



Semiannual Report to the Congress of the United States

From the
Legal Services Corporation
Board of Directors

For the Period
April 1, 2007-September 30, 2007

Preface

Congress entrusts LSC with a dual mission: to promote equal access to justice and to provide high-quality civil legal assistance to low-income Americans. In fulfillment of that mission, LSC funds 137 programs with more than 900 offices serving every congressional district in the nation.

More than 50 million Americans live in poverty and are eligible for LSC-funded programs, including 13 million children—one in five. In 2007, Congress increased LSC's budget for the first time in four years. Even with this increase, LSC is receiving \$50 million less than it did in 1995—and that does not include any adjustment for inflation.

In October 2005, with the unanimous approval of the Board, LSC released the first comprehensive analysis of its kind, *Documenting the Justice Gap: The Current Unmet Civil Legal Needs of Low-Income Americans*. It demonstrates that LSC-funded programs are meeting less than half the need for civil legal aid among the poor for one primary reason: lack of resources.

Our nation promises equal access to justice for all, not just for those who can afford to pay for it. That ideal may never be fully realized, but America can do better—we must if we are to fulfill our nation's promise of equal justice for all.

We are pleased to transmit to Congress the Semiannual Reports of the LSC Board of Directors and Office of Inspector General for the period April 1, 2007, through September 30, 2007, as the Inspector General Act of 1988 requires.

Frank B. Strickland
Chairman of the Board
Legal Services Corporation

Washington, DC
November 30, 2007

Semiannual Report Of the Legal Services Corporation Board of Directors

The Board of Directors of the Legal Services Corporation welcomes this opportunity to respond to the Office of Inspector General's report. The Board's report is divided into three parts: management and administration, which includes background on LSC and the unmet need for civil legal aid among eligible low-income individuals and families; program oversight activities; and LSC's Quality Agenda—initiatives to ensure the delivery of high-quality service consistent with congressional restrictions and LSC's blueprint for the future, *Strategic Directions 2006-2010*.

Highlights

During the six-month period covered by this report, April 1, 2007, through September 30, 2007, the Legal Services Corporation:

- Awarded 2007 technology grants totaling \$2.1 million.
- Conducted on-site programmatic visits to 27 programs—to ensure they are delivering high-quality service—in Alabama, Alaska, Arizona, Arkansas, Idaho, Kentucky, Florida, Louisiana, Minnesota, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, South Dakota, Texas, Virginia, Washington, and Wyoming.
- Conducted on-site compliance reviews of 12 programs—to ensure they are complying with the Legal Services Act, LSC regulations, and congressional restrictions—in Alabama, Arkansas, California, Colorado, Iowa, Maryland, Massachusetts, Nevada, New Jersey, Washington, and Wisconsin.
- Broadly distributed LSC's revised Performance Criteria with references to the American Bar Association's Standards for the Provision of Civil Legal Aid.

- Updated the Case Service Reporting System (CSR) and its accompanying handbook to ensure that LSC-funded programs provide consistent data that accurately reflects the nature and scope of their work.
- Began implementing recommendations based on a report from the Government Accountability Office (GAO) entitled *Legal Services Corporation Governance and Accountability Practices Need To Be Modernized and Strengthened*.
- Adopted a resolution in support of enhanced private attorney involvement with LSC-funded programs and encouraged all grantee boards of directors to do the same.
- Continued the aggressive defense of congressional restrictions in two lawsuits.

Management and Administration

The Legal Services Corporation is governed by a bipartisan, 11-member Board of Directors appointed by the President of the United States with the advice and consent of the Senate. The Board appoints LSC's President, who serves as the chief executive officer. The Inspector General Act of 1988 established the Office of Inspector General within LSC. The Inspector General is appointed by the Board and operates under its general supervision.

LSC created to provide equal access to justice

The Legal Services Corporation Act of 1974 created LSC to promote equal access to justice and to provide high-quality civil legal aid to low-income Americans. As Supreme Court Justice Lewis Powell said, "Equal justice under law is not merely a caption on the façade of the Supreme Court building. It is perhaps the most inspiring ideal of our society . . . it is fundamental that justice should be the same, in substance and availability, without regard to economic status."

LSC awards grants to independent, local programs serving every congressional district—currently 137 programs with more than 900 offices serving all 50 states, the District of Columbia, and current and former U.S. territories. Three out of four clients of LSC-funded programs are women—for the most part, mothers

with children. Many are elderly or have disabilities. Some are veterans. Nearly all are below 125 percent of the federal poverty threshold, an income of approximately \$25,000 a year for a family of four.

Justice Gap Report documents unmet need for civil legal aid

LSC-funded programs completed almost 900,000 cases last year—a fraction of the need for civil legal aid among low-income Americans. The unmet need, an issue throughout LSC’s history, became a primary focus two years ago. In October 2005, LSC released a groundbreaking report, unanimously approved by the Board, entitled *Documenting the Justice Gap in America: The Current Unmet Civil Legal Needs of Low-Income Americans*.

