

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
FINANCE COMMITTEE

OPEN SESSION

Tuesday, October 22, 2013

8:30 a.m.

Renaissance Pittsburgh Hotel
107 Sixth Street
Pittsburgh, Pennsylvania 15222

COMMITTEE MEMBERS PRESENT:

Robert J. Grey, Jr., Chairman (by telephone)
Sharon L. Browne
Laurie Mikva
Martha Minow
Father Pius Pietrzyk, O.P.
Robert E. Henley, Jr. (Non-Director Member)
Allan Tanenbaum (Non-Director Member)

OTHER BOARD MEMBERS PRESENT:

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

ALSO PRESENT:

James J. Sandman, President

STAFF AND PUBLIC PRESENT:

James J. Sandman, President
Richard L. Sloane, Chief of Staff & Special Assistant
to the President
Lynn Jennings, Vice President for Grants Management
Rebecca Fertig, Special Assistant to the President
Janet LaBella, Director, Office of Program
Performance
Carol A. Bergman, Director, Office of Government
Relations and Public Affairs
Carl Rauscher, Director of Media Relations, Office of
Government Relations and Public Affairs
Jeffrey E. Schanz, Inspector General
Wendy Rhein, Chief Development Officer
David L. Richardson, Comptroller and Treasurer,
Office of Financial and Administrative Services
Thomas Coogan, Assistant Inspector General for
Investigations, Office of the Inspector General
David Maddox, Assistant Inspector General for
Management and Evaluation, Office of the
Inspector General
Ronald S. Flagg, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
Lora M. Rath, Deputy Director, Office of Compliance
and Enforcement
Allan J. Tanenbaum, Non-Director Member, Finance
Committee (General Counsel, Equicorp Partners)
Don Saunders, National Legal Aid and Defenders
Association (NLADA)
Chuck Greenfield, National Legal Aid and Defender
Association (NLADA)
Terry Brooks, American Bar Association Standing
Committee on Legal Aid and Indigent Defendants
(SCLAID)
Susan Lucas, Pennsylvania Legal Aid Network
Robert A. Oakley, Northwestern Legal Services

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Motions: Pages 4, 4, 46 and 48

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

2 (8:32 a.m.)

3 CHAIRMAN GREY: Martha, if you don't, just
4 because I think it would be easier just if you would
5 run through the agenda. I will be happy to
6 participate --

7 M O T I O N

8 MS. MINOW: Absolutely, absolutely. So, the
9 Finance Committee is now in session. May I have an
10 approval of the agenda?

11 FATHER PIUS: So moved.

12 MS. BROWNE: Second.

13 MS. MINOW: All in favor?

14 (Chorus of ayes.)

15 MS. MINOW: Thank you.

16 M O T I O N

17 MS. MINOW: And, of the minutes?

18 MS. BROWNE: I will move to approve the
19 minutes.

20 MS. MINOW: A second?

21 FATHER PIUS: Second.

22 CHAIRMAN GREY: Second.

1 MS. MINOW: Thank you. All in favor?

2 (Chorus of ayes.)

3 MS. MINOW: I am going to look over at the
4 agenda, which is right here, and we are going to now
5 have a presentation on the financial reports for the
6 eleven-month period that ended on August 31st, with a
7 presentation by Dave Richardson.

8 MR. RICHARDSON: Thank you, ma'am. For the
9 record, again, my name is David Richardson. I am the
10 Treasurer of the Corporation. I will be referring to
11 pages 204 and thereafter for the presentation.

12 Through 11 months of the year, we are spending
13 under budget, within our lines. The basic field, the
14 variance there, is for a couple of states that we have
15 money earmarked for grantees: American Samoa, there is
16 a small amount for Louisiana, a small amount for
17 Mississippi, as we continue to deal with issues there.

18 When we look at the funds for the U.S. Court
19 of Veterans Appeals, we are more on target.

20 Let me back up a minute. The top of page 205,
21 you all had asked me to break out in July the amount of
22 funding that we are paying for, Native American and

1 migrant, and I have done that to have a complete report
2 there. Those funds come from the basic field,
3 allocated for Native American and migrant. We have
4 been reporting them together. And in the future we
5 will separate those for you, so that you will have that
6 information at each of the meetings.

7 With the U.S. Court of Veterans Appeals, we
8 did make the grant in September, the additional
9 \$130,000. But at this point you will see that there is
10 a variance there of 165,000. We made a grant of 130,
11 keeping back 25,000 for administrative costs that we
12 usually bill in September. And that will be reflected
13 in the September statements.

14 The grants from other funds, we have had one
15 small grant. We made additional grants in September.
16 So that will be reduced when we report in September,
17 and I will give you the detail on that. It was to help
18 the Sandy area grantees with additional funding.

19 And I will skip and go down to the Hurricane
20 Sandy relief funds, and we did provide \$874,000 in
21 grants in September there. No money was spent in this
22 particular report, but you will see in September that

1 that was done, also.

2 MS. MINOW: David, can I take it back to the
3 Veterans Appeals funds? Is that administrative cost a
4 percentage, or is it a flat charge, or how is that
5 figured?

6 MR. RICHARDSON: We figure the amount of time
7 spent on the grant.

8 MS. MINOW: I see.

9 MR. RICHARDSON: We have a couple of people
10 who keep time records, who go to meetings, and they
11 review the grant applications and keep up with the
12 veterans court meetings as they occur, and we then
13 charge the time back to the grant.

