

LEGAL SERVICES CORPORATION

AUDIT AND APPROPRIATIONS COMMITTEE MEETING

December 10, 1988

The Loews L'Enfant Plaza Hotel
490 L'Enfant Plaza, S.W.
Monet II
Washington, D.C. 20024

Present:

Pepe Mendez, Chairman
Hortencia Benavidez
Clark Durant
Paul Eaglin
Blakley Hall
Lorain Miller

Thomas Smegal
Claude Swafford
Robert Valois
Michael Wallace

Staff Present:

Terrance Ware, President
Timothy Shea, General Counsel
Maureen Bozell, Secretary
David Richardson, Comptroller

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P R O C E E D I N G S

8:50 a.m.

1
2
3 CHAIRMAN MENDEZ: Ladies and gentlemen, we are here
4 this morning on the Audit and Appropriations Committee. At this
5 time I am calling the Audit and Appropriations Committee to
6 order. I would like to turn the meeting over to Chairman Durant
7 for the purposes of a brief announcement and appointment.

8 MR. DURANT: Mr. Mendez, I appreciate that. Thank you
9 very much. I would like to introduce to the members of your
10 committee, Blakley Hall, from Rockwell, Texas. He was appointed
11 during the recess by the president to serve on the board.

12 I have appointed him to your committee to serve on the
13 Appropriations Committee. I will have another introduction of
14 him at the time of the board meeting.

15 CHAIRMAN MENDEZ: Thank you, Mr. Chairman. Mr. Hall,
16 welcome. We look forward to your considered advise. Hopefully,
17 you will be able to guide us in the right direction if we have
18 been going in the wrong direction.

19 MR. HALL: I look forward to working with you. I have
20 met most of you already.

21 CHAIRMAN MENDEZ: At this time let the record reflect
22 that Hortencia Benavidez, Michael Wallace, myself, Mr. Durant,

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1 Mr. Hall and Mr. Eaglin, who are members of the committee, are
2 present.

3 Lorain Miller, Claude Swafford and Robert Valois are
4 also present.

5 At this time we have the approval of the agenda. Are
6 there any comments or changes?

7 MOTION

8 MR. WALLACE: I move the agenda be adopted as printed
9 in the committee book.

10 MS. BENAVIDEZ: I second it.

11 CHAIRMAN MENDEZ: It has been moved and seconded.

12 MR. EAGLIN: I have a question.

13 CHAIRMAN MENDEZ: Mr. Eaglin?

14 MR. EAGLIN: Remember at the last meeting we were
15 discussing carry-over. Do you want that as an agenda item this
16 time? How do you want to handle that? We didn't have all of
17 the information we wanted.

18 He produced the memo since then. Do you want to go
19 over that again or leave the agenda as you have it now? Do you
20 prefer the agenda as you have it now?

21 CHAIRMAN MENDEZ: That is correct.

22 MR. EAGLIN: All right, that is fine then.

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1 CHAIRMAN MENDEZ: Let's have a little bit more
2 discussion of it.

3 MR. EAGLIN: Do you remember in San Diego we were
4 reviewing --

5 CHAIRMAN MENDEZ: I understand, but what do you want
6 to do?

7 MR. EAGLIN: I was asking whether you want to go back
8 to that and re-examine it in more detail now that we have got
9 the memo. We had a kind of inadequate discussion in San Diego
10 because we didn't have the memo on the discussion about the
11 difference sources of carry-over funds.

12 Do you want to go over that again?

13 CHAIRMAN MENDEZ: I don't need to go over it. Do you
14 want to discuss it?

15 (No response.)

16 CHAIRMAN MENDEZ: All right. All in favor signify by
17 saying aye.

18 (Chorus of ayes.)

19 CHAIRMAN MENDEZ: Opposed?

20 (No response.)

21 CHAIRMAN MENDEZ: The next matter is the approval of
22 the minutes of the November 19, 1988 meeting.

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1 Are there any questions or comments concerning that?

2 MR. EAGLIN: On page three at the end of the first
3 paragraph, I think you should have "depending upon board
4 reaction." I think there is a word dropped there.

5 CHAIRMAN MENDEZ: Page three?

6 MR. EAGLIN: Yes, the end of the line of that first
7 paragraph, "depending upon board reaction."

8 I think also in that second paragraph, I believe that
9 first period should be a comma. Either that, or I am having
10 difficulty understanding that one.

11 MS. BOZELL: Yes, it should be a comma.

12 MR. EAGLIN: The comma that follows that period
13 probably should be dropped or maybe it just strayed into the
14 next line. It should have been where the period was.

15 Do you see what I am talking about? "LSC's 1989
16 appropriation, Mr. Wear replied -- "

17 MS. BOZELL: Yes.

18 MR. EAGLIN: Then at the end of the minutes it says
19 that Mr. Valois moved for adjournment. I don't think he could.

20 CHAIRMAN MENDEZ: That is right.

21 MR. EAGLIN: I don't think he can do that.

22 If you want, you can say that I did, but let's get

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1 that out of there.

2 MR. WALLACE: Somebody from North Carolina did it.

3 MR. EAGLIN: Right. I bet he did, the culprit
4 (laughter).

5 CHAIRMAN MENDEZ: Are there any other changed,
6 amendments or corrections?

7 (No response.)

8 CHAIRMAN MENDEZ: None appearing the minutes are
9 approved as corrected.

10 The next matter is the consideration of the Fiscal
11 Year 1990 budget. We previously had public comment. At this
12 time I would ask the Corporation staff to make a presentation as
13 to what they believe is appropriate.

14 We will have discussion on that as well as member
15 discussion concerning whatever proposals they have. Subsequent
16 to that we will vote on the budget proposal at the subcommittee
17 meeting level.

