

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
FINANCE COMMITTEE

OPEN SESSION

Monday, October 6, 2014

4:37 p.m.

Hilton Albany
40 Lodge Street
Albany, New York 12207

COMMITTEE MEMBERS PRESENT:

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

OTHER BOARD MEMBERS PRESENT:

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

STAFF AND PUBLIC PRESENT:

James J. Sandman, President

Ronald S. Flagg, Vice President for Legal Affairs,
General Counsel and Corporate Secretary

Lynn Jennings, Vice President for Grants Management

David L. Richardson, Comptroller and Treasurer,
Office of Financial and Administrative Services

Julie Kramer, Program Counsel, Office of Compliance and
Enforcement

Lora Rath, Director, Office of Compliance and
Enforcement

Jeff Schanz, Inspector General

John Seeba, Assistant Inspector General for Audit,
Office of the Inspector General

Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, Office of the Inspector General

David Maddox, Assistant Inspector General for
Management and Evaluation, Office of the
Inspector General

Carol A. Bergman, Director, Office of Government
Relations and Public Affairs

Bernie Brady, LSC Travel Coordinator

Wendy Long, Executive Assistant, Office of Government
Relations and Public Affairs

Herbert S. Garten, Non-Director Member, Institutional
Advancement Committee

C. Kenneth Perri, Executive Director, Legal
Assistance of Western New York

Don Saunders, National Legal Aid and Defenders
Association (NLADA)

Robin C. Murphy, NLADA

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

2 (4:37 p.m.)

3 CHAIRMAN GREY: I'm going to call the meeting
4 of the Finance Committee to order.

5 Move for approval of the agenda?

6 M O T I O N

7 DEAN MINOW: So moved.

8 CHAIRMAN GREY: Second?

9 FATHER PIUS: Second.

10 CHAIRMAN GREY: All in favor say aye.

11 (A chorus of ayes.)

12 CHAIRMAN GREY: We have a series and a set of
13 minutes. I'll do them in order by date, so that if I
14 could get a motion, second, and approval, I would
15 appreciate it, if there are no corrections.16 Approval of the minutes of the Committee's
17 open session telephone meeting on June 27th?

18 M O T I O N

19 DEAN MINOW: So move.

20 CHAIRMAN GREY: Second?

21 FATHER PIUS: Second.

22 MR. GREY: All in favor say aye.

1 (A chorus of ayes.)

2 CHAIRMAN GREY: Approval of the minutes of the
3 Committee's open session July 16, 2014 --

4 M O T I O N

5 MR. LEVI: Why don't we do them -- oh, there's
6 a change, I see. So move.

7 CHAIRMAN GREY: Second?

8 FATHER PIUS: Second.

9 CHAIRMAN GREY: All in favor say aye.

10 (A chorus of ayes.)

11 CHAIRMAN GREY: And approval of the minutes of
12 the Committee's open meeting in person on -- I'm sorry,
13 the Committee's minutes of July 21, 2014?

14 M O T I O N

15 DEAN MINOW: So move.

16 CHAIRMAN GREY: Second?

17 FATHER PIUS: Second.

18 CHAIRMAN GREY: All in favor say aye.

19 (A chorus of ayes.)

20 CHAIRMAN GREY: I'd like to at this point turn
21 to the Treasurer to talk about a presentation of LSC's
22 finances for the ten-month period ending July 31, 2014.

1 MR. RICHARDSON: Yes, sir. For the record, my
2 name is David Richardson, the Treasurer/ Comptroller of
3 the Corporation. The material is found on page 271 of
4 the Board book.

5 We are performing under budget this year.
6 There's a chart that is on 275 that gives a summary,
7 and there's a writing, of course, before that. The
8 only thing that I would like to highlight from the
9 writing is found on page 272 in regards to the
10 technology grants.

11 You've heard that there is an announcement
12 that those grants have been made. The awards are in
13 the field's hands for completing the contracts so that
14 we can expense those and get them into 2014, therefore
15 lowering our carryover.

