access goal. The
14 other four categories that I mentioned are varied
15 between 32 and 38 percent.

16 MR. SMEGAL, JR.: Before you get off that
17 table, the headings are fiscal year '94, appropriation
18 of fiscal year '95 minimum access. So, there is
19 clearly apples and oranges in terms of the year. Are
20 we to assume that the fiscal year 1994 minimum access
21 that you're contemplating is what the reality is for
22 fiscal year 1994 also?

23 MR. STEINBERG: It would be fairly close.
24 It's a good point. And maybe we should in the future
25 make sure we're dealing with the same year. The '94

1 minimum access levels were only about three percent
2 different because it was increased by cost of services,
3 cost of living increase. Of course inflation was low
4 between '94 and '95. And so, the bump was slightly
5 under three percent.

6 MR. SMEGAL, JR.: There's no adjustment for
7 eligible recipient, a difference?

8 MR. STEINBERG: There was after the 1990
9 census, but that would be reflected both in the
10 appropriation and minimum access. Both -- the least,
11 the minimum access number has always been calculated
12 according to the poverty count of the last decennial
13 census.

14 The census bureau does of course count
15 people who are living in poverty on an annual basis as
16 the part of a general economic survey. And what we
17 know is the number of low income people in the United
18 States increases each year. But because distribution
19 has always been based upon census numbers, we have
20 continued to use those.

21 MR. SMEGAL, JR.: PAG doesn't factor in with
22 the reality of an increase, you're using a 1990
23 decennial in both fiscal year '94 and fiscal year '95?

24 MR. STEINBERG: Yes. Table two on page
25 three contains somewhat the same information with one

1 additional column really added, because again we're
2 talking -- these columns for appropriation and minimum
3 access, but the last column reflects an increase by
4 linkage so that what we're attempting to do is to show
5 that if you increase from the current.

6 For example, migrant program funding for
7 1994 of 12,759,000 by the factor that would be applied
8 to basic field, going from the appropriation to minimum
9 access you would end up with an amount for migrants of
10 25,766,000. That would be a linkage increase. Whereas
11 a linkage plus goal of taking the current migrant count
12 and multiplying it by the minimum access per client
13 cost, was 33,686,000. So that you have a difference
14 that is reflected in each of the four line items.

15 So that at the end for the four categories
16 of programs that PAG has identified for linkage plus,
17 you have a difference. If you increase those four line
18 items by linkage alone going from the current
19 appropriation to minimum access, you would have
20 68,114,000. Whereas the minimum access goals for those
21 four categories together are 95.469 million.

22 On the following page four, those same
23 numbers appear again. And the purpose of showing those
24 numbers, of repeating those numbers in table three is
25 merely to lead into the graph, which is on the bottom

1 of page four. Where it shows the difference between
2 the growth that would take place to get from current
3 funding to minimum access for those four categories and
4 what would happen on linkage. And of course, the
5 problem of what we're trying to address with linkage
6 plus is the need to be on the steeper slope. Because
7 ultimately if the goal is to have those four categories
8 of programs funded at the level which we have
9 identified for the need, linkage is not going to do it.

10 . But there's an additional point in one that
11 I need to make regarding that graph. And something
12 that PAG has been trying to grapple with. And that is
13 that the farther you go away from the present point,
14 the farther apart those two lines are. And that means
15 a couple of things. If we delay starting progress
16 towards reaching those long-term goals for the four
17 categories, the dollars it will cost to get from the
18 current growth line to where we ought to be will be
19 greater.

20 As you're moving to the right distance
21 between the two lines is greater. So that that cost is
22 greater, so that the longer we wait, the more costly it
23 is to try to close that gap. It also means, therefore,
24 that the longer we wait the greater the percentage of
25 new funding is going to be required to close the gap

1 between those two lines.

2 Now, we realize that a lot of questions have
3 been asked of you regarding a modest linkage plus
4 recommendation that you made to congress where you
5 recommended a 30 percent increase for some of these
6 categories versus a 22 percent increase for basic
7 field. If we're ever going to close the gap, that will
8 become even more pronounced as we go along unless we
9 start early.

10 And so, one of the things that PAG has done
11 was to decide that we really need to start on linkage
12 plus now. And that was an important element of the
13 meeting that just took place in San Diego.

14 The other question is where do we end?
15 Because in figuring out the linkage plus goal, what
16 was -- there were two questions for us. One is, when
17 do we start on having a greater increase for the four
18 categories that we're recommending for linkage plus and
19 how steep should the slope be. And what we realized is
20 that in order to answer that question, we needed to
21 make a recommendation to you regarding the point at
22 which the goals of being at four percent should be
23 achieved. I'm using four percent for national support
24 as an example. And the answer that we came up with,
25 was that the \$600 million appropriation level that we

1 really ought to make sure that we are doing enough in
2 linkage plus that by the time there is a \$600 million
3 appropriation to the Legal Services Corporation, we are
4 funding national and state supported four percent each.

5 MR. SMEGAL, JR.: And the four percent is
6 not based on imperical data but upon the best view of
7 PAG and others that that should be the portion of the
8 funding that goes to national and state support
9 regional training centers?

10 MR. STEINBERG: Well, regional training
11 centers is somewhat different. The national and state
12 support is based upon some fairly complex studies that
13 have been done. And I think that they're different for
14 each. The national support number I think came
15 originally out of the discussions and studies of the
16 Legal Services Corporation in the late 1970's. That
17 there was a national support study. And the four
18 percent was originally identified there. PAG has
19 looked at it a couple of times during the past decade
20 and has continued to adopt a four percent goal.

21 MR. SMEGAL, JR.: There isn't any sound byte
22 like minimum access to lawyers for every ten thousand
23 poor people, a four percent doesn't lend itself to some
24 sound byte like that?

25 MR. STEINBERG: No. There is no easy sound

1 byte for it.

2 MR. SMEGAL, JR.: That was the only reason
3 for my question.

4 You don't need to retrace how four percent
5 got there unless there's some nice buzz word for it.

6 MR. STEINBERG: Do you have any buzz word?

7 MR. SMEGAL, JR.: Do you have any sound
8 bytes for us?

9 MR. SINGSEN: No. What there was between
10 '78 and '80 was a two-year intensive study process,
11 particularly focused on the relationship of state
12 support to basic field which produced an interim goal
13 of four percent. In the very long run, which we're not
14 looking at at the moment, probably an even higher
15 commitment to state support would be justified by the
16 quality of service that could be provided.

17 MR. SMEGAL, JR.: And in '78, that was a
18 time when there was little or no state support funding?

19 MR. SINGSEN: It was a melange. One of the
20 goals which was accomplished by 1980, was to put in
21 place both a plan and an understanding of a goal and
22 movement towards that goal in '80 and '81.

23 MR. SMEGAL, JR.: Thank you.

24 MR. STEINBERG: The last thing about linkage
25 plus and sort of the political reality of it, and

1 Ms. Mercado probably will appreciate the problem that
2 we recognize here, there does have to be some, we
3 realize, political judgments made about linkage plus.
4 We are obviously coming to you in this presentation and
5 saying this is what our best thinking, the best
6 thinking of the entire legal services community is
7 about the need for the four categories and what in an
8 ideal world ought to happen. But we also realize that
9 the world isn't an ideal world and that political
10 judgments need to be made.

11 And of course, the recommendation that you
12 made to Congress included some additional funds for
13 these four categories but didn't include the
14 percentages that PAG would recommend. And despite
15 that, there's at least one member of the house
16 committee that asked some serious questions about why
17 that judgment is being made. And that we realize that
18 you were going to have to probably, hopefully in
19 consultation with us, have some discussion about some
20 of the political reality behind making that kind of a
21 recommendation. But that we urge the Legal Services
22 Corporation to bear in mind the need for these four
23 categories of programs.

24 MR. BRODERICK: What's the best argument you
25 would make in a political environment for increased in

1 funding on a linkage plus basis on those four
2 categories? I want to underscore the fact that my
3 question poses that we're making the request in a
4 politically charged environment, what's the best
5 argument?