18 At that time I would recognize Mr. Richardson.

19 STATEMENT OF DAVID RICHARDSON

20 MR. RICHARDSON: Good morning, Mr. Chairman.

21 CHAIRMAN MENDEZ: Good morning.

22 MR. RICHARDSON: For the record, my name is David

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1 Richardson, Comptroller of the Corporation. I think each of
2 members of the committee have a copy of a budget which has a
3 total of \$295,314,000 for a proposed budget.

4 There is also a narrative attached to the back of that
5 which describes how we arrived at the particular figures. I
6 will go through it line by line. Anytime you have questions, I
7 will be glad to address them for you.

8 MR. SMEGAL: Where is that?

9 MR. RICHARDSON: It is in the handout.

10 MR. SMEGAL: Oh, okay.

11 MR. RICHARDSON: The actual first line item of the
12 budget calls for a total delivery of Legal Assistance for
13 \$283,169,000. That figure is comprised of the appropriation
14 level for FY 1988, which is \$264,349,000.

15 We have included in this line one million dollars that
16 has traditionally been the Supplemental Field Programs. We have
17 added it to the basic field line. This include the judicare
18 projects and the reduced-fee contract contracts for service
19 programs.

20 We have also collapsed into this line migrant money,
21 which is \$9,698,000. That total is \$275,047,000.

22 As we go on into the Native American Program, we are

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1 anticipating or showing a freeze figure of \$7,022,000.

2 This makes a total for the field programs of
3 \$282,069,000. Add to that the Law School Clinics of 1,100,000
4 and we will then total the \$282,169,000 for the direct delivery
5 of legal assistance.

6 MR. WEAR: Mr. Chairman?

7 CHAIRMAN MENDEZ: Yes.

8 MR. WEAR: Mr. Richardson, if I am correct, what in
9 essence you have done is to simply take what was appropriated in
10 FY 1989 for the Basic Field Programs? That was your basic
11 number that shows up, I guess, on what is page 2 of this
12 handout, \$264,249,000.

13 Then you added to that the one million dollars that
14 was appropriated in FY 1989 with the Supplemental Programs and
15 lastly you added the \$9,698,000, which again was appropriated in
16 FY 1989, for the Migrant Programs to the Basic Field line which
17 now shows up on page one as \$275,047,000?

18 MR. RICHARDSON: That is correct.

19 MR. EAGLIN: When doing those figures did you add any
20 figure at all for any consideration of inflation or increased
21 costs?

22 MR. RICHARDSON: No, sir, we did not. Effectively,

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1 there is no increase.

2 As we continue, the second area we are looking at is
3 the Corporation Management Administration. We are proposing
4 that the total be \$12,145,000. This is comprised of the
5 Management and Administration figure of \$10,250,000.

6 Now, effectively, that is a decrease in funding for M
7 and A because we have operated the last four years on an average
8 of \$10,700,000.

9 We have also included a Competitive Bidding and
10 Program development line of \$1,745,000. This figure is
11 comprised of one million dollars for the implementation and
12 operation of the competitive bidding system. It also includes
13 \$500,000 for the development of an ADR program, Alternative
14 Delivery Resolution program.

15 It also includes \$245,000 for in essence board
16 initiated initiatives. In the past we have planted seed money
17 in this particular line for different pro bono and judicare
18 projects.

19 The last line is Training Development and Technical
20 Assistance, \$150,000. What comprises this line is \$100,000 for
21 attorney training, for basically mediator and other resolution
22 professionals and their training. We have incorporated \$50,000

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1 for client board members training.

2 Effectively, the total of the budget is, again,
3 \$295,314,000.

4 MR. WALLACE: Mr. Chairman?

5 CHAIRMAN MENDEZ: Yes.

6 MR. WALLACE: There is nothing in here for
7 timekeeping. I gathered that the funds we set-aside in Santa Fe
8 should be sufficient to take care of that during 1989? That
9 project ought to be in place before this budget ever kicks in in
10 1990; is that correct?

11 MR. RICHARDSON: Yes, we are working on some proposals
12 at this time to get the implementation of timekeeping in place.

13 CHAIRMAN MENDEZ: Are there any questions or comments
14 concerning the staff proposal?

15 MOTION

16 MR. WALLACE: Mr. Chairman, I would move that this
17 committee recommend the staff proposal to the board as this
18 committee's recommendation for FY 1990.

19 MR. DURANT: Second.

20 CHAIRMAN MENDEZ: Is there any discussion?

21 MR. SMEGAL: I am sorry I came in late. Where does
22 the staff proposal come from? Is this coming from the staff?

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1 CHAIRMAN MENDEZ: Yes.

2 MR. SMEGAL: The staff on its own has come up with an
3 eight percent reduction?

4 CHAIRMAN MENDEZ: The staff on its own hasn't come up
5 with it. It has come up with it in consultation with me.

6 MR. SMEGAL: So, it is the staff and you. We have two
7 other pieces of paper here. What are these? (indicating).

8 CHAIRMAN MENDEZ: I don't know what you have in front
9 of you, Tom.

10 MR. SMEGAL: One says 230 and one says 408; what are
11 these?

12 MR. RICHARDSON: This week we called each of the board
13 members and asked them if they would like for us to help in any
14 presentation for them. The 330 million presentation that is
15 before you is one that Mrs. Miller asked me to provide for her.
16 The 408.4 is the one you asked me to prepare for you.

17 MR. SMEGAL: This strikes with PAG's, this proposal?

18 MR. RICHARDSON: Yes.

19 MR. SMEGAL: Pepe, assuming you had something to do
20 with this, how do we get from 308 five to 295? I can see the
21 numbers, but what is the theory? Why is 295 the number?

22 CHAIRMAN MENDEZ: 295 is a number that I believe that

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1 we can deliver legal services for. In essence, Tom, what it
2 does, is it eliminates the National State Support.