16 And the same thing with the Pro Bono
17 Innovation initiative. The grants have been made, and
18 we're awaiting the contracts to come back in. So we're
19 at this point thinking that our carryover will be
20 substantially lower than it has been in the past in
21 these particular lines.

22 I'd be glad to answer any questions you may

1 have about the materials.

2 CHAIRMAN GREY: That is both encouraging, and
3 I would ask the President comments that he might have.

4 PRESIDENT SANDMAN: We made a concerted effort
5 this year to award the grants in the year in which the
6 money for them had been appropriated, and it's been
7 some time since we've done that. But all of our TIG
8 grants were done by September 30th, and we got all of
9 our Pro Bono Innovation Fund grants done in advance of
10 the 40th anniversary conference.

11 The Pro Bono Innovation Fund project was
12 really quite ambitious. That was the first time we'd
13 ever had that line item in our budget. We had to get a
14 brand-new grants program up and running very quickly,
15 get the proposals in, and get them acted on. But we
16 were determined to demonstrate to Congress that if
17 they're going to give us that money, we can find good
18 ways to spend it.

19 CHAIRMAN GREY: Mr. President, not only is
20 that duly noted -- and we want to thank you and the
21 staff for what was sort of like a second job in
22 addition to trying to get the anniversary meeting

1 organized as well, which happened simultaneously -- but
2 it also, I think, reflects your attentiveness to the
3 Board's request that we try to do better with
4 carryover. And it is now coming to fruition, and we
5 want to acknowledge that. So thank you.

6 Comments from members of the Committee?

7 MR. TANENBAUM: Mr. Chairman, this is Allan
8 Tanenbaum. I want to make sure -- the entire amount of
9 the money has been already disbursed. Am I correct?

10 MR. RICHARDSON: I didn't understand his
11 question.

12 CHAIRMAN GREY: Allan, your question is with
13 regard to the Innovation Fund or the TIG grants?

14 MR. TANENBAUM: The Pro Bono Innovation money
15 of \$2-1/2 million, which was the amount made.

16 CHAIRMAN GREY: And your question? The
17 question is, has it been fully disbursed?

18 MR. TANENBAUM: Yes.

19 MR. RICHARDSON: It has not been disbursed.
20 There are contracts in the recipients' hands for them
21 to finalize. We're hoping to make the first actual
22 payments November 1st. But because they sign the

1 contracts, we'll be able to expense them in 2014.

2 CHAIRMAN GREY: But all the awards have been
3 made?

4 MR. RICHARDSON: But all the awards have been
5 made.

6 MR. TANENBAUM: Yes. I'm just talking from a
7 cash flow standpoint. Is this money disbursed monthly?
8 Quarterly?

9 CHAIRMAN GREY: Oh, I got you.

10 MR. TANENBAUM: As soon as they sign the
11 contract? From a cash flow standpoint, how is this
12 being handled?

13 CHAIRMAN GREY: Does it vary, or is it the
14 same, or does it depend on the contract negotiated?
15 What's the expectation of having received the money
16 now, having made the awards, and now identifying -- not
17 identifying but negotiating the contracts with the
18 individual awardees? Do we have an expectation of how
19 and when these funds will be disbursed? Is it on a
20 case-by-case basis or is there some formula?

21 MS. JENNINGS: This is Lynn Jennings, for the
22 record. We have worked it out so that based -- of

1 course, we want to make sure that since this is similar
2 to TIG, that we are monitoring grant performance. So
3 not all of the funds -- the funds are all obligated,
4 but they are not expended.

5 Based on their reporting requirements, which I
6 believe are every six months, then once they have
7 demonstrated that they have performed as required under
8 their individual contracts, then the next tranche of
9 money will be given to the grantees.

10 MR. TANENBAUM: From a cash flow, I'm just
11 trying to understand. Will they be getting it, then,
12 in two equal semiannual installments? Is it monthly?
13 How does it work from the cash flow management of the
14 Corporation of this \$2-1/2 million? That's my
15 question.