14 MS. MINOW: Thank you.

15 MR. RICHARDSON: The technology initiative
16 grants, we have got an analysis there. We show that we
17 have expended 905,000. We actually have given grants
18 of over \$1 million, and we have collected over \$100,000
19 in funds back from TIG initiative that either come in
20 under budget or, for whatever reason, we had to
21 question cost of proceeding, and that money went back
22 into the line.

1 So, what has occurred now is we have awarded
2 the grants, but they were awarded in October. So most
3 of the money in this particular line will be carried
4 over to the next year in the 2014, and will be expensed
5 in the October report to the Board.

6 The Herbert Garten program, we have gone
7 through and done an analysis. We have updated our
8 allocations. The expenses for the period is basically
9 \$1.1 million. The remaining funds there of 1.435 will
10 go to support the continuation of the program for the
11 next two years, since we give three-year awards here.
12 So that money will be used in future periods.

13 MR. TANENBAUM: David, this is Allan
14 Tanenbaum. Do you have an analysis of the default,
15 actual defaults?

16 MR. RICHARDSON: I do, and I can tell you this
17 year we have had no defaults. We have had three people
18 who have withdrawn from the program, and they are
19 paying them back, they are paying the loans back.

20 MR. TANENBAUM: Historically we have a very
21 small default ratio?

22 MR. RICHARDSON: Very small. Yes, sir. I

1 think we actually wrote off \$10,000 in the last two
2 years. It is not a lot of money.

3 MR. TANENBAUM: Thank you.

4 MR. RICHARDSON: The next area, of course, is
5 the management and grants oversight. I have laid out
6 an analysis of that on 205 page. You will see that
7 there is a variance there of 16 percent. We are -- our
8 budget for the period for the operations is -- I am
9 sorry, it is 17,780,000.

10 We have spent 14.9. There is a variance there
11 of \$2.8 million. That will go up a little bit in
12 September, because September is -- has turned out to be
13 a less travel month. So we are looking at, again, a
14 significant amount of carryover there. And that, of
15 course, we will talk about in the next agenda item,
16 when we are allocating the budget to 2014.

17 Basically, the amount of carryover that we
18 have there is attributed -- on page 207 -- and it is
19 for personnel compensation and benefits. We have a
20 number of positions that were open. We have filled a
21 number of them in August and September, and a couple
22 the first couple weeks in October. So again, I will

1 review that a little bit more thoroughly when we look
2 at the 2014.

3 We still have open positions. Those are
4 listed there. Any time you have open positions like
5 this, where people who normally travel -- because some
6 of the positions that are open are the fiscal
7 compliance specialist and your program counsel and
8 program performance -- when you don't have the staff to
9 travel, you end up spending less money on travel, so
10 you have got a rippling effect. You don't have -- you
11 don't pay out the compensation, you don't have the
12 travel, and you don't have communication expenses. So
13 it just sort of multiplies as we go down the line
14 there.

15 But we are well within budget, as we have
16 said. It will help us with next year's operations,
17 especially as we look at the continuing resolution, the
18 prospects of decreased funding in the future year.

19 Additionally, you have got reported here the
20 Inspector General budget. Their largest variance is
21 also personnel compensation and benefits. Same
22 circumstance there, where they have had turnover in

1 their staff. And they have now filled a position here.

2 I have got in the notes that they filled one position,
3 a senior auditor, began in September. And, as I
4 recall, there is one additional person that started
5 with them as an intern in the coming year, so they will
6 have that expense, also. But well within budget. Any
7 of the carryover, again, will be used in the future
8 period.

9 MR. TANENBAUM: Can you explain the last
10 sentence, "The unused OIG contingency funds are
11 earmarked for the multi-year budget plan"?

12 MR. RICHARDSON: Yes. Their funding, their
13 appropriation last year, was 4.2. But then, of course,
14 it was subject to the recisions and the sequester. The
15 budget that was developed was looking at a two-year
16 time frame, as far as spending the money. And they
17 have operated that way to be forward-looking, so that
18 they are not spending all their money in one particular
19 year.

20 When you look at the expenses for the year,
21 you will see that they are \$4.2 million. This year
22 their funding with those cuts was 3.9. So they are

1 spending down their carryover, but yet they have got
2 enough money with their carryover to continue to fund
3 their staffing at their current level and be able to
4 operate in 2014. That is something that they are going
5 to have to look at for 2015 and beyond, with the
6 funding --

7 MR. TANENBAUM: Well, when you say that they
8 have got it based on a multi-year budget, you are
9 really saying they are allocating that for this year
10 and next year only, rather than taking a look and
11 holding back for years after that? I mean you say they
12 have earmarked it for the multi-year, they have
13 earmarked the whole thing for next year?

14 MR. RICHARDSON: Well, originally, that was
15 the plan, they would spend the next year -- but I think
16 what they have done is they have taken -- as they have
17 lost staff, as they have had attrition, had open
18 positions, the view is now that it may go even further
19 than next year, it may help with the 2015, also.

20 MR. TANENBAUM: Thank you.

21 FATHER PIUS: Just a question, David, just
22 earlier on, I am just trying to figure out this thing

1 about some earlier discussions on the migrant part.
2 Where do you -- did you just get that out of the full
3 budgets, or you just take the 316,978,614, or do you
4 pull out the Native American funds first, and then take
5 that out of the remainder to get that number?

6 MR. RICHARDSON: We have funding for their
7 basic field grants.

8 FATHER PIUS: So your baseline to determine
9 that number is the whole basic field grant number?

10 MR. RICHARDSON: Correct.

11 FATHER PIUS: Okay. And so, just based on
12 our -- so if we -- I am just looking at numbers. So if
13 we -- based on the earlier discussion, if we go with
14 the Department of Labor numbers for migrant workers,
15 which would cut that number down from about 3.4 percent
16 to about 2 percent, that number would cut down from
17 probably about 10 million to about \$6 million.