3 MR. WALLACE: And freezes everything else.

4 CHAIRMAN MENDEZ: And freezes everything else, yes.

5 MR. SMEGAL: Everything else at what? Fiscal year
6 what level?

7 CHAIRMAN MENDEZ: 1989.

8 MR. SMEGAL: So, these are exactly the figures for
9 fiscal year '89, minus National State Support?

10 CHAIRMAN MENDEZ: Yes, sir.

11 MR. WALLACE: M and A is different. I asked and I
12 guess Pepe did too, asked the staff to give us a real M and A
13 budget. I have asked every budget year we have had so far to
14 give us a number you can really live with.

15 This is the number that the staff says we can really
16 live with. That is not a freeze as against previous budget
17 recommendations. As I understand from Mr. Richardson, it is
18 very close to a freeze against reality because what has happened
19 in past year, and we have set up a Management and Administration
20 budget that is smaller than this, and then any funds from other
21 line items that don't get spent in those line items, kick into
22 Management and Administration and you get a real Management and

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1 Administration expenditure pretty much at the level we have
2 here. Is that correct, Mr. Richardson?

3 MR. RICHARDSON: Essentially, yes, sir.

4 MR. WALLACE: So, we are given an honest number up
5 front.

6 CHAIRMAN MENDEZ: Mike, I think we should correct a
7 little bit. The average over the last four years has been about
8 10 seven.

9 MR. WALLACE: So, there is actually a little cut over
10 reality, a half a million cut.

11 MR. SMEGAL: What is the difference between this
12 budget and the 250 million six of you recommended in Santa Fe?
13 Are the numbers just different, David? Is it the same lines but
14 different amounts that come out to 295?

15 MR. RICHARDSON: Yes, sir, that is correct. Of
16 course, we included the competitive bidding money. There was no
17 money in the 250 budget for that. The ADR money was 1.6
18 million. We are proposing 500 thousand for that at this time.

19 Essentially, the rest of it is the same. M and A we
20 did, as Mr. Wallace indicated, we increased that from 8,755,000
21 to 10,250,000, which is a more realistic operating figure for M
22 and A.

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1 MR. SMEGAL: Do you have any data or any information
2 or anything that we can determine that this amount of money is
3 going to serve the Field Programs?

4 What is there about this particular number other than
5 the fact that it is 308 stripped of 13 million, let's say? What
6 justifies our voting? What do you have? What information do
7 you have other than someone told you to do this?

8 CHAIRMAN JOHNSON: All those in favor, signify by
9 raising your hand?

10 MR. VALOIS: This is not --

11 MR. SMEGAL: This is absurd. We do through this every
12 time.

13 MR. VALOIS: It is absurd, Tom. Your approach is --

14 MR. SMEGAL: The question is not absurd. Even
15 Congress, Bob, gave us one percent more this last year. We went
16 up there with -- I don't know what 55 million was, but by a six
17 to five vote, we went up there with a request for a reduction of
18 something around 17 percent. Congress gave us a one percent
19 addition.

20 Now, we are going back for a reduction again. I don't
21 know why we are doing this. What is our function here?

22 CHAIRMAN MENDEZ: Tom, Tom --

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1 MR. WALLACE: This is a freeze budget for the parts we
2 want to keep. We think that 283,000 for the delivery of Legal
3 Assistance will do the job because that is what the job is being
4 done for this year.

5 It zeros out Support Services which this board has
6 said for years we do not believe provides significant services.
7 So, far we only have 180 people in the House of Representatives
8 that agree with that. I still agree with it. I hope the
9 majority of the board does.

10 There is nothing new in here. This is -- there we
11 are.

12 MR. SMEGAL: I asked the question earlier, and I think
13 I am beginning to get my answer. I asked whose budget this was,
14 and I think I have heard whose budget this is. It is not the
15 staff's, it is a group on this board who has put this together,
16 not with consultation with me and I am sure not with
17 consultation with several others on this board.

18 Let's call it what it is.

19 CHAIRMAN MENDEZ: Tom, I did. I told you they did it
20 in consultation with me and they have done a proposal in
21 consultation with you.

22 I didn't ask them to consult with me in making a

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1 proposal. I asked them to call around and get whoever wanted to
2 do whatever budget proposals they wanted.

3 The staff has looked at it and they stated, in
4 consultation with me, that this was something that they can
5 deliver legal services for.

6 Now, we have before us a motion. Do you -- Tom, do
7 you wish to --

8 MR. SMEGAL: I think I have spoken to it.

9 CHAIRMAN MENDEZ: All right, let me ask you a
10 question. Do you want to offer a substitute?

11 MR. EAGLIN: I do, Mr. Chairman, I do.

12 CHAIRMAN MENDEZ: All right.

13 MR. EAGLIN: I mentioned that to him when he called
14 around this week that I do have a budget that I would like to
15 put forth.

16 CHAIRMAN MENDEZ: Okay.

17 MR. EAGLIN: Mine is based generally on the PAG
18 budget, but it is not the same. Since we had the presentation
19 last month, and we have the memo in front of us, I would just
20 like to point you to the variations. Let me do that.

21 If you could go to the figures page of the budget.

22 MR. VALOIS: Are you referring to PAG's budget that

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1 Mr. Smegal introduced; is that what you want us to work with?

2 MR. EAGLIN: Well, actually, when he called me I told
3 him I also was in favor of that. That is the one, that is it.
4 Actually, Bob, directly what I am referring to is the memo we
5 received last month from Bob Clyde. That has also some of the
6 discussion with it.

7 MOTION

8 Going to those figures, though, my variation would be
9 this. From the I.B.3, the Smith Fellowships, since we have been
10 through that battle before and I am not willing to go through it
11 again, so I would propose to use those funds indicated there in
12 a different position under -- let's see, we have a I.C.
13 supplemental field.

14 You can put them wherever you want, but Smith out and
15 then competitive bidding, I would agree, one million I think
16 what Mr. Mendez and some others have indicated, fine, one
17 million competitive bidding.