16 MS. JENNINGS: Let me try if I can answer
17 that, Allan. This is Lynn again.

18 From a cash flow perspective, I think that
19 these are restricted assets. So they sit in separate
20 account, I would assume, and when we have the grant
21 reports from the grantees, which are required every six
22 months -- nine of the 11 grants are on a 24-month

1 cycle, so they will make four semiannual reports to us.

2 And then we have a three-month period after that where
3 they will receive I think it's 15 percent of the
4 last grant payment.

5 So this is 2014 money. That will go out over
6 the course of the next two years, 24 to 27 months,
7 based on performance.

8 MR. TANENBAUM: Okay. That just raises one
9 other question for David.

10 This money, are we entitled to invest the cash
11 to earn money on it? What happens to our actual cash?

12 Are we allowed under the law to do anything with it,
13 invest it in T-bills, anything?

14 MR. RICHARDSON: Sir, we pull the money out of
15 Treasury as we need it. So if it's not needed, it
16 stays in the Treasury, and then we pull out money once
17 a month to pay our bills and pay our grantees. So this
18 money would just rotate and stay in the account.

19 MR. TANENBAUM: So when you say Treasury, you
20 mean the United States Treasury?

21 MR. RICHARDSON: That is correct.

22 MR. LEVI: That's what he means.

1 MR. TANENBAUM: All right.

2 CHAIRMAN GREY: Any other questions? Father
3 Pius?

4 FATHER PIUS: This is more a reminder for me.
5 There's a reference in the memo to the grantee who's
6 on short-term funding. How long has that been? I just
7 don't remember hearing about this before. It might
8 just be my faulty memory.

9 PRESIDENT SANDMAN: I believe we have one
10 grantee that's on six-month funding, yes.

11 FATHER PIUS: Is that recently?

12 PRESIDENT SANDMAN: No. It's six-month
13 funding as of January 1st to June 30th, and then we
14 renewed for another six months, through the end of the
15 year.

16 FATHER PIUS: Okay. Thank you.

17 CHAIRMAN GREY: Any other questions?

18 (No response.)

19 CHAIRMAN GREY: Okay. Dr. Bergman?

20 MR. LEVI: Now, I'm assuming, after the
21 election, we'll be hearing from you as to --

22 CHAIRMAN GREY: You've got to speak up, John.

1 MR. LEVI: I'm assuming after the election
2 we'll be hearing from you as to -- Carol, that's what
3 they're going to be talking about? Okay.

4 FATHER PIUS: Grab your crystal ball out after
5 the election.

6 MS. BERGMAN: Let's talk about FY '15 first.
7 Then we can talk about the crystal ball.

8 So it's very fast. As you know, Congress
9 didn't pass any appropriations bills for FY '15.
10 Therefore, Congress did in fact pass a continuing
11 resolution which the President signed on September 19th
12 which funds the federal government through December
13 11th.

14 The funding is approximately at FY '14 levels,
15 which means it includes a small across-the-board cut to
16 all spending accounts of .0554 percent. The impact on
17 LSC, if it were to be spent over an entire year, would
18 be \$202,000. However, the CR is designed to only go
19 for two and a half months, so needless to say, the
20 impact on LSC would be a very, very small fraction of
21 that.,

22 When Congress returns after the November

1 election, it is certainly hopeful that they will enact
2 legislation to fund government for the remainder of
3 2015. There are a variety of options.

4 They can pass an omnibus 2015 appropriations
5 bill that could in fact be based on the House and
6 Senate numbers thought never came to final legislation.

7 They could continue the CR the way it is for 2014
8 through the rest of the year. Or they can enact a new
9 CR. Unclear. I think much will depend on the results
10 of the election.

11 Do you want to stop and take any questions on
12 that before I move into 2016?

13 FATHER PIUS: When do they come back into
14 session after the election? Thought we don't even know
15 yet, either? Does that all depend on the election as
16 well?

17 MS. BERGMAN: Yes. The tentative date right
18 now is the second week in November since the election
19 is the first week in November. But it's not clear when
20 in fact they will come back.

21 FATHER PIUS: And we also don't know
22 appropriations people in the House in the next term

1 yet, assuming the same people are reelected?