18 And then, that extra four million, then would
19 just be back in the regular field grants budget,
20 assuming those -- I know that is a huge assumption, but
21 assuming those numbers are correct, and we go with
22 those numbers, we would probably cut down the migrant

1 portion, and the other four million would go back in
2 the main grants number?

3 MR. RICHARDSON: If that scenario was
4 accepted, that is what would happen.

5 FATHER PIUS: Okay, okay.

6 MR. FLAGG: This is Ron Flagg. Just -- and I
7 recognize you were just making a hypothetical for the
8 sake of understanding the math here -- there is
9 Department of Labor numbers. They do show that the
10 total migrant population has gone down, as your
11 hypothetical suggests.

12 Again, the numbers of people served are not
13 just the migrant population. So that is another issue.

14 And I understand your hypothetical was just to
15 understand how the -- whatever the dollars are for the
16 migrant grants, how they relate to the total field
17 budget. But I just wanted to make that additional
18 point.

19 MR. TANENBAUM: Ron, it raises another
20 question that I have been trying to understand. And I
21 understand that we are working off of numbers, census
22 numbers, that are quite old, but they are the best

1 available. And I understand that management is trying
2 to see if they can -- if there is a process by which
3 they can be updated in some way.

4 Are you comfortable at the moment that these
5 are the best available census numbers on farm workers
6 and migrants, such that the allocation, the methodology
7 and the allocation that we are making here out of the
8 basic field grant remains appropriate?

9 MR. FLAGG: First of all, the numbers that
10 have been used since the 1990s, including the numbers
11 that were approved by Congress as the basis for the
12 grants back in the 1990s, are not census data. They
13 were data from other studies. And so I just want to
14 make that clear.

15 The -- it is management's belief that there
16 are more accurate data available today that would make
17 the allocation of these grants for migratory and other
18 farm workers better and more accurate. So I think we
19 will have suggestions in January or April of data,
20 probably Department of Labor data. Again, there is no
21 census data on this. The best data, I am advised, are
22 from the Department of Labor, and we will try to

1 identify those data for the Board, and our belief is
2 that these dollars would be more appropriately
3 allocated using up-to-date data.

4 MS. MINOW: May I suggest we move on to the
5 temporary operating budget, because that is where we
6 really need to make some review?

7 MR. RICHARDSON: Okay. For reference, I will
8 be referring to page 219 in the Board book.

9 When we put this together, basically end of
10 September, first of March, we didn't know where our
11 funding was going. I mean we were guessing that we
12 would have a continuing CR, continuing resolution, and
13 we plugged in last year's number, and that is, of
14 course, what happened when we got to the appropriation
15 process.

16 I think before I get involved with this, we
17 need to turn to Carol and let her give the report on
18 the appropriations --

19 MS. BERGMAN: Thank you --

20 MR. MADDOX: David? Excuse me.

21 MS. BERGMAN: Sure.

22 MR. MADDOX: David, I don't have the paper

1 book. Can you tell me what we are looking at? You
2 said --

3 MR. RICHARDSON: The October 3rd -- it is the
4 October 3rd memo, the temporary operating budget. It
5 is the memo.

6 MS. MINOW: If you go under the tab under
7 "Temporary Operating Budget" --

8 MS. REISKIN: It is 5(a).

9 MR. MADDOX: Okay, thank you, 5(a), got it.
10 Thank you.

11 MS. MINOW: Thank you, Carol.

12 MS. BERGMAN: Thank you. For the record,
13 Carol Bergman, Director of Government Relations and
14 Public Affairs. I am just going to make a brief
15 presentation on where things stand and what the
16 potential impact is for LSC.

17 As folks know, on October 16th, the Senate
18 reached an agreement that the House then voted for, as
19 well, and the President signed into law, which created
20 a continuing resolution to fund the government for
21 three-and-a-half months at the Fiscal Year 2013 levels,
22 post-sequestration. So, in other words, same level of

1 funding that we have been operating under.

2 What the legislation does is require a
3 bicameral budget committee to develop a conference
4 report by December 2013. The budget committee, or
5 supercommittee that has been created, is comprised of
6 all of the members of the Senate Budget Committee, and
7 seven members of the House. It is chaired by Senator
8 Patty Murray and Congressman Paul Ryan.

9 The CR means that, obviously, all funding
10 levels stay the same. Folks, remember that our
11 grantees operate on a calendar year, rather than a
12 fiscal year, so this provides funding for
13 three-and-a-half months, so through April 2015 at the
14 current level for our grantees.

15 So, what happens next? Theoretically, the
16 bicameral budget committee is charged with reconciling
17 the House and Senate budget resolution numbers for
18 Fiscal Year 2014. If they do that, that determines the
19 outline of discretionary funds that are going to be
20 available for Fiscal Year 2014. At that point -- that
21 is called a 301(a). At that point, if they come up
22 with a number like that that goes to the House and

1 Senate appropriations committees, they then develop
2 what are referred to as 302(b)'s for each one of their
3 12 appropriations subcommittees, to come up with
4 numbers.

5 The deadline of the CR is January 15th. If no
6 agreement has been reached, according to the Budget
7 Control Act of 2011, the second round of sequestration
8 kicks in at that point, unless there is additional
9 congressional action on that.