18 Law School Clinics and Recruitment 1.1, and then I
19 would reposition, if you have not already positioned it there,
20 dispute resolution, client Board Member Training and so forth,
21 under training, Development and Technical Assistance for
22 376,000.

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1 So, it is about the center of that page there.
2 Dropping of the 1.B.3 and then Law School Clinics 1.1. I think
3 the actual figures you have on the PAG page is zero, I think,
4 for Law School Clinics, but I put 1.1 there.

5 Competitive bidding, put it in whatever category you
6 want to, put it in in terms of a line item, but one million.
7 That is from your own proposal.

8 Then under Training, Development and Technical
9 Assistance, things such as dispute resolution, client board
10 member training and the things we have been doing there at
11 376,000. I don't know what that total comes to, but it is less
12 than 408.

13 MR. DURANT: Are you making that as a motion?

14 MR. EAGLIN: Yes.

15 If you could just do the total, if we need that?

16 CHAIRMAN MENDEZ: Let's make sure about this. The 376
17 budget, what do you want to call that?

18 MR. EAGLIN: I.D., Training and Development and
19 Technical Assistance, but there is some recategorization
20 involved there, okay? Dispute resolution would go in there,
21 Client Board Member Training and things we have been doing
22 there.

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1 There is a zero mark there now, but I would put
2 376,000.

3 CHAIRMAN MENDEZ: And then Competitive Bidding you
4 would delete?

5 MR. EAGLIN: Competitive Bidding, delete, yes. I am
6 not willing to fight that battle again.

7 MR. RICHARDSON: In the Program Development and
8 Training and Technical Assistance there is Law School money.

9 MR. EAGLIN: Which set are you referring to there?

10 MR. RICHARDSON: I am talking about the PAG proposal.

11 MR. EAGLIN: Okay, and the amount is how much? Well,
12 at any rate, I would law schools at 1.1. Wherever you put it, I
13 would want it at 1.1.

14 MR. SMEGAL: So, it may already be in there at III.B.

15 MR. EAGLIN: Okay.

16 MR. SMEGAL: As I heard it, it is under Program
17 Development Training.

18 CHAIRMAN MENDEZ: No, they had it zeroed out before.
19 That was their proposal to zero out law schools.

20 MR. RICHARDSON: No, it is included. Their proposal
21 included money in Program Development, which up to '86 was
22 included in that line. They just netted it and added it into

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1 the new figure.

2 MR. EAGLIN: Fine, wherever it is, put it at 1.1.

3 CHAIRMAN MENDEZ: So, it is included, so I don't have
4 to add that.

5 Do I hear a second?

6 MR. SMEGAL: Yes, you do; you hear a second.

7 CHAIRMAN MENDEZ: Okay, it is approximately 403.

8 MR. EAGLIN: Is that what it is, about 403? Okay.

9 CHAIRMAN MENDEZ: Paul, let me just ask you a couple
10 of questions. Would it be your preference to put Law School
11 Clinics down in Program Development or would it be your
12 preference to move it up into B.2?

13 MR. EAGLIN: B.2.

14 In terms of approach, I would also like to mention--
15 David provided this to me, I was not able to recover my own. In
16 approaching this today, I was thinking not only of the memo that
17 came with the PAG budget figures of last month, but also Mr.
18 Curtin's talk to Congress back in March. He was able to provide
19 me with a copy of the transcript of his speech.

20 That also is part of the analysis. I am trying to
21 take into account -- of course I disagree with your own proposal
22 inasmuch as it does not take into account inflation and we have

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1 failed to take that into account for a number of years, now. I
2 think we should not continue to ignore it.

3 Not only should we not forget inflation, but there are
4 some other needs that PAG has spoken about and Mr. Curtin has
5 also spoken about in his speech as well.

6 That is generally my approach.

7 CHAIRMAN MENDEZ: One of the things I notice if you
8 adhere to theirs, they have nine million dollars in Management
9 and Administration. The average over the last four years is 10
10 seven. Do you still want to hold on that?

11 MR. EAGLIN: Yes.

12 MR. VALOIS: Mr. Chairman, I know that Mr. Eaglin is
13 moving around some small numbers, but I don't think the board
14 should loose sight of the fact that the Eaglin/Smegal budget, or
15 maybe it is the Eaglin/Smegal/PAG budget, is 158 million dollars
16 more than the president recommended last year and a hundred
17 million more than the Congress passed last year.

18 MR. SMEGAL: Ninety-five.

19 MR. VALOIS: Thank you.

20 MR. EAGLIN: You are right, Bob, but I think what this
21 is going to mean as not only PAG, but also the ABA has
22 recommended is that this type of budget would call for an effort

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1 on the part of a number of elements all having to do with legal
2 services in going before Congress and advocating the needs of
3 Legal Services.

4 Of course, Congress is going to do what it wants.

5 MR. VALOIS: Yes, you are absolutely right, Paul.
6 Congress is going to do what it wants and not withstanding
7 various groups including ABA and PAG consistently over the past
8 several years urging Congress to spend approximately this much
9 money, Congress has consistently rebuffed that effort.

10 MR. EAGLIN: I understand that. I am aware of that,
11 but in putting this forth, all we are indicating as offering a
12 mark, is our best recommendation of what the needs are.

13 We go before Congress, we go, I think, with the help
14 of the ABA and other elements in legal services and advocate to
15 Congress. Then, as you know, we accept what Congress gives us.

16 I think it is a very responsible budget to offer to
17 Congress and I think we could perhaps have some progress.

18 CHAIRMAN MENDEZ: Is there any more discussion either
19 pro or con on this?

20 (No response.)

21 CHAIRMAN MENDEZ: None appearing --

22 MR. EAGLIN: I think Ms. Miller wanted to offer one as

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1 well.