6 MR. STEINBERG: Best argument I always find
7 is to start with the truth. And in doing that, I think
8 you do have to separate off the two general categories.
9 And one, I would talk about the migrant needs as I have
10 previously done. And the second is I would talk about
11 the support and training needs. And I would stress
12 that the support and training needs that we're
13 identifying are to enhance the ability of the work
14 that's going on in local programs. I think a lot of
15 the concern that gets expressed around national support
16 centers is trying to focus on either things that aren't
17 happening or a small portion of the work.

18 The big portion of the work in what is
19 really needed for national support and for state
20 support is that enhancement of the work that's going on
21 in the local programs. And to try and return the
22 support function and the description of the support
23 function to the local level.

24 MR. BRODERICK: Can you refresh me, this
25 year for fiscal year 1995 the proposed budget on the

1 \$500 million budget if that happens, you wouldn't be at
2 four percent in that budget, I assume?

3 MR. STEINBERG: No.

4 MR. BRODERICK: How would your numbers in
5 that \$500 million budget be different than the 1994
6 appropriation level?

7 MR. STEINBERG: If you look at the last two
8 pages, the appendices are, I think that some of that
9 information is presented. I tried to -- it's presented
10 a little bit differently because what I talk about is
11 the percentage of -- in Appendix A it's set forth as
12 the percentage of funds that are currently going to
13 each of the categories and the percentage of funds that
14 are going to -- those categories under the PAG
15 recommendation at \$500 million for 1995. And it is
16 still not four percent, because we are working on a
17 slope on that graph to get us to reaching the four
18 percent when you get to a \$600 million, so it's closing
19 half of the gap between -- it sort of nicely works out
20 to 500 is exactly half way. So, it gets us to half of
21 the gap.

22 What I think is important to note on this
23 chart while you're looking at Appendix A is that if you
24 look at basic field it is going from 85 and a half
25 percent roughly of the total funding to a little bit

1 under 83 percent. So, it's having some impact by
2 limiting the growth in basic field. But it's not
3 really that significant a change.

4 And of course, that's a matter of the size
5 of the relative amounts of money. At the same time,
6 the national and state support are growing some, but
7 they're not growing in huge proportions. They are
8 getting just over three percent. And it's moving --
9 the other thing I should note about national and state
10 support is it's moving the national and state support
11 centers back to where they were previously. It's
12 not -- there have been times when national and state
13 support have been higher.

14 MR. BRODERICK: The argument be made that if
15 funding is increased the national and state support
16 along the lines within the parameters you're
17 describing, that the economic return on that investment
18 will assist in keeping down appropriations for basic
19 field programs? In other words, can we by increasing
20 the quality and intensity of national state support
21 which will require increased funding, assist us in
22 keeping funding needs less than they otherwise would be
23 for basic field programs? Can one make that argument?

24 MR. STEINBERG: It would be hard to quantify
25 that. I certainly think that you could correctly point

1 out that there's an efficiency factor in national and
2 state support.

3 MR. BRODERICK: That's what I'm getting at.

4 MR. STEINBERG: And that one is pretty
5 straight forward. But to get to that next step of
6 saying that it might -- to speculate on how that would
7 affect basic field funding becomes more difficult.

8 When the national consumer law center has
9 one person who spends a significant amount of time to
10 consider the question of how bankruptcy works in
11 relation to preventing foreclosures of either low
12 income housing or farms that are owned by the low
13 income farmers, that work when it's published is spread
14 amongst all of the programs in the country and all of
15 the programs in the country, benefit from it and you
16 don't have to have somebody in each local programming
17 go back and reinventing that.

18 If my program doesn't have to spend the time
19 developing a training program on how to train new
20 paralegals in SSI training skills but can rely on the
21 support center and regional training center to work
22 together to devise that training and then they either
23 present it or give us the package material to present
24 ourselves to our new paralegal staff, that efficiency
25 when spread over a number of basic field programs is

1 tremendous.

2 CHAIR MERCADO: I think what it ends up
3 doing ultimately is that you end up serving a lot more
4 poor people if you're able to have more time to
5 actually do more work because you are becoming more
6 competent, more knowledgeable, more efficient and
7 streamlining that particular area of law, especially if
8 there's a great need in that area that you're able to
9 take in more than you would have otherwise.

10 I think if you don't have trained staff and
11 attorneys that are up to par on a particular area of
12 law, because if you are being a general practitioner,
13 there is no way that you can be knowledgeable in all
14 these different fields.

15 This is particularly true in your small
16 offices where you might have one or two staff attorneys
17 handling the population versus a big urban center where
18 you might have, you know, ten or 20 lawyers that they
19 might focus in different areas of law. You don't have
20 that same approach in a lot of your field offices,
21 smaller offices.

22 So that long-term affect is that we help
23 more people by providing the technical assistance and
24 support to attorneys and staff need to be
25 knowledgeable, therefore to be more efficient and

1 effective how they carry out their work, it would seem
2 like to me.

3 MR. STEINBERG: I think so. I think that
4 you can analogies it to private practice very easily,
5 because if you weren't able to pick up journals and
6 read about areas of law, read summaries of what is
7 currently happening within the field or you weren't
8 able to go to a continuing legal education program, and
9 had to do all of that yourself going back to the
10 original sources, you couldn't rely on the efficiency
11 of somebody from a continuing legal education center or
12 state bar association taking the time to do that and
13 then present it to you and to a group of your
14 colleagues. It would be much more costly for you to do
15 that and you would have to spread that cost amongst
16 your clients because it would be a cost of your
17 practice. The efficiency of being able to go to a
18 state bar program and have that presentation is really
19 a tremendous resource and it's really the same thing
20 that's happening within the legal services delivery
21 context.

22 MR. BRODERICK: I mention it because I would
23 think that in the political environment which we're
24 working in because we're dealing with tax payer
25 dollars, the notion which I fully support that

1 increasing funding for the centers, which I think are
2 of vital importance, if it doesn't decrease or diminish
3 the increase in funding for basic field services, it
4 certainly makes the funding that's appropriated for
5 efficiently used and effectively applied.

6 I think that's something that is important
7 for us to demonstrate so it doesn't just look in the
8 raw sense here that we're asking for more money, or
9 asking for more money because the money that's been
10 appropriated can be used more efficiently with those
11 increases in funding. Seems to me a more aggressive,
12 more active, more fully staffed national and state
13 support system is going to provide efficiencies in the
14 field that don't currently exist and allow the money
15 that's been appropriated to be more effectively used.
16 Do you agree with that?

17 MR. STEINBERG: I agree.

18 Second topic of the three that I was going
19 to touch on since we're going to go to linkage plus on
20 page 7, really on table four, what PAG did was to think
21 about the needs of each of the line items in the budget
22 and to make a recommendation regarding how to approach
23 funding decisions for each of the different line items.
24 And we did this in a general sense and not specifically
25 tied to 500 million, though the presentation at the

1 back in the two appendices runs the calculations of the
2 \$500 million level.

3 The reason that we did that is that because
4 ultimately there needs to be an answer from us, and you
5 will need to answer the same question, is what would
6 you recommend at 440, what would you recommend at 460,
7 what would you recommend at \$480 million. Those
8 questions could be posed. And we felt that if they're
9 posed to us, at PAG, we needed to be able to answer
10 them. So deriving principals was important, the
11 principles are set forth in the chart. You will notice
12 that four line items then say linkage plus. And that
13 has already been explained to you.

14 The other line items were all fairly
15 obvious. I have in the written statement identified a
16 few of the line items that have some kind of special
17 consideration to them. There are a couple that I just
18 should note quickly here, and then I want to get on to
19 allocation within line items.

20 But number five was labeled at program
21 improvements and innovations. And what we realize is
22 that your staff needs to have funds available to
23 recognize special needs of programs and need to
24 encourage programs to make some decisions about how
25 they approach the work that they do.

1 When I started as the director at Western
2 Massachusetts, it was -- the very end sort of about
3 last bygone era of legal services when there was still
4 regional offices. Regional offices had a very close
5 tie to programs, they knew what was going on. And the
6 regional office staff through the monitoring process
7 identified a need and it became clear that the local
8 program didn't have the budget flexibility to do
9 something at the present time to address that need.
10 The regional office had access to some funds, not a lot
11 of money, but the access to some funds to say, we'll
12 help you do it.