10 The other date to keep in mind is on January
11 1st the census adjustments will be fully implemented
12 for our grantees. This was a two-year process that was
13 included in our Fiscal Year 2013 appropriations for
14 LSC.

15 So, the census adjustments are going to be
16 fully implemented, regardless of whether or not there
17 is a new budget.

18 So, there is a difference between the Senate
19 budget resolution that they passed this past year and
20 the House budget resolution of \$91 billion. So that is
21 what this supercommittee is charged with attempting to
22 reconcile by December 13th. So they have eight weeks

1 to come up with that.

2 The Budget Control Act set a spending cap for
3 2014 of \$966 billion. That is 1.8 percent below
4 current spending levels. If we look at the allocations
5 for the Appropriations Subcommittee for Commerce,
6 Justice, and Science, which is the subcommittee that
7 funds LSC, there is a difference between the House and
8 Senate numbers of \$4.872 billion. So, obviously, a
9 very large difference. And folks will recall that the
10 House provided for 300 million for LSC and the Senate
11 provided for 430 million, which was consistent with the
12 White House ask.

13 I went back and looked at which appropriations
14 bills had actually moved through the House and the
15 Senate appropriations committees. In the House, the
16 Appropriations Committee passed 10 of the 12
17 appropriations committees, and 3 of them actually
18 passed the House floor -- Defense, MilCon, and Energy.

19 So not CJS at all. And in the Senate, the
20 Appropriations Committee passed 11 of 12, but 0 went to
21 the Senate floor. So there are really only two where
22 there has been no movement, Labor and Financial

1 Services. So, one --

2 MS. MINOW: Which is us?

3 MS. BERGMAN: I am sorry?

4 MS. MINOW: Which is us?

5 MS. BERGMAN: No, no, we are not.

6 MS. MINOW: No? Oh.

7 MS. BERGMAN: We are one of the --

8 MS. MINOW: We are one of the ones that was
9 moved, okay.

10 MS. BERGMAN: CJS is one of the ones that
11 passed both -- it actually passed the House floor and
12 it passed the -- no, it didn't pass the House floor,
13 excuse me. It passed both the House Appropriations
14 Committee and the Senate Appropriations Committee.

15 So, I raise this because last year, when there
16 was a CR until March 27th and then there was a new
17 budget passed for Fiscal Year 2013 at the end of March,
18 what they did was include in that process the
19 appropriations bills that both the House and the Senate
20 had passed that they had conferenced behind closed
21 doors that they could then roll into a final budget
22 deal.

1 Now, obviously, much more challenging without
2 having agreed-upon high-level numbers, but certainly a
3 possibility if folks believe that they are going to
4 move in the direction of actually creating a Fiscal
5 Year 2014 budget. So that is one possibility --

6 MS. MINOW: But those bills that have moved
7 were on the basis of last year's numbers.

8 MS. BERGMAN: Well, no. They are on the basis
9 of what they are projecting for Fiscal Year 2014. That
10 goes back to the enormous differences between the House
11 and the Senate number. So, they could reconcile them.

12 But if they didn't know what the high-level numbers
13 were, it is meaningless until they are given what that
14 high-level number is.

15 But, for example, they could come to agreement
16 on -- they could come up with, let's say, two to three
17 different versions of their appropriations committee
18 budget of what we are going to do, based on what that
19 final budget number is. My point is that I think -- I
20 would guess that if, in fact, the bicameral committee
21 were to come up with an agreement, they are not
22 starting from ground zero at that point on December

1 13th.

2 However, Senator Mikulski, Chair of the Senate
3 Appropriations Committee, has made no secret of the
4 fact that she has very little expectation that there is
5 going to be an agreement on a budget resolution number
6 by December 13th, and that, even if it were, that
7 obviously doesn't give them a whole lot of time before
8 January 15th to come up with reconciled appropriations
9 numbers.

10 So, the options really are that somehow there
11 is a budget for Fiscal Year 2014; there is a short-term
12 CR while they continue to negotiate; they come up with
13 some agreement on some of the appropriations bills that
14 perhaps are less contentious between the House and the
15 Senate; or I think it is also very likely that they
16 continue with the CR for the entirety of Fiscal Year
17 2014, based on Fiscal Year 2013 levels. And the
18 question, then, would be whether or not that would also
19 include the second round of sequestration next year,
20 which would be imposed on Fiscal Year 2013's numbers
21 with sequestration.

22 So, in other words, it is another round of

1 sequestration. Certainly, that is what a lot of the
2 discussion is about, shall we say, in Washington right
3 now, the likelihood that we could be operating with a
4 CR for the rest of the year.

5 Folks may recall, obviously, the Board voted
6 on an Fiscal Year 2015 budget, which we submitted to
7 OMB, along with all the other agencies, in September.
8 There has not been much discussion about how that is
9 supposed to play out. Legally, the White House is
10 supposed to introduce the Fiscal Year 2015 budget on
11 the first week of February. But this Administration,
12 like many before it, has asked for extensions
13 repeatedly, and folks may recall that last year the
14 budget did not get sent up until the third week in
15 April, I believe.

16 MS. MINOW: Robert, do you have any questions?

17 (No response.)

18 MS. MINOW: No. Okay. Anybody else have
19 questions for Carol?

20 Julie?

21 MS. REISKIN: I don't know if this is for
22 Carol; it is on the memo. So are we ready for that?

1 MS. MINOW: Let me just -- anyone else have
2 questions for Carol?

3 If -- yes?

4 MS. BROWNE: What is the range for the
5 sequestration, if it does kick in?

6 MS. BERGMAN: Good question. As we have
7 talked about, the sequestration does not have actual
8 percentages. The way it is set up under the Budget
9 Control Act, it is an actual dollar number to reduce
10 the federal deficit every year for 10 years. So you
11 need a baseline in order to calculate a percentage.