2 MS. MILLER: Paul, would you present that for me?

3 MR. EAGLIN: Let me find that one, now. I wish I had
4 what I said last year. It is the same thing; isn't it?

5 MS. MILLER: Yes, it is identical.

6 MR. EAGLIN: It is identical to last year. I spoke to
7 that one, I think it was in Charleston, last year. I am just
8 trying to recall very quickly what I was saying. Would you give
9 me a few seconds to think it out?

10 MR. WALLACE: Mr. Chairman, while he is thinking,
11 substance, when we talk procedure for a second.

12 CHAIRMAN MENDEZ: Okay..

13 MR. WALLACE: Clark made me parliamentarian once.

14 I think what we have here is the present amendment on
15 the floor as a substitute to the main motion. Procedurally, we
16 will have to vote on this substitute and then, depending on the
17 outcome of that vote, Ms. Miller's new substitute would be in
18 order and we can vote on that.

19 I don't think -- we are not trying to deprive Ms.
20 Miller of a chance and if Paul wants to explain it now, that is
21 fine, but I think the first vote would be on Paul's motion and
22 after that the next vote would be on Ms. Miller's motion.

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1 MR. EAGLIN: Last year when she talked to me about
2 budget figures and so forth, one of our major concerns was to
3 try to retain the line items that Congress itself had indicated
4 in the '89 budget where it specified exactly which areas should
5 be funded and which amounts.

6 We used basically those figures and then there were
7 some additions to those numbers and I don't remember off-hand
8 which were the differences that she felt and I believe also Ms.
9 Benavidez thought she could also support.

10 That is what produced the 330. It represented, in
11 part, an increase of, I think it was 12 million, to Basic Field
12 Programs. Then, of course, specific attention to the Migrant
13 Programs and components, an increase to Native Americans.

14 Last year I recall there was some presentations
15 specifically by those elements of the field. So, that is how
16 the 330 came up.

17 CHAIRMAN MENDEZ: Does everybody on our committee feel
18 comfortable and understand the procedure we will use? The
19 committee will vote on it. We are going to vote first on Paul
20 and Tom's motion. If it passes, then we won't do anything else.
21 If it fails, then we will address -- even though Lorraine is not
22 a member of the committee, if someone on our committee wishes to

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1 propose it, we will do that.

2 Lorain, this is not to say that you cannot re-raise it
3 at the board meeting.

4 MS. MILLER: I understand.

5 CHAIRMAN MENDEZ: At this time is there any further
6 discussion? We are going to vote on Paul and Tom's motion of
7 approximately 403.

8 Hortencia, do you understand what the motion is?

9 MS. BENAVIDEZ: We are going to vote separately?

10 CHAIRMAN MENDEZ: We are going to vote separately.
11 The motion, of course, at this time is Paul and Tom's motion to
12 approve a budget mark of 403 million based on Paul's changes
13 that he has made. It is about five million less than what PAG
14 proposed.

15 MS. BENAVIDEZ: I will vote for that.

16 CHAIRMAN MENDEZ: Tom?

17 MR. SMEGAL: Who is the committee?

18 CHAIRMAN MENDEZ: Hortencia, you, Mike, myself, Clark,
19 Blakley and Paul. Before you came in, Tom, Clark appointed
20 Blakley to the committee.

21 MR. SMEGAL: I vote yes.

22 CHAIRMAN MENDEZ: Mr. Wallace?

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1 MR. WALLACE: No.

2 CHAIRMAN MENDEZ: Mendez, no.

3 MR. DURANT: Durant, no.

4 MR. WALLACE: Mr. Hall?

5 MR. HALL: No.

6 CHAIRMAN MENDEZ: Mr. Eaglin?

7 MR. EAGLIN: Yes.

8 CHAIRMAN MENDEZ: Okay, that fails four to three.

9 Does someone wish to offer a substitute in terms of
10 Lorain's proposal?

11 MOTION

12 MR. EAGLIN: I will offer that, yes. Since she is not
13 on the committee, I will offer that. I have already spoken to
14 that.

15 CHAIRMAN MENDEZ: Do I hear a second?

16 MS. BENAVIDEZ: Second.

17 CHAIRMAN MENDEZ: Is there any discussion?

18 MR. VALOIS: Mr. Chairman, I don't quite understand
19 what is included under II.B.5, client support. I think
20 everything we do is to support clients. I don't know what that
21 means, frankly.

22 MR. EAGLIN: Well, last year we were still discussing

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1 the matter of client board member training. At that time, the
2 consideration they had in coming up with that figure was a
3 broader program than we were discussing just last month, as I
4 recall the discussion from last year.

5 Not only client board member training of this board
6 and some of the boards, but a broader program than that; that is
7 what it represents.

8 MR. VALOIS: It has to be a lot broader because last
9 month, as you pointed out, we had before us, which has been
10 committed to the president to appoint a task force and report
11 back in January, but as I remember the numbers that were on the
12 table last month, they were about 35 thousand dollars.

13 MR. EAGLIN: For a weekend program.

14 MR. VALOIS: This number is 1,715,000 dollars, so
15 there must be a lot more in there somewhere, and I don't know
16 what it is.

17 MR. EAGLIN: Well, from last year what was discussed
18 at that time, or one of the concerns, was not just the training
19 of selected board members, such as our two colleagues here and
20 certain selected representatives from the regions, but the
21 client board members of programs.

22 MS. MILLER: All over the county.

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1 MR. EAGLIN: All over the country, exactly.

2 MR. VALOIS: This would be a new budget line item?

3 MR. EAGLIN: Right.

4 CHAIRMAN MENDEZ: What about the approximate million,
5 do you want to increase it, change it?

6 MR. EAGLIN: No, leave it there, that is fine.

7 CHAIRMAN MENDEZ: For competitive bidding?

8 MR. EAGLIN: Yes, sure. I would like -- I am speaking
9 for Ms. Miller, but I am in favor of that, yes. Of course, I
10 would yield to what they wish.