13 And my program came about as a merger of
14 four very small programs. Didn't make a whole lot of
15 sense. You already know from my prior statement about
16 the size of my program now, but when it was created as
17 originally it was four separate programs in western
18 Massachusetts. And the regional office at the time
19 said this doesn't make a whole lot of sense. And you
20 ought to really think about trying to create a new
21 program that would be a larger regional program as
22 opposed to adding this small inefficient program. And
23 the regional office had some funds available to come
24 out and do that.

25 Other kinds of things were, equipment

1 improvement, technology improvement, creating special
2 positions. Things that the staff identified as
3 needing. And we felt that once we have achieved the
4 equalization goal, which has been a big problem after
5 the census, that we need to really urge that there be
6 some money available, that staff at the Legal Services
7 Corporation would have available to try and facilitate
8 things happening in programs. And that is what is
9 encompassed in line item five.

10 The other thing that I want to specifically
11 point out is that there are several line items where
12 you will see up to three percent cost of services
13 listed. There are three of those line items. And that
14 is not in any sense a value judgment by PAG about the
15 programs. But what it is, is it's a recognition that
16 programs by linkage have received some fairly
17 significant increases over the past couple of years
18 that have been much greater than received by many of
19 the basic field programs, that if we get any sort of
20 significant increase this year, that a linkage increase
21 would be large. That we not assume a linkage increase
22 necessarily, this is a recommendation that is not
23 likely to be repeated for 1996 by PAG, but is a
24 recommendation for 1995.

25 And the reason that we are making that

1 recommendation is because as you know from other
2 testimony, in other committees in the board, there is a
3 plan to form a cooperative delivery working group and
4 we think that the delivery working group ought to try
5 and do some work to look at the long-term needs for the
6 categories of programs that are listed and come back
7 with some recommendations on which we can build some
8 goals.

9 I think instead of going through by line
10 item, I'm just going to pause for a moment to see if
11 there are any specific line items that you want to ask
12 about.

13 MR. BRODERICK: I'm sorry.

14 CHAIR MERCADO: Go ahead.

15 MR. BRODERICK: Only thing I wanted to
16 mention, you have a line item in here for management
17 and managers, and I don't know the basis of your
18 comment about proposed policy, but would also suggest
19 that while I'm interested in PAG's views on that, I
20 think you understand that we both need to and should
21 look to management of this corporation for principal
22 recommendations on what we need to manage ourselves.
23 I'm principally interested in PAG's view of the balance
24 but less interested in PAG's views of the
25 administration because I think that's uniquely our

1 function and obligation.

2 MR. STEINBERG: And we agree. And actually
3 if you look an Appendix B, you will note that the line
4 3-A in the second and third column which is the LSC
5 testimony, and the PAG budget recommendation is the
6 same amount. And we were aware of what your staff was
7 recommending when we made our policy statement
8 ourselves. So that we had asked the question of staff,
9 but I really have no other answer to that, other than
10 we did think about it to that level.

11 Obviously we took slightly different
12 approaches about initiatives, broke it out a little bit
13 differently, but PAG recommendation is recognizing that
14 in addition to the management and administration line
15 item itself, that there needs to be some funds that the
16 corporation has to address the problems that it sees as
17 it looks at this entire delivery system and that the
18 staff identifies as it looks at individual programs
19 through new monitoring process.

20 MR. BRODERICK: I understand that. I
21 appreciate it. Just seemed to be conceptually it would
22 be inappropriate in some ways to the field to be
23 suggesting that the corporation how much money it
24 should have to run itself as opposed to initiatives
25 that might impact the field directly. That was my only

1 comment.

2 MR. STEINBERG: Okay.

3 CHAIR MERCADO: I would think that unless
4 anyone has any particular questions on the information
5 presented to us, and as you know, I think that because
6 of the timing in the process between funding criteria
7 committee and project advisory steering committee and
8 when they submitted information, that the numbers that
9 the Corporation or the Board of Directors submitted to
10 Congress along with staff input was based on our best
11 estimate and input that we had from people in the field
12 up to that point without having your final numbers.
13 And that we needed to present a number to Congress and
14 in no way reflects any kind of strong disagreement one
15 way or the other, but just merely looking at the
16 numbers and the programs that we wanted to at least see
17 initiated in this fiscal '95, that those were the
18 allocations to the best of the input that we had
19 available at the time.

20 MR. STEINBERG: I appreciate that.

21 MR. EAKELEY: I'm sorry, I've been trying to
22 cover three meetings simultaneously which serves me
23 right for having scheduled.

24 CHAIR MERCADO: For the record, it's Douglas
25 Eakeley, chairman of the Corporation joining us.

1 MR. EAKELEY: I was handed -- as you know,
2 coming out of a state support center, I've been
3 especially concerned at how we redevelop our national
4 and state support centers. And am very cognizant of
5 the fact that what we came in with is less than what
6 you have recommended in that regard.

7 One of the reasons we went with the staff
8 recommendation had to do with advice we were receiving
9 from Capitol Hill, and would as we started breakfast
10 this morning I was handed another set of faxed
11 questions from Mr. Rogers, our friend from Kentucky.
12 Five of which are directed at why are we requesting 30
13 percent for national and state support and how is it
14 going to be used and specifically, what it's going to
15 do, what's the impact going to be if it isn't and how
16 many centers are we planning to open.

17 So it's a curious ironic but telling
18 footnote to this particular opening chapter. I think
19 that the other thing I wanted to say, although it's
20 probably already been said, is that this is our first
21 shot not our last and that we will, I think, continue
22 to work very closely with the funding criteria
23 committee and fighting support and the like to develop
24 a longer term strategy for overall increased
25 effectiveness of delivery.

1 MR. STEINBERG: We did talk about it briefly
2 before you came in, and the one thing that I said
3 before and I'll just real briefly restate, is that the
4 reason that we have identified the support and training
5 centers is important categories to receive significant
6 increases is because they are about service to clients.
7 And they are about local delivery. And it's one thing
8 that we felt needs to be strongly emphasized. And the
9 work of the state support centers and the work of the
10 national support centers enhances the work that goes on
11 in the local programs and makes the local program work
12 more efficiently.

13 MR. EAKELEY: I can only speak to myself on
14 this, because we have not had an opportunity to discuss
15 this as a full board or really for that matter in
16 committee at any lengths, but I don't think, I for one
17 don't need any persuasion about leveraging scarce
18 resources effectively through increased support for
19 state and national support and regional training
20 centers. That's clearly a direction I'd like to see us
21 take. 30 percent is more than 22 percent. It's less
22 than 48 percent. But give us more time and patience
23 and work with us and we'll get there.

24 MR. STEINBERG: Thank you.

25 MR. EAKELEY: If we get anything more out of

1 Congress.

2 CHAIR MERCADO: The bottom line, Douglas, in
3 the discussion that we had earlier is that if we have
4 trained competent lawyers and staff that are providing
5 the assistance by both the state and the national
6 support centers and the different areas of law that is
7 necessary for them to carry out the work for poor
8 people, then ultimately we're able to help a lot more
9 people because you haven't got a lawyer or staff person
10 spending a lot more time trying to learn an area that
11 an expert or a back up can give you much quicker.

12 I know that from my own personal experience.

13 MR. EAKELEY: We had an anecdote presented
14 to us by one of the housing representatives of Georgia
15 Legal Services at the morning meeting. National
16 Housing Law Center had put out a book in 1982 that was
17 being updated in 1994 and that were no funds available
18 from the corporation to do it. So, every program has
19 to be charged \$95 per book in order to fund something
20 that is an essential tool for advocacy on a center
21 issue. Confronting legal services, advocates and
22 clients across the country. So, I thought it was a
23 very telling anecdote about why and how resources could
24 be well invested in this area.

25 CHAIR MERCADO: And, Douglas, that goes back

1 to, and not diverting, it brings it in point, yesterday
2 the board of the Legal Services Corporation went to do
3 some personal tours in some of the oldest housing
4 projects in the country here in Atlanta. And some of
5 them, which are most predominantly boarded up, but if
6 we're talking about a housing manual on housing, which
7 is critical for poor people that has not been updated
8 since 1982 when so many changes have occurred, both in
9 federal statutes and regs and CRA and everything else,
10 that could have helped legal services staff and lawyers
11 be able to leverage and advocate for housing for poor
12 people, I mean that is to me it's the most tantamount
13 to be more than negligible on the needs of our
14 community.