12 The best I could tell right now, it is
13 probably somewhere between five and eight percent,
14 depending on what the baseline is. In other words, if
15 we are talking about a CR at Fiscal Year 2013 spending
16 levels post-sequestration, you are probably talking
17 about something that is a six or seven percent number
18 reduction on top of that, if that is what we are agreed
19 to.

20 But obviously, there has been a lot of
21 pushback, in particular from the Chair of the House
22 Appropriations Committee, Hal Rogers, who is very

1 uncomfortable with the impact of the sequestration
2 numbers on discretionary domestic spending. So,
3 whether or not there is going to be -- whether or not
4 that comes in across the board is hard to know.

5 There is also talk, obviously, about trying to
6 create more flexibility for the different agencies so
7 it is not across the board, and whether or not to keep
8 the approximately 50/50 split between Defense and
9 domestic spending, given the concerns about military
10 readiness. So that is why I suggest a range. I think
11 it is hard to know exactly, but I would imagine that we
12 are talking somewhere between five and eight percent on
13 top of the current spending level, if they don't come
14 up with a budget for the new year.

15 MS. BROWNE: Are we keeping -- I know you are
16 very good at communicating with our grantees. And do
17 they have all this information before them, so that
18 they can start planning in the worst case scenarios?

19 MS. BERGMAN: What we have tried to do is keep
20 them abreast of what has been happening on Capitol Hill
21 and what the likely implications are. Thus far, we
22 have been hesitant to suggest an actual percentage or

1 dollar number to think about for next year, because of
2 the lack of clarity. But I think that there may be
3 value. We have not done that. And, clearly, many of
4 our ED's, like anybody running a non-profit or a small
5 business, is looking to plan for the next year.

6 So, we have made very clear that the
7 sequestration is due to come into effect. They
8 certainly know that the census numbers are to be fully
9 implemented, and that there is no guarantee of there
10 being anything close to an Fiscal Year 2014 budget that
11 looks anything like the House and Senate numbers.

12 MS. MINOW: Thank you. David, let's return to
13 you. Thank you, Carol.

14 MR. RICHARDSON: Okay. When we look at our
15 budget, and we projected carryover to add on top of the
16 amount of money that we were estimating for the
17 continued resolution, we also added the Court of
18 Veterans Appeals, the same thing, we anticipated last
19 year's funding.

20 So, basically, it was \$339,926,000 that was
21 appropriated. We have estimated carryover of
22 11,858,000. This information is on page 224 that I am

1 sort of summarizing at the bottom.

2 FATHER PIUS: The attachment?

3 MR. RICHARDSON: The attachment. Yes, sir.

4 And then, the U.S. court grant is 2.5 million, for a
5 total budget of \$354,304,000, round numbers.

6 FATHER PIUS: And, just to be clear, knowing
7 what we know now about the continuing resolution, you
8 would not change any of this data, given that -- since
9 you did this before that, obviously. So you wouldn't
10 be changing any of these numbers if you redid it
11 according to what we know right now?

12 MR. RICHARDSON: No, because this is what the
13 CR ended up --

14 MS. MINOW: This was predicated on the CR --

15 MR. RICHARDSON: Yes.

16 MS. MINOW: -- which was --

17 FATHER PIUS: No, it was done before, but the
18 CR --

19 MS. MINOW: But --

20 FATHER PIUS: Right, right.

21 MS. MINOW: It was predicated on it, even
22 though it was done before it, yes.

1 MR. RICHARDSON: As we have talked about, we
2 have allocated the money to the grants line. We will
3 be working up different scenarios with our grantees.
4 But the bulk of the memo here is how we spend it in
5 management and grants administration and the Inspector
6 General's office.

7 On the second page of the memo I have
8 basically laid out where we do our basic field grants
9 on a competition basis. The U.S. Court of Veterans
10 Appeals is also awarded on a competition basis. The
11 basic field grants, we have competition for about a
12 third of the grants a year. And we do a court
13 competition every third year.

14 The grants from other funds are those monies
15 that we bring in from grant recoveries, questioned
16 cost. So those go to special one-time grants. We have
17 a projection of that, even with the money that I talked
18 about that we had awarded in September to help the
19 Sandy grantees, and help the surging need that they
20 have had there, we still have 200,000 -- I am sorry,
21 \$279,000 available for that line.

22 The technology, as I mentioned before --

1 MS. MINOW: Excuse me. Sharon has a question.

2 MS. BROWNE: On Hurricane Sandy, you mentioned
3 that we still have money available for grants. How
4 long are we going to keep that open? It seems to me
5 that the Hurricane Sandy relief fund should have been
6 allocated by now, because the grants should have come
7 in, even on a competition basis.

8 MR. RICHARDSON: It did come in on a
9 competition basis. We have two years to --

10 MS. BROWNE: Pay it out?

11 MS. MINOW: Pay it out.

12 MS. BROWNE: Oh, we do?

13 MR. RICHARDSON: Yes.

14 MS. BROWNE: Okay, thank you.

15 MS. MINOW: So it was awarded, but we are
16 still paying, based on the award.

17 MR. RICHARDSON: Right.

18 MS. BROWNE: And so, are we still receiving
19 grant applications for it?

20 MR. RICHARDSON: No, we are not. We received
21 the applications, we went through them, we evaluated
22 them. Now we have made the grants based on the

1 proposals that we received.