11 CHAIRMAN MENDEZ: But a slide curve.

12 MR. EAGLIN: I would agree to that, but it is their
13 budget.

14 CHAIRMAN MENDEZ: Hortencia, do you understand what we
15 are talking about? What I have talked to Paul about, Congress
16 told us to talk about instituting competitive bidding and in the
17 budget that I came up with in consultation with the staff, we
18 figured we would probably need about a million dollars to put in
19 competitive bidding. Congress told us we should consider doing
20 that.

21 Paul has just said, and without changing the numbers,
22 I think the easiest thing, Paul, would be to just add a million

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1 dollars to --

2 MR. EAGLIN: I would be willing to change the numbers,
3 make it 331,247,240.

4 CHAIRMAN MENDEZ: Do you accept that?

5 MS. BENAVIDEZ: Yes.

6 MR. EAGLIN: When you are talking about the
7 competitive bidding, Mr. Chairman, do you have in mind at least
8 trying to figure out how we go about it? Is that what you are
9 talking about with the one million or actually instituting a
10 program? Why don't you just tell us directly?

11 MR. WEAR: Mr. Chairman, in response to Mr. Eaglin's
12 question, the staff is working on the competitive bidding
13 problem right now. We hope to have a proposal available for
14 comment later this year for presentation to the board and for
15 comment from any other interested parties on it.

16 The competitive bidding system should be up and ready
17 to go no later than September 30 of this year. That will not be
18 implemented during this fiscal year unless a new board --

19 MR. EAGLIN: Do you mean fiscal year '89 or '90?

20 MR. WEAR: No, fiscal year '89.

21 This money here, as is -- actually I think there is an
22 explanation for the competitive bidding. It begins on page two

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1 of the proposal originally presented by Mr. Eaglin.

2 MR. EAGLIN: No, Mr. Richardson.

3 MR. WEAR: I am sorry, Mr. Richardson.

4 It is basically to implement and operate the bidding
5 system for purposes of putting out the request for proposals, to
6 educate the prospective providers and their communities about
7 the availability of these funds and to make grant awards to the
8 successful competitors.

9 MR. EAGLIN: I just discovered this as we started the
10 meeting, so I didn't get a chance to look at that part of it.

11 On the second part of it, "educate prospective
12 providers" would this -- do you have a projection of how many of
13 these presentations would be made to bar associations or states
14 or local bar associations?

15 MR. WEAR: Again, we are working on that now and it is
16 going to be driven, I think to a greater extent by what we come
17 up with on the model. We are very interested in involving the
18 private sector in this, private sector law firms. We anticipate
19 that is going to take some educational effort on our part.

20 MR. EAGLIN: So, the one million is basically like a
21 start-up fund then?

22 MR. WEAR: Yes, I guess that is accurate, although we

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1 will be starting it prior to that time. I don't want anyone to
2 think we are going to FY '90 to start working on this.

3 MR. SMEGAL: Following up on that last comment, the
4 third component would be to use these funds to make grant awards
5 in that the total, I guess, is a million dollars if I read it
6 correctly, at the bottom of page two.

7 What kind of grants are you talking about?

8 MR. WEAR: That may be a little bit misleading. I
9 perhaps should have worded it another way. That is the
10 administrative costs associated with making the grants. It is
11 not the grant funds themselves.

12 We anticipate there will be grater costs associated
13 with this because we are going to have to look at more proposals
14 and evaluate those proposals.

15 MR. EAGLIN: Do you think it will have a tremendously
16 significant impact on staffing levels, then, in terms of the
17 other part of the budget?

18 MR. WEAR: Again, I am working on that as well. I am
19 hoping, obviously, we are going to get the best use out of the
20 staff that we have before we add new staff. That is a bit of an
21 open question at this point, but I am hoping to do it by making
22 use of the staff that we have.

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1 CHAIRMAN MENDEZ: Tom, do you have anything further on
2 that?

3 MR. SMEGAL: No, thank you very much. Well, I do have
4 a question on the 330. It looks like there are several items in
5 here, Paul, that remain the same from fiscal year '89. Is the
6 difference between our 308 five --

7 MR. EAGLIN: The major difference is in the funding
8 for Basic Field Programs. The initial ones under A. Those are
9 the primary differences there, increase in Basic Field, Native
10 Americans and Migrants, and then the Client Program just before
11 the end line.

12 If I recall, Ms. Miller, aren't those the differences?

13 MS. MILLER: Yes.

14 MR. EAGLIN: I have not seen this since last year and
15 I am trying to remember what I said a year ago.

16 MR. SMEGAL: Thank you.

17 CHAIRMAN MENDEZ: Are there any other questions?

18 (No response.)

19 CHAIRMAN MENDEZ: Now we will address the
20 Eaglin/Benavidez motion which has not been modified to 331
21 million.

22 Hortencia, do you understand what the motion is?

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1 MS. BENAVIDEZ: Yes.

2 CHAIRMAN MENDEZ: Do you vote for your motion?

3 MS. BENAVIDEZ: I sure do.

4 CHAIRMAN MENDEZ: Tom?

5 MR. SMEGAL: Yes.

6 CHAIRMAN MENDEZ: Mike?

7 MR. WALLACE: No.

8 CHAIRMAN MENDEZ: The Chairman votes no.

9 Mr. Durant?

10 MR. DURANT: What are we voting on, now? I am sorry,
11 I was answering a question for Ms. Swafford.

12 MR. WALLACE: We are voting on whether to adopt this
13 package.

14 MR. DURANT: No.

15 CHAIRMAN MENDEZ: Mr. Hall?

16 MR. HALL: No.

17 MR. EAGLIN: I vote yes.

18 CHAIRMAN MENDEZ: The motion fails.

19 Now, I have one. We are now to ours. I suppose the
20 most appropriate thing is, if there is no further discussion, we
21 will just vote on it.

22 Is there further discussion?

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1 (No response.)