15 But that brings specifically the point that
16 if they had had the capacity and the support from both
17 state support and national support to work on those
18 issues, to focus on them, to not have allowed the
19 housing situation to dilapidate as to what it did from
20 the stuff that we saw and we know we have in our own
21 communities, you know, it's just tantamount to turning
22 our backs on people that way.

23 And again, because you don't have at the
24 local level the capacity if you are again just someone
25 either working out of a city office or just one office

1 in a particular town to do and be up to speed in all
2 the different issues that come before you.

3 MR. STEINBERG: It's also a question of
4 reinventing the wheel, which is I think gets back to
5 the efficiency argument. My first seven years in legal
6 services were spent in Missouri working for the program
7 in Kansas City. And Missouri is a multi-program state
8 that had no state support center. Then I came to
9 Massachusetts, which is a multi-program state with a
10 very well-known and respected state support center.

11 The difference in the quality of
12 coordination amongst the programs in Missouri has very
13 good programs and very good people working in the
14 programs. But we didn't know necessarily what the St.
15 Louis program was doing. And there was nobody who was
16 making certain that if we were working on developing a
17 theory on how to address a state law issue, that the
18 St. Louis program wasn't doing the same thing at the
19 same time. And I can't say enough about the difference
20 in the coordination in the efficiency, therefore, the
21 practice when I came to Massachusetts.

22 MR. EAKELEY: Assume we don't have any more
23 resources than we have right now. What can the
24 corporation do to try and enhance communication and
25 coordination and, therefore, improve the return on our

1 limited investment?

2 MR. STEINBERG: It's a hard question to
3 answer because present funding obviously limits all of
4 us. I've probably in the leadership that it plays,
5 especially around its monitoring function and helping
6 the state, helping to look at the states and see what
7 is being done in some states to coordinate work and how
8 that could be applied elsewhere.

9 MR. EAKELEY: The evaluation part you mean?

10 MR. STEINBERG: It's an evaluation part and
11 it's what you do with the evaluation information. That
12 piece of monitoring saying we were out monitoring in
13 New Jersey and we saw this happening. And, you know,
14 you might want to think about that, that might be
15 something that would work well here. Those kinds of
16 approaches would not require new funds and could really
17 get states thinking.

18 MR. EAKELEY: I want to catch John Broderick
19 before he leaves just to ask one more question while
20 he's here because he's my political counsel. Clearly
21 the congressional -- national state support are semi
22 hot buttons with some people in the Congress because
23 the perception has been over the years that these
24 are -- that these are the centers that have housed and
25 bred social activists driven class action anti

1 government litigators. And I think that what we need
2 to marshal in marshaling support for increased federal
3 funding for national and state support centers, are the
4 types of anecdotal evidence we know that's there that
5 demonstrates that what national and state support
6 centers do in fact by and large in the main is help
7 programs deliver services more effectively and more
8 efficiently day in and day out. It's an efficiency and
9 capacity enhancing function. It's not a -- these are
10 not hot beds of radical lawyering going on.

11 And I think that it would be very helpful if
12 we were to develop more of the case by specifics of
13 what the national and state support centers do for when
14 we go and get questions, as we do have now, and indeed
15 have to answer by next week for example, where is the
16 money going to if we fund more national and state
17 support.

18 MR. STEINBERG: Certainly whatever you can
19 do to develop that.

20 MR. EAKELEY: I didn't mean to catch you out
21 the door, John.

22 MR. BRODERICK: Before you were here, I was
23 asking Andy what the best argument is for increased
24 funding in a politically charged environment, then we
25 got talking about efficiencies.

1 MR. EAKELEY: I apologize.

2 CHAIR MERCADO: You missed the discussion.

3 MR. EAKELEY: I'm sorry. I'm sorry.

4 MR. BRODERICK: But your comments --

5 MR. EAKELEY: Doubly sorry.

6 MR. BRODERICK: Your comments about
7 anecdotal evidence are well taken. I share the view
8 that there has to be an argument based largely on
9 efficiency and effectiveness or funds already
10 appropriated. So that it is tax payer money, we've got
11 to use it as effectively as we can. And very specific
12 anecdotal examples I think are helpful. I would second
13 that statement.

14 MR. EAKELEY: I apologize to the Chair.

15 CHAIR MERCADO: That's fine. If there are
16 any other questions or comments, because I know we do
17 have several other items on the agenda, I wasn't sure
18 whether our court reporter needed to take a quick
19 break. Just a short little break.

20 MR. STEINBERG: Because the only other thing
21 that I wanted to cover very briefly but it's up to the
22 Chair, of course, is whether you wanted me to say
23 anything about allocations within line items which can
24 be very brief. I can do it in a couple minutes unless
25 there are questions.

1 CHAIR MERCADO: Why don't you go ahead and
2 do that.

3 MR. STEINBERG: I'll do that before the
4 break. Again going back to your San Francisco
5 meetings, Mr. Singsen and I together made a
6 presentation regarding allocation of funds and the
7 principals for allocation of funds within line items.
8 Of course discuss the underlying purposes or goals that
9 we have identified over a period of time of trying to
10 achieve equalization of funding where equalization can
11 be measured of course varies by the time of program,
12 it's hard to do that for national support, it's easy to
13 do that, easier to do that with a basic field. Talked
14 about the fact that all programs are inadequately
15 funded, talked about the fact that we needed to do --
16 make our progress towards equalization towards new
17 funds and describe four approaches towards achieving
18 those goals with new funds.

19 And at the PAG meeting in San Diego, we
20 completed a discussion of how -- what we would
21 recommend for basic field programs. It is set forth
22 starting on page eight of the written statement I have
23 provided, and what we ended up doing was to engage in
24 some discussions with National Organization of Legal
25 Service Workers, because last year we had those

1 discussions but they happened late and we wanted them
2 to happen earlier and we wanted to make sure that we
3 were comfortable with -- everybody was comfortable with
4 the goals and that we had a similar approach.

5 What we are recommending is not to use any
6 funds or cost of living adjustment because it has
7 disequalizing affect. But to suggest allocating new
8 funds for basic field programs to be divided equally
9 between using them to continue to go to the lowest
10 funded programs to achieve equalization, the concept
11 known as grazing the floor and dividing it up amongst
12 all programs on a per capita basis.

13 And there's some information that is
14 presented in the written statement about what the
15 affect would be of using that approach at \$500 million
16 appropriation level. And both Mr. Singen and I have
17 program-by-program charts for the \$500 million level
18 that could be made available if that was something that
19 the committee felt was useful. And we don't have
20 enough copies for distribution without getting copies
21 made.

22 But that is the approach that we would urge
23 for basic field. For the other categories that have
24 some population basis, we would also recommend similar
25 approaches, though we have asked that groups like the

1 national organization of state support units provide
2 its input to us regarding what it thinks. And
3 ultimately I'm sure they will provide the input
4 directly to you about what they think for distribution
5 of the new state support funding again to achieve the
6 same goals.

7 And I just share with you that when we think
8 about it from the PAG overall approach, what we look at
9 is sort of a couple of issues which will probably end
10 up being the same thing that you would be looking at
11 and will be looking at. That is to make sure that
12 there is consistency of trying to achieve goals and
13 trying to make sure that the result that is being
14 proposed by the community of programs affected makes
15 sense from the larger picture of what we are all about.
16 So, that is the last segment of this testimony.

17 CHAIR MERCADO: Does anyone have any
18 questions? And Mr. Steinberg, I know that you and Don
19 Sanders and other individuals with PAG and ALDA have
20 helped us in the testimony of Congress as well, and I
21 don't want to overlook that there has been input from
22 the field, albeit maybe not official in the sense of
23 the steering committee given as its actual
24 recommendations, I do want to thank you for the work
25 that you put in to providing as much information as

1 possible that represent the field perspective to the
2 board.