2 MS. BERGMAN: Well, you're asking -- we
3 speculate.

4 FATHER PIUS: That would be next term, I
5 suppose?

6 MS. BERGMAN: Yes. As we move into 2016 --

7 FATHER PIUS: No, never mind. That's all
8 right. Never mind.

9 MS. BERGMAN: Yes. We can guess. We know
10 who's lined up to be the next chair because Frank Wolf
11 is retiring. That's really the issue. Of course, it's
12 all based on people being reelected.

13 The expectation is that Congressman Culberson
14 from Texas will be the chair. He wants it very much.
15 But Congressman Aderholt is also interested, and much
16 will depend on how different subcommittees -- how
17 things shake out in the House.

18 In the Senate, obviously, it depends on what
19 happens in the Senate. And then, of course, it depends
20 on -- different members have seniority on more than one
21 committee.

22 For example, Senator Shelby is the former

1 chair of the Budget Committee as well as the
2 Appropriations Committee, so much depends on what his
3 interest is and in the interest of other members who
4 are in line for other committees. So it's hard to know
5 exactly how that will play out based on the November
6 election.

7 FY 2016? LSC submitted our 2016 budget
8 request based on the Board's vote in the summer of
9 486.9 to OMB on September 9th. So we're in the process
10 of preparing the congressional justification to submit
11 to Congress.

12 Legally, the way it works is that the budget
13 is supposed to be submitted by the White House the
14 first week in February. Every year so far in the Obama
15 administration, they've requested a delay, which is
16 fairly common. That has been going on for many years.

17 But we need to be prepared, obviously, on the
18 assumption that in fact they will move very quickly.
19 So we try to move so that we are ready to submit it at
20 the same time in early February. And again, I think
21 much depends on the results of the election how much
22 meaning any of that will have.

1 I'm happy to take any questions, and happy for
2 any of you to pull out your crystal balls as to how
3 this is all going to play out.

4 CHAIRMAN GREY: Any questions or crystal ball
5 comments?

6 (No response.)

7 CHAIRMAN GREY: Thank you, Carol.

8 MS. BERGMAN: Sure.

9 CHAIRMAN GREY: Laurie?

10 MS. MIKVA: I just want to thank you again,
11 Carol, for the panel at the 40th. I thought it was
12 really helpful, and thank you.

13 MS. BERGMAN: Oh, you're welcome. I think it
14 was actually a really good experience for the
15 congressional staff as well, so that was great.

16 FATHER PIUS: Carol, I was just really
17 disappointed by the lack of support from the Democrats
18 on that.

19 MS. BERGMAN: I've been waiting for that
20 comment. Very good. Very good.

21 (Laughter.)

22 MS. BERGMAN: Actually, the one other thing I

1 should say, folks, though, about 2016 is sequestration
2 is scheduled to kick back in. It's been on a two-year
3 hiatus because of the agreement on the budget caps for
4 FY '14 and '15.

5 So theoretically, unless Congress does
6 something to enact something else, at the beginning of
7 FY '16, which would be October 1, 2014, that is when
8 sequestration would again kick in. So just --

9 FATHER PIUS: Do we know what the percentage
10 of that is?

11 MS. BERGMAN: No.

12 FATHER PIUS: It's less than 10?

13 MS. BERGMAN: No. There is no percentage
14 because it's a ten-year formula based on the amount of
15 getting the deficit down across the board. One can
16 approximate, but it was designed so that there were
17 smaller amounts in the early years and for the numbers
18 to keep going up. So it all depends.

19 CHAIRMAN GREY: Any other thoughts or
20 comments?

21 (No response.)

22 CHAIRMAN GREY: Item number 7. Mr.

1 Richardson.

2 MR. RICHARDSON: For a quick synopsis of what
3 we're going to look at, if you would look at 293 in
4 your Board book, you'll see that I've laid out the
5 continuing resolution, the small cut, which was an
6 across-the-board rate of operations reduction which was
7 applied, the .0554 percent, which is a \$202,210
8 reduction across all of the lines.