2 CHAIRMAN MENDEZ: Hortencia?

3 MR. WALLACE: Mr. Chairman, do you want to make your
4 editorial change?

5 CHAIRMAN MENDEZ: I will do that after we vote on it.
6 Let's see what happens.

7 MR. WALLACE: All right, okay, fine.

8 MS. BENAVIDEZ: Against.

9 CHAIRMAN MENDEZ: Tom?

10 MR. SMEGAL: No.

11 CHAIRMAN MENDEZ: Mr. Wallace?

12 MR. WALLACE: Aye.

13 CHAIRMAN MENDEZ: The Chairman votes yes.

14 Mr. Durant?

15 MR. DURANT: Aye.

16 CHAIRMAN MENDEZ: Mr. Hall?

17 MR. HALL: Yes.

18 MR. EAGLIN: I vote no.

19 CHAIRMAN MENDEZ: Mr. Eaglin votes, no. It passes
20 four to three.

21 I would like to make one change in terms of nothing
22 substantive, but under line I.A. it is captioned, "Field

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1 Programs" and I want to change that from Field Programs to
2 Direct Delivery Programs.

3 Then under A.1., we will leave it Basic Field Programs
4 and A.2. is the same. I think that is a more appropriate name.
5 Do I have a motion to that effect?

6 MOTION

7 MR. WALLACE: So moved.

8 MR. DURANT: I second.

9 CHAIRMAN MENDEZ: Are there are any comments or
10 questions about that?

11 MS. BENAVIDEZ: Is it "A. Field Programs" are now
12 Direct Delivery?

13 CHAIRMAN MENDEZ: Correct. Direct Delivery Programs.
14 I think that more appropriately sets it forth. Then we will
15 leave Basic Field Programs the same.

16 MS. BENAVIDEZ: I would like to see a number 3,
17 Migrants.

18 CHAIRMAN MENDEZ: I'm sorry?

19 MS. BENAVIDEZ: I would like to see a number 3. 1, is
20 Basic Field Programs; 2, is Native American. I would like to
21 add a number 3 for Migrants.

22 CHAIRMAN MENDEZ: Hortencia, we have folded Migrants

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1 into the Basic Field Programs.

2 MS. BENAVIDEZ: For me, it would be better to put a
3 number 3 right in there.

4 MR. SMEGAL: It would be zero funding; right? That is
5 what we have here.

6 MS. BENAVIDEZ: Yes.

7 CHAIRMAN MENDEZ: It has been folded into it, and that
8 was the budget that was just passed. We folded it into the
9 Basic Field Programs.

10 Are there any questions or comments concerning the
11 changing of "A. Field Programs" to Direct Delivery Programs?
12 Are there any questions or comments concerning that?

13 (No response.)

14 CHAIRMAN MENDEZ: All in favor say aye.

15 (Chorus of ayes.)

16 CHAIRMAN MENDEZ: Opposed?

17 (No response.)

18 CHAIRMAN MENDEZ: It passed unanimously.

19 With nothing further coming before the board, do I
20 hear a motion to adjourn?

21 MOTION

22 MR. WALLACE: So, moved.

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1 MR. EAGLIN: Did Mr. Valois, make that motion again?

2 (Laughter.)

3 CHAIRMAN MENDEZ: Nothing further coming before the
4 committee, Mr. Wallace makes a motion to adjourn. Do I hear a
5 second?

6 MR. HALL: Second.

7 CHAIRMAN MENDEZ: Mr. Hall seconds it. All those in
8 favor signify by saying aye.

9 (Chorus of ayes.)

10 CHAIRMAN MENDEZ: Opposed?

11 (No response.)

12 CHAIRMAN MENDEZ: The board meeting will follow
13 immediate after.

14 (Whereupon, the Audit and Appropriations Committee was
15 adjourned at 9:35 o'clock, a.m.)

16

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LEGAL SERVICES CORPORATION
BUDGET REQUEST - FISCAL YEAR 1990

(dollars in thousands)

	FY 1990 REQUEST
I. DELIVERY OF LEGAL ASSISTANCE	\$283,169
<u>A. FIELD PROGRAMS</u>	<u>282,069</u>
1. Basic Field Programs	275,047
2. Native American Programs and Components	7,022
<u>B. LAW SCHOOL CLINICS & RECRUITMENT</u>	<u>1,100</u>
II. CORPORATION MANAGEMENT & GRANT ADMINISTRATION	12,145
1. Management & Administration	10,250
2. Competitive Bidding & Program Development	1,745
3. Training Development & Tech Assistance	150
 TOTAL	 <u>\$295,314</u>

**LEGAL SERVICES CORPORATION
FY 1990 BUDGET PROPOSAL**

The proposed FY 1990 budget for the Legal Services Corporation supports LSC's mandate to provide high quality legal assistance for the poor during a period of scarce Federal resources. This budget allocates \$295,314,000 for LSC, an 18% increase over the LSC Board of Directors' FY 1989 request. This budget is based on the following assumptions:

- * During the last eight years the amount of funding for legal services provided by non-LSC sources has increased dramatically.
- * Competitive bidding will promote economy and innovation, allowing more poor individuals to be served at lower cost.
- * Allocating 96 percent of all funds appropriated for direct delivery will ensure that funding is not diverted to support services that are of little use to poor individuals with legal needs.

The FY 1990 budget is allocated as follows:

I. DELIVERY OF LEGAL ASSISTANCE

\$283,169,000 is allocated for the direct delivery of legal assistance. This budget category includes basic field programs, Native American programs and components, and law school clinics.

Basic Field

The basic field programs that provide actual legal assistance to the poor are allocated \$275,047,000.