3 Yes. Alex.

4 CHAIR MERCADO: For the record, Alexander
5 Forger, president of the Corporation.

6 MR. FORGE: You have a line law school
7 clinics in which PAG recommends 1.4 million roughly in
8 Appendix A. I think what we were seeking to do was
9 broaden that beyond law school clinics to embrace much
10 more that is available from the academic law school
11 community. And indeed, I think in our proposal we have
12 perhaps something like 1.7 million in that category.
13 Which judging on the questions we've been getting in
14 terms of how do you generate more service and involve
15 other segments of the community has seemed to the, at
16 least the congressional people seem to be receptive to
17 that. I wonder whether you had intended to restrict
18 this just to the traditional clinical programs or
19 whether PAG thought that should embrace the entire law
20 school community?

21 MR. STEINBERG: The latter. We probably
22 should not have used the term clinics in the
23 presentation of that. And certainly appreciate the
24 amount of thought that's been going into the way the
25 law school money is allocated this year and we're --

1 certainly we're thinking along those same lines. I
2 think it was just picking up old spread sheets from
3 prior years that used the word --

4 MR. FORGE: You would spend less money than
5 we would, the legal services proposed?

6 MR. STEINBERG: We were a little bit
7 different in that we weren't -- we were intending to
8 group line items as much. And actually, as I was
9 looking at your presentation, I was finding that there
10 was a large category of funding I hadn't seen the
11 specification for. What we came up -- the reason we
12 came up with the law school amount, I touched on this
13 very briefly before you came in, but what it was about
14 was to suggest that it be in the category that there be
15 a cost of services increase for, and that also that
16 there be some larger amount of funds that are available
17 for judgments to be made. And that's our basis was to
18 take the current amount and increase it to maintain
19 current functions until the delivery working groups can
20 look into it.

21 CHAIR MERCADO: If there's no other
22 questions, thank you, Mr. Steinberg.

23 MR. STEINBERG: Thank you.

24 CHAIR MERCADO: We will at this time take a
25 short five-minute break, we have the OIG and we have to

1 come back and reconsider resolution for us to vote on
2 on a budget.

3 (A short break was taken.)

4 CHAIR MERCADO: Why don't we go ahead and
5 reconvene. I will go ahead and reconvene the meeting
6 of the Audit and Appropriation Committee. And we
7 welcome to the table our Inspector General, Edward
8 Quatrevaux and the main comptroller auditor Karen
9 Voellm. I always mispronounce that.

10 MS. VOELLM: Isn't it difficult? It's
11 Voellm..

12 CHAIR MERCADO: And they are going to
13 address item six of the agenda, which is consideration
14 of the Inspector General's processing criteria for
15 selection of the corporation's auditor for fiscal year
16 1994.

17 Just right before we started the audit and
18 appropriation meeting we got a copy of the proposed
19 guidelines. I'm not sure whether Mr. Forger or
20 Mr. Eakeley have gotten a copy of it. I did give you
21 that, I'm sorry. I did give them one. Go ahead.

22 MR. QUATREVAUX: Thank you, Madame Chair. I
23 don't have much of a role here, I'm just going to turn
24 this over to our assistant IG for audits Karen Voellm,
25 who had responsibility for this. And for that matter,

1 all our audits.

2 MS. VOELLM: Good morning, Madame Chair,
3 Committee. I'm here to discuss with you as we've just
4 spoken the RFP of the process that we've employed thus
5 far in order to insure that we have full and fair
6 opportunity for participation in this solicitation and
7 to insure process integrity.

8 With respect to process integrity, we are
9 generally following the recommended procedures of the
10 comptroller general.

11 With respect to the full and fair
12 opportunity for participation in this solicitation, we
13 found that in the absence of an adequate corporate
14 procurement process and in the absence of a current
15 affirmative action policy with respect to contracting,
16 we had to do some external searching. We sought the
17 advice and suggestions from the small business
18 administration. We had discussions with the department
19 of labor.

20 We had a number of discussions with small
21 and medium sized minority firms. We also had
22 discussions with, it's called WMADA, major federal
23 funds recipient as well, and they have very large
24 staffs in their audit groups. They also had put in a
25 lot of work with respect to the affirmative action.

1 After having many conversations, we
2 concluded that in order to have a full scale
3 opportunity for small and minority owned businesses to
4 participate, that we needed to publicly announce the
5 solicitation in the Washington Post, which is a very
6 popular vehicle for announcements. We also decided to
7 submit the audit report directly to 20 accounting firms
8 in the area, a number of which we selected directly
9 from the 8A list of community auditing firms that we
10 received from the Small Business Administration.

11 MR. QUATREVAUX: 8A is a designation by the
12 Small Business Administration of verified minority
13 ownership.

14 MS. VOELLM: Sorry, folks.

15 We did this in order to give our
16 solicitation the broadest exposure possible.

17 In tomorrow's paper -- no, Sunday's paper,
18 Washington Post business area we are submitting the
19 advertisement. Monday we anticipate mailing to the 20
20 organizations the RFP as it is revised. And hopefully
21 on Monday and Tuesday we receive additional calls from
22 the Washington Post advertisement in order to broaden
23 the solicitation.

24 CHAIR MERCADO: Let me just interrupt you
25 here for a moment. The posting that you're doing in

1 the Washington Post, is that only a one-time ad or are
2 we doing it several times?

3 MS. VOELLM: For this purpose, for this
4 particular time, we are doing it one time. It's a very
5 popular vehicle. People Monday morning come in and
6 look at this one area just to see what has been offered
7 Sunday. So, I -- unless we have a very poor response,
8 I would imagine that once may be adequate.

9 MR. QUATREVAUX: We're also on a very tight
10 deadline. But the mile stone schedule, which is
11 attached to the memorandum if you look at it, you can
12 see we have allowed so much time for proposers to
13 propose and very limited amount of time for us to
14 evaluate and get with you.

15 CHAIR MERCADO: Now, the RFP that went out
16 to the Washington Post, did that include the changes on
17 the affirmative action language?

18 MS. VOELLM: We are not publishing the
19 entire RFP. We are letting everyone know that the RFP
20 is available. Please call us, we will respond to you
21 immediately with a copy of the RFP.

22 MR. SMEGAL, JR.: Is this a section of the
23 Sunday Post that provides for these kind of ads?

24 MS. VOELLM: Within the business section.

25 MR. SMEGAL, JR.: Business ad section? Is

1 it specific to accounting requests or a little broader
2 than that?

3 MS. VOELLM: It's broader.

4 CHAIR MERCADO: Go ahead. I'm sorry.

5 MS. VOELLM: Originally, we had mailed to
6 you a draft RFP, I believe that was May 6th. Since
7 then, we have revised it to include within the
8 certifications that we expect the offerer to attest to
9 or buy into, is a clause regarding discrimination, an
10 anti-discrimination.

11 CHAIR MERCADO: Is your purposes of the
12 committee, it's on page 13 paragraph 0.

13 MS. VOELLM: To that, we are going to add --
14 excuse me.

15 CHAIR MERCADO: It's in the section of
16 certifications, paragraph 0. Page 13. Of the revised.

17 MR. FORGE: How did you compose that list of
18 classes, categories?

19 MS. VOELLM: This --

20 MR. FORGE: Is that a statutory grouping?

21 MS. VOELLM: Actually, this language came
22 primarily from the current accounting and audit guide
23 of the corporation. With very minor modifications.
24 However --

25 MR. FORGE: Our own guide?

1 MS. VOELLM: Our own guide that we have got.
2 There is one further modification required, and that is
3 with respect to disabilities which needs to be added to
4 this particular one.

5 MR. FORGE: How would one include sexual
6 orientation in that, modifying our corporate guide?

7 MS. VOELLM: That is true. However, if
8 you -- if we want that specific language we can add
9 that as well.

10 MR. FORGE: I don't know how the Board
11 feels, I just raise that as a noticeable absent
12 category.

13 MR. EAKELEY: Karen raised two general
14 points at the beginning that are probably our things
15 for later meeting, but what she said was, in the
16 absence of a general procurement policy and in the
17 absence of an affirmative action policy. So, I think
18 we're going to want to solicit some suggestions and
19 input about those policies to at some point and make
20 sure that we preserve what we've learned from this
21 quite commendable exercise for more general purposes.