2 MS. MINOW: Jim?

3 MR. SANDMAN: We have some -- the amount of
4 the appropriation after sequestration was \$950,000. We
5 awarded grants that came in at slightly less than
6 \$900,000. So we have some additional money that we
7 could grant out over the next two years.

8 The way disaster relief unfolds, the legal
9 problems related to disasters often don't mature until
10 some time after the disaster occurred. So we wanted to
11 leave a little additional money to see how the legal
12 needs unfold in the areas affected by Sandy, so that we
13 could make additional grants, if necessary.

14 MS. BROWNE: So just a question, and it
15 probably -- it has no relationship specifically to
16 Hurricane Sandy. But when we get a special
17 appropriation for a specific topic, such as Hurricane
18 Sandy, and there is an amount outstanding that is not
19 spent, what happens to that money, since there is a
20 specific line item for it?

21 MR. SANDMAN: It doesn't happen often. This
22 was the first time since 1993 that we got a grant of

1 this nature.

2 I believe -- looking to Carol for confirmation
3 on this, but I believe if the two-year term of the
4 appropriation period were to expire with unspent funds,
5 we would need to return them.

6 MS. BERGMAN: Yes, it would need to go back to
7 the treasury if it is not spent within the 24 months.

8 MR. RICHARDSON: One of the things that we
9 have got to do is to track the money. And then, any
10 money that is not spent, as you said, would have to go
11 back. But we are keeping it by a project code, by a
12 department code, so that we can know what is being
13 spent.

14 MS. MINOW: Charles?

15 MR. KECKLER: Yes. I was wondering, in terms
16 of the appropriation, whether it would be possible to
17 spend the \$50,000 to \$60,000 if it doesn't -- for some
18 kind of evaluation or assessment of how best to
19 respond.

20 MS. MINOW: Lynn, Lynn Jennings?

21 MS. JENNINGS: The -- and I will look to
22 Carol, but I don't think that we have the flexibility

1 within the language of the appropriation to do so. It
2 is a very discreet program where we funded either
3 technology or pro bono coordinators to help victims of
4 Hurricane Sandy to bring in more pro bono attorneys,
5 and it is not for direct legal services, and it didn't
6 have an evaluation component.

7 MS. MINOW: Thank you. I had a somewhat
8 related question about the U.S. Court of Veterans
9 Appeals grant. Does that come through a different
10 process? And so when there is a negotiation about our
11 numbers, is that in a different heading?

12 MR. RICHARDSON: Yes, ma'am. This money does
13 not come through our appropriation process, but it does
14 come through the U.S. courts process. And they
15 then -- it is a transfer to us.

16 MS. MINOW: Sure, Father Pius.

17 FATHER PIUS: Just a very brief question.
18 Jim, is there -- do we have any updates on American
19 Samoa? Are there prospects, or --

20 MS. MINOW: Lynn Jennings?

21 MR. SANDMAN: Lynn will respond.

22 MS. JENNINGS: Hi, this is Lynn Jennings, for

1 the record. We have gotten some communications from
2 American Samoa. And, as a result of that, the
3 organization is still waiting for its 501(c)(3) status
4 to be cleared by the IRS. But in anticipation that
5 that may be, we are sending some consultants out to do
6 an initial capability assessment to see what needs to
7 be done, in the event that the 501(c)(3) status is
8 awarded.

9 MS. MINOW: Okay. So, thank you. Other
10 questions about the proposed temporary operating
11 budget?

12 (No response.)

13 MS. MINOW: Robert, did you have any
14 questions?

15 CHAIRMAN GREY: No, sounds good.

16 MS. MINOW: We are going to move a resolution
17 in a moment, I just wanted to ask one more question
18 about the TIG monies. The total here includes the
19 carryover, or -- how does that work?

20 MR. RICHARDSON: Yes, ma'am, it does. When
21 you look at the second column of the projected
22 carryover, it is \$3.4 million. That was the amount

1 that was projecting when --

2 MS. MINOW: So that means that the timetable
3 for our competitive process would remain the same? We
4 would be able to do that, or -- I am just confused
5 about what year we are in.

6 MR. RICHARDSON: WE have been trying to award
7 the TIG grants in September. However, we are awarding
8 them the last week in September for work to be done --

9 MS. MINOW: Begin --

10 MR. RICHARDSON: -- the next year.

11 MS. MINOW: Right.

12 MR. RICHARDSON: This is a cleaner process, so
13 that we can award it in October, have it expensed in
14 the proper year that the work is being done.

15 MS. MINOW: So the money that we had carryover
16 from this year will be the money that we award next
17 year. And the money that we have -- that we project
18 for next year will be awarded the year after. Is that
19 correct?

20 MR. RICHARDSON: I am not sure we have talked
21 about that far in length, but it is a cleaner process
22 to do it that way.

1 MS. MINOW: Okay, thank you. Julie?

2 MS. REISKIN: Yes, I didn't see anything about
3 the 40th anniversary, about either projected income or
4 projected spending. And I was just wondering how that
5 gets handled. Certainly what we have talked about with
6 the Board, just with the Board, would be greater than
7 what was -- what is here. And I don't -- how does that
8 work?

9 MS. MINOW: John?

10 MR. LEVI: Wendy? We don't have a Finance
11 Committee budget yet for the 40th, and the 40th will
12 not be paid from --

13 MS. MINOW: This budget.

14 MR. LEVI: -- from this budget.

15 MS. REISKIN: They don't all -- everything
16 doesn't all go into one budget with different items,
17 like a non-profit? Oh, okay.