9 And I've detailed within our budget lines as
10 to where those are. I've also forecasted -- I have a
11 projection in there for the carryover, and you'll note
12 that the carryover from the technology and the pro bono
13 initiative are out. So our carryover is down there.
14 There is a higher carryover in MGO, and then we have
15 the carryover from the IG that is detailed there also.

16 The memo goes into some detail as to the
17 merits of the particular line. On page 286, I go
18 through how we do competition for our grants. I've
19 laid out the Board meetings that we've got planned, the
20 staff that we have planned, and basically given you
21 more detail as to how we plan on operations.

22 We will come back to you in January with a

1 full budget based on the appropriation, if it is passed
2 at that time, or we'll come back with any particular
3 modifications, if needed, as a result of congressional
4 action.

5 Same thing -- the Office of Inspector General
6 on page 289 has given me a writeup of their particular
7 budget and how they plan on spending it. We are here
8 to answer any questions you may have about the
9 materials.

10 CHAIRMAN GREY: Father Pius?

11 FATHER PIUS: I am assuming, because our
12 budget is a "line-itemed" from Congress, that this
13 whatever percentage has to be taken out from each line.

14 It's not as if we can take it out of the entire budget
15 and decide for ourselves which line it comes out of?

16 MR. RICHARDSON: That is correct, sir. It has
17 to come out by each line that's included.

18 FATHER PIUS: I can always hope. Okay. Thank
19 you.

20 CHAIRMAN GREY: Hope springs eternal.

21 PROFESSOR VALENCIA-WEBER: David, this is a
22 question about a very trivial mystery. In your July

1 2014 report, item 2, you have the Court of Veterans
2 Appeals at two million five, and that there are no
3 grant expenses for this period.

4 In the resolution that's accompanying what
5 we're supposed to do for fiscal year 2015, you mention
6 Veterans Appeals of 5,000. What's to happen in
7 between? I just wanted to know.

8 MR. RICHARDSON: It took a number of months of
9 negotiating with the Court of Veterans Appeals and our
10 grantee. But the award was made in August, so the
11 money has been expensed for 2014 at this point.

12 CHAIRMAN GREY: Any other questions?

13 (No response.)

14 CHAIRMAN GREY: The Committee would entertain
15 a motion to recommend to the Board to adopt a temporary
16 operating budget for fiscal year 2015. Is there such a
17 motion?

18 M O T I O N

19 FATHER PIUS: So moved.

20 CHAIRMAN GREY: Is there a second?

21 MS. MIKVA: Second.

22 CHAIRMAN GREY: All in favor say aye.

1 (A chorus of ayes.)

2 CHAIRMAN GREY: Opposed, no.

3 (No response.)

4 CHAIRMAN GREY: Mr. Treasurer, any other
5 comments or thoughts?

6 MR. RICHARDSON: There is not, sir.

7 CHAIRMAN GREY: The Committee would entertain
8 any public comment at this time.

9 (No response.)

10 CHAIRMAN GREY: The Committee would consider
11 any act or other business at this time.

12 (No response.)

13 CHAIRMAN GREY: For the record, I heard Allan
14 Tanenbaum's name on the line.

15 MR. HENLEY: I'm on, Robert.

16 CHAIRMAN GREY: And Bob Henley is on the line.
17 So I want to thank each of you for taking the time to
18 join the Committee meeting. Do you have any thoughts
19 or comments?

20 MR. HENLEY: No comments at this point.

21 MR. TANENBAUM: No comments from Allan.

22 CHAIRMAN GREY: Thank you, Allan.

1 I'd now entertain a motion to adjourn.

2 M O T I O N

3 DEAN MINOW: So moved.

4 FATHER PIUS: Second.

5 CHAIRMAN GREY: All in favor say aye.

6 (A chorus of ayes.)

7 CHAIRMAN GREY: Opposed, no.

8 (No response.)

9 CHAIRMAN GREY: The meeting is adjourned.

10 (Whereupon, at 5:00 p.m., the Committee was
11 adjourned.)

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