22 CHAIR MERCADO: And let me just clarify. I
23 spoke with Mr. Forger about this, and my understanding
24 is that those policies are as to the procurement
25 contract aspect not necessarily to the whole

1 corporation, is that correct?

2 MS. VOELLM: Correct.

3 CHAIR MERCADO: There's an affirmative
4 action for the corporation but not in the
5 procurement --

6 MR. EAKELEY: I understood this to be in
7 this contract. I don't know how many other contracts
8 we deal with, but it would be a worthwhile taking a
9 look at. Might even ask them to do it. I was just
10 talking to myself.

11 MS. VOELLM: The other change that we had
12 made is regarding the term of the contract. We had
13 originally put five years with each year being an
14 option year. It was suggested we turn it back to three
15 with each year being an option year and that has been
16 done.

17 MR. QUATREVAUX: Just for the record, we
18 debated that in house and didn't have any particular
19 strong feelings one way or another. I'd be happy to
20 accommodate that.

21 CHAIR MERCADO: Thank you. I appreciate it.

22 MS. VOELLM: I think overall, that the RFP
23 will give us an opportunity to really -- to do a fair
24 technical evaluation. I think that the qualities are
25 measurable as we have them laid out. Those that we

1 expect. And I'm sure that we'll learn a lot at the
2 finalization of the process.

3 CHAIR MERCADO: One question that I had, I
4 wasn't real clear, I had just noted it for myself in
5 the preproposal conference that we were talking about,
6 it talks about the IG representative of LSC management
7 being available to respond to any questions from
8 prospective bidders. Do you think that it would be
9 necessary for any member of the committee of the audit
10 and appropriations to be there; or is it just something
11 that between management and OIG we just trust that you
12 will ask all the questions that need to be asked in the
13 review?

14 MS. VOELLM: It's an opportunity for the
15 organizations to generally ask us a lot of questions.
16 And it's usually related to procedural and less than
17 overall management kinds of questions. And --

18 CHAIR MERCADO: Mostly in the fiscal and
19 financial end of it?

20 MS. VOELLM: Generally.

21 MR. QUATREVAUX: Also called a bidders
22 conference. And the purpose of the conference is to
23 allow the bidders to fully understand what services
24 we're seeking and for management's perspective, some
25 feeling for what sort of management systems, accounting

1 systems we have in place and their magnitude.

2 CHAIR MERCADO: I would entrust that our
3 president and OIG at least with the blessings of the
4 committee, they be authorized to take command, present
5 to answer the kinds of questions that bidders would
6 have of us.

7 I didn't have any other particular
8 questions. I don't know whether other members of the
9 committee do.

10 MR. BRODERICK: I just have one. The
11 outline or the format that's set forth here, and the
12 process that is explained, is that the same process
13 that has been used in the past or is this different in
14 any material way?

15 MS. VOELLM: This is the process that we
16 used when we solicited for the monitoring review.
17 Before that, I wasn't aware of any documents that were
18 available similar to this from which we could work.

19 CHAIR MERCADO: Your records for the OIG
20 office, it's been part of the Legal Services
21 Corporation do not indicate what procedure they
22 followed regarding RFPs?

23 MR. QUATREVAUX: This is the second audit
24 that our office is procuring, the monitoring audit
25 being the first. This particular document most closely

1 resembles the same solicitations in the executive
2 branch as those agencies, those OIG's seek external
3 auditors for the annual financial statement audit of
4 their entities.

5 MR. BRODERICK: But there's no previous
6 track record or no records of any previous track
7 records this was in our own department?

8 MR. QUATREVAUX: Prior to this year, last
9 procurement was three years ago. And I believe
10 Mr. Richardson, the comptroller, was responsible for
11 that process and probably be in a better position to
12 speak to it than us.

13 CHAIR MERCADO: If I could have
14 Mr. Richardson, I know he's back there working on his
15 computer, but I think for purposes of procedure and
16 also for purposes of knowledge to the committee, how
17 does the process for the proposal for the different
18 procedures that the OIG is recommending on their
19 request for proposal for the corporate audit, does that
20 differ significantly in manner in which the audits have
21 been -- the RFPs have been submitted before?

22 MR. RICHARDSON: For the record, again my
23 name is David Richardson. When the last proposal was
24 put together, we do not have this extensive RFP. The
25 then chairman asked me to hold a bidders conference,

1 what I did was go through the yellow pages, pick out
2 the big six audit firms, picked out four or five
3 minority audit firms and called them and sent them a
4 letter asking them to, if they were interested, in
5 coming in to respond and bid on the audit.

6 In addition to that, it was known in the
7 community that we were doing it and we had a couple of
8 other responses. Grant Thornton, one company that won
9 the bid was not on the original twelve that received
10 the letters. They called and requested information in
11 which they were sent and they were then invited to a
12 bidders conference also.

13 CHAIR MERCADO: So, just from the
14 information that you've given me, it seems to me that
15 this RFP allows for a much broader access to the public
16 or potential auditors that the corporation would or
17 wouldn't hire. It seems that it sets some particular
18 standards that they should meet in providing the audit
19 to us. And I don't know, I'm not making this
20 assumption for it. But would it be fair to say that in
21 providing a more detailed requirement of what that
22 particular audit would need to meet for our standards,
23 that the corporation then should go ahead and proceed
24 with this guide for procuring of audit services?

25 MR. RICHARDSON: Yes, ma'am. I would concur

1 with that.

2 CHAIR MERCADO: Okay. Thank you.

3 MR. SMEGAL, JR.: I have a question.

4 CHAIR MERCADO: Sure.

5 MR. SMEGAL, JR.: This audit is for the
6 fiscal year ending September 30, 1994. What do you
7 anticipate a successful bidder doing between being
8 designated on July 29, 1994 and two months later when
9 the year will close which will be the subject of the
10 audit?

11 MS. VOELLM: Generally after a contract is
12 accepted and it's a first year contract, there is a lot
13 of work that the auditors do that isn't related
14 necessarily to the close of the books. And that is
15 building what's called a permanent file. They come in
16 and get the general profile of the organization and
17 understand the procedural aspects and are then
18 generally ready to go and do the test work after the
19 books are closed.

20 MR. SMEGAL, JR.: Karen, would you
21 anticipate as a result of this earlier starting time
22 that we will have the benefit of an audit at an earlier
23 point in time in 1994?

24 MS. VOELLM: Yes, I do.

25 MR. SMEGAL, JR.: Thank you.

1 CHAIR MERCADO: Any other questions or
2 comments on the proposal? Anything that you would care
3 to add?

4 MS. VOELLM: No.

5 CHAIR MERCADO: Thank you.

6 MS. VOELLM: Thank you very, very much.

7 CHAIR MERCADO: The next item on the agenda
8 is item 7, consideration of the contractual nature of
9 the Inspector General's employment. And Inspector
10 General Edward Quatrevaux.

11 MR. EAKELEY: He has his lawyer but where is
12 our lawyer?

13 MR. QUATREVAUX: Thank you, Madame Chair.
14 If I can ask your indulgence for just a moment, please.

15 Let me cite that a small correction. Renee
16 Szybala is the office counsel as opposed to my personal
17 counsel. The issue that we're going to discuss this
18 morning is an institutional one as opposed to a
19 personal one. Nevertheless, because I have some
20 connection to the issue, I thought it would be best to
21 let Renee speak to it. And she is here to do that.

22 MS. SZYBALA: The request that the IG made
23 to the Board to basically rescind the contract was
24 something that was in the works a long time, was that
25 the letter stated, something that he had promised to --

1 CHAIR MERCADO: Miss Szybala?

2 MS. SZYBALA: Yes.

3 CHAIR MERCADO: If just for the record when
4 you're saying "the letter," if you could just refer.

5 MS. SZYBALA: It's the March 24th letter.
6 The staff of Senator Glenn's committee, which is
7 basically IG oversight, had criticized the existence of
8 this contract, which at this point in time is the only
9 contract that exists in the IG community. Because to
10 some extent Congress sees it as a usurp parent of their
11 prerogatives to set the terms of IG employment. They
12 were concerned about the fact that as the term nears
13 its end and IG is in a possible appearance problem --
14 conflict appearance situation where he's got to tone
15 himself down or, you know, just be a nice happy guy who
16 gets along with everybody because he's worried about
17 the end of his contract.