18 MS. MINOW: Wendy?

19 MS. RHEIN: Sure. Because the projects that
20 are within the 40th anniversary are separate from
21 ongoing programs, we have to raise the money for those
22 individually. So --

1 MS. REISKIN: I understand --

2 MS. RHEIN: -- that money is being kept
3 separately. And, as funds come in, we will be able to
4 allocate them --

5 MR. LEVI: However --

6 MS. RHEIN: -- for the expenses, as well.

7 MR. LEVI: -- she raises a good point. We
8 probably should start to create a budget for it, and
9 ultimately, Institutional Advancement Committee ought
10 to approve that budget, but probably then ought to send
11 it over to Finance and --

12 MS. RHEIN: Absolutely. I will work on --

13 MR. LEVI: I don't know if it has to go
14 to -- actually, it should go up to the Board, because
15 it is too many committees. Institutional Advancement
16 Committee should approve a budget, send it to the
17 Board.

18 MS. MINOW: That sounds right.

19 MS. RHEIN: Okay. We will do that.

20 MS. MINOW: So are we -- oh, Jim?

21 MR. SANDMAN: I do want to point something out
22 to the Committee. On the management and grants

1 oversight budget, you will see that we continue to have
2 substantial carryover. Our management and grants
3 oversight appropriation currently, based on the 2013
4 number with sequestration, is \$15,792,000. At our
5 current rate of spend, if you were to annualize that
6 for 2014, we are spending at about \$17.5 million. So
7 we are spending down the carryover, just with steady
8 state operations at where we are right now.

9 If there were to be a further sequestration in
10 the range of five to eight percent, we would have to
11 take another look at that. That would certainly
12 accelerate the pace of the spend-down. But I just want
13 to be sure that people aren't looking at the carryover
14 number and thinking it just continues to go up. That
15 is not the case. We are in spend-down mode, as a
16 result of the sequestration and the -- we started out
17 at \$17 million for management and grants oversight in
18 our appropriation that has now come down to about 15.8.

19 MS. MINOW: And so, is there a process for
20 projecting if that spend-down -- if it is all spent
21 down, and if there is the worst case scenario, what the
22 implications are?

1 MR. RICHARDSON: We are being very
2 conservative right now. Certainly between now and
3 January 15th I think we would have to take a good, hard
4 look at things after January 15th if a second round of
5 sequestration kicks in.

6 MS. MINOW: But do we have a number that
7 assumes a second round of sequestration?

8 MR. RICHARDSON: We don't yet, no.

9 MS. MINOW: Shouldn't we start doing that?

10 MR. RICHARDSON: Yes.

11 MS. MINOW: Julie?

12 MS. REISKIN: This might just be a difference
13 between Washington and the rest of the world, but do
14 you guys have a cost benefit thing when you look at
15 consultants here? I mean the consultant numbers, to
16 me, again, just seem very, very high. Like, in all of
17 these, like, 63,000 in HR, like, for compensation. I
18 mean is that -- like, I am just kind of curious as to
19 how that works.

20 MS. MINOW: I may be wrong, but I am assuming
21 that we are using consultants rather than hiring
22 permanent people.

1 MR. SANDMAN: Yes. So, for some of the
2 consultant expense in HR is related to reviews of our
3 403(b) plan that we have to do, but we don't have the
4 internal capability to do that.

5 The compensation consultant that is in that
6 budget, I would expect that would be a one-time
7 expense, and not a recurring expense.

8 MR. LEVI: Some of it was related to the
9 union --

10 MR. SANDMAN: Yes, that is exactly what it is,
11 yes.

12 MS. REISKIN: Oh.

13 MS. MINOW: Laurie?

14 MS. MIKVA: Thank you. I just -- I know you
15 have been through this before, David, but go through
16 what constitutes the Board of Directors budget, and how
17 that compares over the years. I am just curious.

18 MR. RICHARDSON: Okay. Well, what we do, of
19 course, is we look at the activities of the Board. We
20 have projected four three-day meetings, starting with
21 this one. We project a number of people that will be
22 invited for the different panels, and that is charged

1 to the Board's budget.

2 MS. MIKVA: Is that the consulting number?

3 MR. RICHARDSON: Consulting number is the
4 amount that we pay for your attendance fees. Also the
5 court reporting, and I think there is a small amount of
6 money for additional consulting. If you would like to,
7 as a Board, like to initiate something, we have a small
8 amount of money there to account for that, to provide
9 for it.

10 But it is mainly travel. We set some money
11 aside for -- to go to NLADA, the ABA functions of a
12 number of you, as board members, the Equal Justice
13 conference. Like I said, the travelers coming in to
14 the Board meetings, the guests. And then, we also
15 project if there is meetings on the Hill, how many of
16 those would be attended by different Board members, and
17 put that into the budget.

18 MS. MIKVA: Okay.

19 MR. LEVI: I think this number is less than
20 when we came on the board. My --

21 MR. RICHARDSON: It has been higher, yes.

22 MS. MINOW: And if we have a savings there,

1 where does that money go?

2 MR. RICHARDSON: It just goes back into
3 operations.

4 MS. MINOW: I see.

5 MR. RICHARDSON: Because it is a part of the
6 management and grants oversight budget.

7 MS. MINOW: Okay, very good. I think we are
8 getting close to the big moment when we would actually
9 seek a motion and a vote on the resolution. But David
10 has something else to say.

11 MR. RICHARDSON: I have one quick change that
12 was given to me late last week in regards to where
13 technology -- we are going to look at our business
14 processes.