- * The FY 1990 basic field line is composed of \$264,349,000, the amount appropriated by Congress for basic field programs for fiscal year 1989.
- * In addition, the FY 1990 basic field line includes \$1,000,000 in funding for supplemental field programs that was formerly set out in a separate line. The Supplemental programs include judicare projects, reduced-fee contracts for services, and other bar initiatives such as pro bono referrals. These programs are more appropriately included in the basic field line, since they are an alternate means of providing direct legal assistance.
- * Finally, \$9,698,000 in funds previously reserved only for migrant workers has been transferred to the FY 1990 basic field line. The basic field

programs will provide legal services to eligible migrant and seasonal workers. This will result in a more equitable distribution of funding for legal services among the poverty population and among the States.

- * The basic field programs are free to purchase specific training and support services as needed from such sources as the national and state support centers. No separate funding is provided for these centers.

Native Americans

The Native American programs are listed as a separate budget line item. \$7,022,000 is allocated for FY 1990 for Native American programs and components.

Law School Clinics

The law school clinic programs are also listed as a separate budget line item and \$1,100,000 is allocated for these clinics.

II. CORPORATION MANAGEMENT AND GRANT ADMINISTRATION

\$12,145,000 is allocated for Corporation Management and Grant Administration. This figure includes funds for Management and Administration, Competitive Bidding and Program Development, and Training Development and Technical Assistance.

Management and Administration

The amount allocated for Management and Administration (\$10,250,000) reflects a realistic assessment of the annual cost of administering the Corporation. The Corporation's yearly expenses have averaged approximately \$10,700,000 for the last several years. Congress has appropriated less than this amount in years past because of the availability of carryover funds to help the Corporation meet expenses.

Competitive Bidding and Program Development

Competitive Bidding

Congress has instructed the Corporation to "develop and implement a system for the competitive award of all grants and contracts." \$1,000,000 is allocated for

this purpose. These funds will be used to --

- * implement and operate a competitive bidding system, including the development and dissemination of requests for bid proposals;
- * educate prospective providers and their local communities about the availability of Federal funds for the provision of legal services to the poor; and
- * make grant awards to successful competitors from among the prospective providers of legal services.

Program Development

In addition, \$745,000 is allocated for the purpose of stimulating innovation in the provision of legal services by encouraging alternative methods of dispute resolution. To this end --

- * \$500,000 is allocated for the development of mediation, arbitration, and other dispute resolution programs and pilot projects; and
- * \$245,000 is allocated for other program development initiatives to allow the Board to fund pilot projects designed to examine the feasibility of alternative legal service delivery methods. In the past, funds from this line have provided seed money for IOLTA, law school clinics, and, more recently, a comparative study of delivery systems.

Training and Technical Assistance

\$150,000 is allocated for training and technical assistance. This amount includes --

- * \$50,000 to provide training for client members of the boards of LSC grantees; and
- * \$100,000 to provide training for mediators and other dispute resolution professionals.

LEGAL SERVICES CORPORATION
BUDGET REQUEST - FISCAL YEAR 1990

Exhibit B

	FY 1990 REQUEST
<u>I. DELIVERY OF LEGAL ASSISTANCE</u>	<u>\$300,084,240</u>
<u>A. FIELD PROGRAMS</u>	<u>297,745,240</u>
1. Basic Field Programs	275,592,000
2. Native American Programs and Components	9,209,230
3. Migrant Programs and Components	12,944,010
<u>B. PROGRAM DEVELOPMENT</u>	<u>1,339,000</u>
<u>C. SUPPLEMENTAL FIELD</u>	<u>1,000,000</u>
<u>II. SUPPORT FOR THE DELIVERY OF LEGAL ASSISTANCE</u>	<u>19,463,000</u>
<u>A. TRAINING AND TECHNICAL ASSISTANCE</u>	<u>1,000,000</u>
1. Training Development & Tech. Assistance	376,000
3. Regional Training Centers	624,000
<u>B. OTHER SUPPORT</u>	<u>18,463,000</u>
1. National Support	7,529,000
2. State Support	7,843,000
3. Clearinghouse	865,000
4. CALR Grants	511,000
5. Client Support	1,715,000
<u>III. CORPORATION MANAGEMENT & GRANT ADMINISTRATION</u>	<u>10,700,000</u>
	 <u>\$330,247,240</u>

LEGAL SERVICES CORPORATION
BUDGET REQUEST - FISCAL YEAR 1990

Exhibit C

	FY 1990 REQUEST
<u>I. DELIVERY OF LEGAL ASSISTANCE</u>	<u>\$369,744,783</u>
<u>A. FIELD PROGRAMS</u>	<u>360,631,358</u>
1. Basic Field Programs	338,012,900
2. Native American Programs and Components	9,402,624
3. Migrant Programs and Components	13,215,834
<u>B. SUPPLEMENTAL SERVICE PROVISION</u>	<u>9,113,425</u>
1. Supplemental Field Programs	1,988,632
2. Law School Clinics & Recruitment	0
3. R.H. Smith Fellowships	7,124,793
<u>C. DIRECT DELIVERY ALTERNATIVES</u>	<u>0</u>
DISPUTE RESOLUTION INITIATIVES	0
<u>D. TRAINING DEVELOPMENT & TECH. ASSIST.</u>	<u>0</u>
<u>II. SUPPORT FOR THE DELIVERY OF LEGAL ASSISTANCE</u>	<u>27,873,453</u>
<u>A. TRAINING AND TECHNICAL ASSISTANCE</u>	<u>1,056,888</u>
1. Regional Training Centers	1,056,888
<u>B. OTHER SUPPORT</u>	<u>26,816,565</u>
1. National Support	10,142,971
2. State Support	13,537,633
3. Clearinghouse	1,309,279
4. CALR Grants	922,280
5. Client Support	904,402
<u>III. CORPORATION MANAGEMENT & GRANT ADMINISTRATION</u>	<u>10,787,508</u>
A. Management & Administration	9,036,493
B. Program Development, Train Develop. & Tech. Assist.	1,751,015
 TOTAL	 <u>\$408,405,744</u>