18 We had promised, because the Board was in
19 the process of changing, Mr. Quatrevaux had promised
20 that he would, well, that he would ask the board to do
21 away with the contract based on these general concerns
22 out there in the community about the appearance of any
23 contract. It's just the circumstances don't appear to
24 warrant it. And I'm not sure what the questions you
25 had for the agenda today. I mean, why this item was

1 on, but this is just a general concern that we are --
2 we promised Congress we would let you know about.

3 CHAIR MERCADO: I think that one of the
4 things that, you know, whenever we're dealing with any
5 kind of an institutional change or procedural change
6 and it doesn't go to Mr. Quatrevaux specifically, but
7 it is dealing with the Inspector General's office
8 generally, I think that anything that we had to do with
9 him to his specific contract would be dealt with in
10 executive session. Not anything that we would deal
11 with here.

12 But I think it was more of a need from the
13 Audit and Appropriations Committee to have a good sense
14 or a basis as to what it would as you understand that
15 it's not a contract that this committee or this board
16 entered into with you, and we're merely trying to
17 understand what our parameters are and what our
18 obligations are to you and to Congress based on the
19 Inspector General's act.

20 Now, I'm not sure, I would assume that the
21 alternative to not have any contract would be that the
22 Inspector General would then become an employee as
23 well. Which in any event means that every Inspector
24 General for the matter, I mean if we're asking your --
25 if we're reading you right, wouldn't know from one

1 month to the next or one year to the next whether or
2 not they had a contract. And I don't know what that
3 does to their behavior, but in any event, they have to
4 be nice to us all the time.

5 MS. SZYBALA: It's problematical, generally
6 out there IG's are government employees. They have
7 protections under the civil service or SCS systems and
8 at best if management wants to get rid of them they can
9 move them, they generally can't fire them and that
10 creates a greater feeling of independence, a greater
11 appearance of independence of IG's, LSC just is not in
12 that position.

13 So it's believed, I guess, to be better for
14 an IG to have this across the board feeling of
15 uncertainty and lack of security than for it to
16 coalesce at any particular period in time where the
17 actions of the IG could be suspect then for that
18 period.

19 MR. SMEGAL, JR.: So you're saying that
20 other IG's actually are protected by the GSA system?

21 MS. SZYBALA: By the federal employment
22 system, yes.

23 MR. SMEGAL, JR.: So they're selected from a
24 pool of already existing government employees?

25 MS. SZYBALA: That's not necessarily true.

1 They are often selected from outside.

2 MR. SMEGAL, JR.: So they're in a two-step
3 process. They come in, they become a government
4 employee, then get into the at-will relationship where
5 the IG is some agency?

6 MS. SZYBALA: They're at will in the sense
7 that the rules of the federal government they can be
8 transferred like anybody else and fired like everybody
9 else but there are protections built into that system.
10 That makes it, it's legendarily horrid to fire a
11 federal employee.

12 MR. SMEGAL, JR.: Does the post office have
13 an IG? Isn't that situation similar to ours? And if
14 so, how is that IG handled?

15 MR. QUATREVAUX: I don't know the specific
16 answer. It is --

17 MR. SMEGAL, JR.: There's two questions, the
18 first one is are we like the post office?

19 MR. QUATREVAUX: I think there are some
20 similarities. What they're enabling statute has in the
21 way of personnel requirements, personnel system
22 requirements.

23 MR. FORGE: It wouldn't take so long to get
24 the mail, Title V, I'm not sure.

25 MR. SMEGAL, JR.: In terms of being an

1 independent agency we do have that similarity to the
2 post office and to others?

3 MR. QUATREVAUX: And to others.

4 MR. SMEGAL, JR.: Have you made any effort
5 or is it possible for to make any form to determine
6 what the relationship between those agencies which more
7 look like we look like and their IG's than other
8 government agencies to which the reference is made that
9 they are in fact government employees in addition,
10 they're sort of a two-headed being. How about the
11 circumstance of being a one-headed being like we have,
12 can you help us with that?

13 MS. SZYBALA: We can look into it further.
14 Right now TVA, which I think it's TVA, I'm surprised at
15 this because I thought they were federal, the TVA IG
16 now has, it's the closest thing to an IG contract, it
17 looks like it's a salary agreement with the head that
18 controls when raises come. Because he's not in the
19 government system.

20 MR. QUATREVAUX: I was informed on Wednesday
21 morning by the new TVA IG that that has been changed.
22 That his predecessor was in fact that position but he
23 himself transferred and retained his government status
24 from the FBI. So, that's no longer applicable, sorry.

25 CHAIR MERCADO: The corporation Public

1 Broadcasting is probably one most analogous to us as
2 being a nonprofit corporation not being under the
3 government.

4 MS. SZYBALA: Right.

5 CHAIR MERCADO: Their IG is pretty much
6 independent.

7 MS. SZYBALA: They're pretty unionized,
8 they're very different from us, we can look into it. I
9 don't know exactly how they do it. Very different in
10 the federal government is a minuscule part of the
11 overall funding for the Public Broadcasting program.

12 And therefore, they're all kinds of
13 differences, all the way down the line. But there are
14 others, there's definitely others outside of government
15 employment. We need to exactly find out who they are.

16 MR. BRODERICK: My understanding is in 1988
17 when the federal entities, I think there were 37, 38
18 who ended up having IG's as we have, you know, in any
19 of those entities whether there are employment
20 contracts or are we the only one?

21 MS. SZYBALA: We're the only one. And
22 there's 64.

23 MR. BRODERICK: Do you know, can you give me
24 briefly what the history was of having the contract, I
25 assume this discussion has been ensued earlier, what

1 was the number of all that?

2 MR. SMEGAL, JR.: Are you focusing on
3 employment contract as to consulting contract or some
4 other kind of contract that might be there?

5 MS. SZYBALA: Employment.

6 MR. SMEGAL, JR.: This is the only
7 employment contract.

8 MS. SZYBALA: All IG's are employees. That
9 was a definite congressional employees, they wanted
10 employees inside the agencies, they wanted IG's inside.
11 So we are the only one with a contract.

12 MR. QUATREVAUX: To your question,
13 Mr. Broderick, I really don't know the background as to
14 my predecessor. In my own case, I came to interview
15 with the previous board and after having done some
16 research and it was at my request that a contract was
17 struck, in fact I'd asked for a longer term and had
18 been some problems with previous contracts, I was told.
19 And that's how it ended up being the document that it
20 was. And I believe, as I've indicated before shortly
21 after arriving at LSC, I was summoned along with your
22 predecessor to the Senate Governmental Affairs
23 Committee staff to discuss this subject and to explain
24 why it is I had a contract and so forth.

25 MR. BRODERICK: Is there any federal statute

1 or regulation that would prohibit -- I understand the
2 rationale behind this, is there anything on the books
3 that would prohibit us if we chose to, from a
4 continuing contractual relationship of the nature that
5 exists today?

6 MS. SZYBALA: Absolutely not.

7 MR. BRODERICK: But it would be decidedly
8 frowned upon of the oversight, is that what you're
9 saying?

10 MS. SZYBALA: I think that's correct. In
11 the letter we sent because it stated what Glenn -- what
12 we had said to her, what she had said to her, we showed
13 it to her, she said -- her name, by the way, is Betty
14 Ann Soiefer, she would actually love to hear from any
15 of you.

16 MR. QUATREVAUX: She is also nominee for the
17 IG position at FEMA, the Federal Emergency Management
18 Agency, that's a presidential nomination.

19 MR. BRODERICK: From your collective
20 prospective, if you -- let's not personalize it. If
21 the IG continued here without a contract, what would
22 govern the terms of that employment? What specifically
23 would we look for?

24 MS. SZYBALA: The basic LSC personnel manual
25 would govern everything except salary. Because the law

1 provides for the -- I guess it is law, the manual also
2 provides for the salary of both the president and the
3 IG to be set by the board as opposed to by the
4 president under the manual. But all other aspects of
5 employment, which are leave, holidays and everything
6 else that's in there would be covered by the personnel
7 manager.