15 Peter Campbell, our Chief Information Officer,
16 has asked that an amount of money be moved from his
17 capital equipment line into consulting to pay for this
18 business process review. So I am going to need to move
19 \$80,000 of the capital expenditure into consulting for
20 this process.

21 MS. MINOW: So we will treat that as part of
22 this resolution, part of this motion.

1 MR. TANENBAUM: Madam Chair?

2 MS. MINOW: Please, Allan.

3 MR. TANENBAUM: When we recommend this to the
4 Board for approval, and then I guess the Board then
5 will actually approve it, we have some understanding,
6 obviously, that the Finance Committee is going to have
7 to get together probably before the next meeting to
8 revise the temporary operating budget, based on
9 whatever is going to happen, whenever it is going to
10 happen.

11 MS. MINOW: That seems -- my understanding, as
12 well. Thank you very much.

13 And I wonder if either of you have other
14 comments, anything you want us to know or be paying
15 attention to.

16 MR. TANENBAUM: Well, I think Robert and I
17 were talking and have been talking to fully understand
18 the carryover and its implications, and it has come up,
19 since at least I have been here, for the last several
20 meetings. And I think I speak for you, because we
21 discussed this, that the more we understand it, the
22 more comfortable we are, in terms of having this

1 carry-forward in the amounts that we have and in the
2 categories that they are in. Because not only the
3 unfilled positions, but the uncertainty of where the
4 money ultimately will come from to be able to continue
5 the ongoing operation of the Corporation at whatever
6 funding levels we get.

7 So, I think, at least from my
8 experience -- and Robert can speak for himself -- from
9 my experience, I think the amounts that are
10 being -- that are reflected are appropriate and are
11 consistent with what I consider to be good practice.

12 MS. MINOW: Thank you. Robert?

13 FATHER PIUS: Yes, I would --

14 MR. GREY: Yes, it is --

15 MS. MINOW: Oh, two --

16 MR. HENLEY: Go ahead, Robert.

17 MS. MINOW: Sorry. Robert Grey, go ahead.

18 MR. GREY: That is all right. I think this
19 has been a -- here is what I like about the Finance
20 Committee. I think we looked at various aspects of the
21 budget, as David has presented them, and tried to drill
22 down on parts that, on their face, gave us some pause

1 because we really could not see the work behind the
2 numbers. And I think David has done a good job trying
3 to accommodate us, Jim has done a good job explaining
4 to us issues like carryover and the complexity of
5 trying to anticipate.

6 So, I think that Allan is right, I think we
7 all try to continue to get comfortable about it. And
8 Bob has been very helpful, from a -- just from a format
9 standpoint, in trying to provide that, to help us
10 provide that to the Committee.

11 I still think that there may be room for
12 improvement. And I think that, as we talk about it
13 more from a lay perspective, we will be able to do a
14 better job explaining the numbers and exactly what
15 management is trying to do, and appreciating the fact
16 that this is not a typical corporate financial
17 statement. This is a corporate -- this is a financial
18 statement that anticipates political action and
19 uncertainty with spending.

20 But, by and large, I think David, you have
21 done a good job. So those are my comments.

22 MS. MINOW: As have you, Mr. Chair. This

1 Robert.

2 MR. HENLEY: Yes. I was just going to add
3 that I think that the uncertainty around the funding
4 demonstrates that management has been on the right
5 course in being prudent and -- with respect to the pace
6 it has taken in filling the unfilled positions. If we
7 were fully staffed up, we would have some serious
8 concerns. So I think that it demonstrates that
9 management has been on the right track in being prudent
10 with regard to filling those positions.

11 MS. MINOW: Well, thank you. And thank you
12 all.

13 I have one more question for Jim, which is
14 when you recently updated us on what the reduction from
15 the 16 percent to the -- what percent of the
16 carryover -- is that -- are those the numbers that are
17 reflected in the resolution?

18 MR. SANDMAN: Yes.

19 MS. MINOW: Thank you.

20 M O T I O N

21 MS. MINOW: So, let's entertain a motion to
22 recommend the resolution to the Board.

1 MR. TANENBAUM: So moved.

2 FATHER PIUS: Seconded.

3 MS. MINOW: All in favor?

4 (Chorus of ayes.)

5 MS. MINOW: Okay. So we will recommend it to
6 the Board. Thank you all, and thank you, David, other
7 members of this Committee. It is a really challenging
8 time. Makes me interested in the new, emerging field
9 of political risk insurance, which I understand is
10 actually a growing field right now for real. For real,
11 absolutely. And if we had only the permission to use
12 some of our money for that, I would recommend that we
13 invest in it.

14 MR. MADDUX: Does the website work for it?

15 (Laughter.)

16 MS. MINOW: Oh, well said, well said. Does
17 the website work for it? We will have to get a
18 consultant to help us know whether or not the website
19 works for it.

20 MR. KORRELL: It is a private carrier.

21 (Laughter.)

22 MS. MINOW: We would now like to turn to

1 public comment, if there is any. Yes? Public comment?

2 (No response.)

3 MS. MINOW: No, there is none.

4 MS. MINOW: Consider and act on any other
5 business.

6 (No response.)

7 M O T I O N

8 MS. MINOW: Consider and act on an adjournment
9 motion.

10 MR. TANENBAUM: So moved.

11 MS. MINOW: Second?

12 MS. BROWNE: Second.

13 MS. MINOW: All in favor?

14 (Chorus of ayes.)

15 MS. MINOW: Thank you.

16 (Whereupon, at 9:23 a.m., the Finance
17 Committee was adjourned.)

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