8 What would probably be needed is some kind
9 of policy on how the IG salary is set. Whether that is
10 just a little piece the board wanted to put in the
11 manual or whether it wanted, as TVA used to have, a
12 separate agreement with the IG about how salary would
13 be set. It is difficult to set salary based on
14 performance bonuses, based on performance merit raises,
15 those things don't work in the IG setting. So you need
16 to pin it to some kind of objective outside force. The
17 IG salary will go up at the rate of inflation.
18 Whatever it is.

19 CHAIR MERCADO: So there's no evaluation at
20 all of the --

21 MS. SZYBALA: There should be an evaluation.
22 But whether salary should be pinned to the IG did a
23 real good job, because, see, an IG could be doing what
24 was really a good job and the head might totally
25 dislike everything the IG did because an IG doing a

1 really good job might have come to blows with the head.
2 And therefore, the IG should get some feedback and
3 should get an annual performance rating and that would
4 happen under the manual. If that's where his
5 employment was. But raised should not necessarily pin
6 it down.

7 MR. QUATREVAUX: You took with you a copy of
8 Mr. Paul Light's book on the IG system. In there is
9 one of the principal things to come out of that book
10 was a scathing review of IG acceptance of performance
11 bonuses. And a strong recommendation that they be
12 eliminated.

13 What caused it is that some of the
14 presidential appointees were members of the senior
15 executive service before being appointed to office
16 which made them eligible for these performance bonuses
17 which are integral part of the federal manager
18 evaluation compensation system. And some of these IG's
19 have taken six figure bonuses over a period of time
20 which has caused not only the work force of the
21 agencies in which they work but also the work force
22 within the OIG's to occasionally question the
23 impartiality and objectivity and independence.

24 MR. BRODERICK: Thank you.

25 CHAIR MERCADO: Mr. Forger, did you have any

1 particular aspects that you wanted to cover on this?

2 MR. FORGE: No. I think that what I hear
3 witnesses saying is that there's no prohibition against
4 entering into a contract, that goes more to policy
5 issues. And I think that's our general understanding
6 that the corporation may or may not do it on a
7 contractual basis. Assuming the IG were prepared to
8 enter into a contract.

9 So that we found nothing that has a direct
10 bearing on that, except we note that the GAO, for
11 example, commenting on the implementation of this act
12 didn't mention that, although the GAO did mention other
13 aspects that were found to be inappropriate or which he
14 criticized in respect of the DFE's.

15 CHAIR MERCADO: I think part of what the
16 board needs to look at is obviously that there is a
17 great need for independence by the IG at the same time
18 because you do have to have some kind of mechanism
19 that's also accountable to Congress as far as some kind
20 of evaluation where there is just in general as far as
21 the duties and obligations under the IG, whether or not
22 those are carried out. That the head of the agency,
23 which in this case OMB, has determined is the legal
24 services for the directors, that there ought to be some
25 kind of provisions for some kind of annual evaluation

1 to see whether or not in effect whether or not your
2 auditing requirements or monitoring requirements or
3 anything to that extent. To the extent that it doesn't
4 become what you were talking about contingent on that.
5 Any other questions that --

6 MR. QUATREVAUX: I would just add for the
7 benefit that there is something of a track record out
8 there, various designated federal entities with
9 dismissals, and the like. And prior interventions, I
10 would suggest if you would like to seek some outside
11 help in this, you turn to OMB's management integrity,
12 which has the responsibility there for the IG branch,
13 as well as the two government oversight, house
14 government operations for their views, if you desire
15 that. That outside view.

16 MR. FORGE: Do you see any significant
17 difference from a legal point of view whether it be a
18 common law employee or a contractual employee?

19 MS. SZYBALA: From which point of view? I
20 mean from an appearance point of view there appears to
21 be a difference. From a legal point of view, no, none.

22 MR. FORGE: The rights and duties and
23 obligations would be essentially the same?

24 MS. SZYBALA: I don't think there is a legal
25 ability of the Board to change the IG's legal duties by

1 contract. So, yeah, his duties are the same across the
2 board.

3 CHAIR MERCADO: I think you would probably
4 be more on any kind of contractual damages more so that
5 are -- that wouldn't be in fact in an at-will --
6 employment at-will situation other than what's governed
7 by the personnel manual versus a contract in which you
8 do have particular provisions, providing for any kind
9 of severance or damages or anything like that. So,
10 that would be different. But that would be only in
11 that aspect, I would think.

12 Any other questions? As far as your
13 personal item, I think we'll deal with that in
14 executive session at this point. Okay? Thank you.

15 Now, we will go back to item four. Which is
16 the consideration of reallocation, this is the second
17 resolution that we discussed earlier on the record,
18 that we asked Mr. Singesen and Mr. Richardson to draft
19 for us. If you could go ahead and present that very
20 quickly.

21 MR. SINGSEN: This is the resolution we
22 discussed preparing, it is in handwriting now, with a
23 little luck it will be typed by this afternoon assuming
24 the committee approves it. Should I read it for the
25 record?

1 CHAIR MERCADO: Yes, please.

2 MR. SINGSEN: Resolution two. Whereas, the
3 Legal Services Corporation has completed six months of
4 fiscal year 1994 reviewed revenue and expenses for that
5 period of time and reviewed projected revenue and
6 expense for the balance of the fiscal year.

7 And whereas, projected other funds available
8 exceed the amount required for deficit reduction by
9 more than \$90,000.

10 And whereas, the current expense projections
11 in the management and administration portion of the
12 consolidated operating budget leave only limited funds
13 available for management responses to needs for
14 additional staff to meet the needs of the corporation.

15 Now, therefore, the Board of Directors of
16 the Legal Services Corporation hereby allocates \$75,000
17 of miscellaneous, 55,000 and interest income, 20,000,
18 from other funds available to special contingency funds
19 in the management and administration budget for use
20 subject to the provisions of the Board's budget
21 modification guidelines.

22 In the materials you had before you earlier,
23 we are projecting a little more than \$90,000 in funds,
24 which we did not anticipate when we did the budget in
25 interest income and miscellaneous income. Beyond that

1 which we did anticipate and allocate to budget
2 reduction. The idea is to put some money within the
3 budget so that no separate board resolution bringing
4 the money in is required.

5 And then, if there is additional need for
6 staff support for functions in which we're under
7 staffed, the president, pursuant to the budget
8 modification guidelines, can propose and the chairman
9 of this committee can review and approve an allocation
10 from special contingency fund to one of the operating
11 lines within the budget.

12 MR. BRODERICK: I just had a comment, I
13 guess it's in the nature of a friendly amendment here.
14 In the third paragraph.

15 CHAIR MERCADO: Someone needs to move first.

16 MR. BRODERICK: Well, I just want to -- let
17 me get it however we do this mechanically. It says
18 funds available for management responses to needs for
19 additional staff. I would like to change the word
20 "additional" to "essential."

21 MR. EAKELEY: I'll move the resolution as
22 modified.

23 MR. FORGE: Extremely essential, but we'll
24 leave it.

25 CHAIR MERCADO: Is there a second to the

1 motion?

2 MR. SMEGAL, JR.: Second.

3 CHAIR MERCADO: Motion had been made and
4 seconded, all those in favor? Tom?

5 MR. SMEGAL, JR.: Wait. Wait. I was hung
6 up on the typo of modification in the last line but
7 I'll pass it.

8 CHAIR MERCADO: What?

9 MR. SMEGAL, JR.: M-o-d.

10 MR. SINGSEN: I actually -- it should be
11 noted for the record that the typed version this
12 afternoon will also drop the letter "S" from the word
13 "leaves" in the third line of the third paragraph.

14 MR. EAKELEY: That's gracious of you.

15 CHAIR MERCADO: Please correct all the
16 grammatical errors.

17 Okay. Hearing no further discussion all
18 those in favor?

19 ALL: Aye.

20 CHAIR MERCADO: Opposed; abstentions?

21 Any other business before this committee?

22 Hearing none I will entertain a motion to adjourn?

23 MR. SMEGAL, JR.: Moved.

24 MR. BRODERICK: Seconded. I want to thank
25 you for your help this morning.