The Justice Gap Report documents that nationwide, for every person helped by LSC-funded programs, another is turned away. Fifty percent of those actually seeking help are turned away for one primary reason: lack of resources. If anything, this finding is an understatement. Many who are eligible for help never seek it—they do not know they have a legal problem, do not know help is available, or do not know where to go for help. Moreover, the analysis for the Justice Gap Report was completed before Hurricane Katrina simultaneously swelled the need for civil legal aid and the number of people without access to it.

Larger national trends have added a new sense of urgency to the need for civil legal assistance and made additional demands on many already-strained LSC-funded programs. These trends include the national epidemic of domestic violence, the ongoing impact of the 2005 Gulf Coast hurricanes, and, most recently, the national crises in the mortgage and housing industries.

LSC is the main source and the largest single source of funding for civil legal aid. On average, LSC provides 42 percent of the budgets of the programs it funds. In some parts of the country, LSC provides 75 percent or more of the programs’ budgets—among them, the Deep South region that includes the states hit hardest by Hurricane Katrina (Alabama, Mississippi, and Louisiana).

In the two years since publication of the Justice Gap Report, its findings have been validated by civil legal needs studies and reports in California, Nebraska, New Mexico, Wisconsin, and Utah. These reports, as well as a related study in New Jersey, indicate that the unmet need for civil legal assistance among low-income Americans is likely to be much greater than the 50 percent documented by the Justice Gap Report.

More resources needed

Based on the Justice Gap Report—which documents that for every person an LSC-funded program serves, another eligible person is turned away—the Board determined that LSC needs significantly more resources to carry out its mission and fulfill our nation’s promise of equal justice under law. Just to meet the documented need, LSC’s budget for basic field services would have to more than double, as would local, state, and private funding. In light of the fiscal constraints under which Congress operates, the Board has opted to seek increased funding in measured steps.

In fiscal year 2007, Congress appropriated \$348.5 million for LSC, \$22 million more than the year before. This is LSC’s first budget increase in four years and largest appropriation since 1995, when it received \$400 million. More than 95 percent of the money Congress appropriates for LSC goes to local programs that provide civil legal aid for people living in poverty. Management and administration is 4 percent of LSC’s budget—low by any standard.

For fiscal year 2008, the Board has requested \$430.7 million. In July, the House voted to increase LSC’s current budget by \$28 million, for a total of \$377 million. Shortly after the reporting period ended, the Senate approved an increase of \$41.4 million, for a total of \$390 million. Any increase in LSC’s budget for basic field services would be used to increase field grants for LSC-funded programs, enabling them to serve tens of thousands of additional low-income Americans.

The clients of LSC-funded programs are the most vulnerable among us: women seeking protection from abuse, mothers trying to obtain child support, families facing unlawful evictions or foreclosures that could leave them homeless, veterans who have been denied health and disability benefits, elderly people who have been exploited by predatory lenders. LSC-funded programs help them secure basic necessities—the keys to stability and self-sufficiency. In doing so, they make meaningful differences in individual lives and strengthen the fabric of society as a whole.

LSC “moving diligently” to implement GAO recommendations

The Government Accountability Office issued a report in September entitled, *Legal Services Corporation Governance and Accountability Practices Need To Be Modernized and Strengthened*. Following the release of the report, LSC President Helaine M. Barnett and Board Chairman Frank B. Strickland issued the following statement: “We take the GAO’s report on LSC governance and accountability very seriously and are moving diligently to implement the report’s recommendations with regard to both governance and management.”

LSC management has:

- Reviewed the General Accounting Standards Board (GASB) standards to determine the appropriate financial reporting standard for LSC. (Shortly after the reporting period ended, the evaluation was completed and a recommendation made to the Board to continue to use the GASB financial reporting standard. The Board adopted the recommendation at its October meeting.)
- Adopted elements of a Continuity of Operations Plan program. A comprehensive program is expected to be completed during 2008.
- Established a task force to develop proposals for an LSC compliance program, which will include a comprehensive code of conduct. The goal is to have recommendations to the Board of Directors by the January 2008 Board meeting.
- Committed to improving the risk management program at LSC. The Corporation has managed its risks well over the past 33 years, and will review and implement additional elements that are desirable and appropriate for an organization the size of LSC.

LSC’s Board of Directors will:

- Ensure that new members receive orientation to familiarize them both with LSC’s programmatic roles and on governance and accountability.
- Continue to receive updates from management on issues having to do with LSC’s operating environment, governance, and accountability.

- Either create a separate Audit Committee or assign the function to the Finance Committee.
- Determine how to assign responsibility within the Board for compensation issues.
- Formalize the functions of Board committees by adopting charters for them.
- Consider adopting a formal means by which the Board can evaluate its collective performance and the performance of individual members.
- Encourage the LSC Inspector General, who is charged with contracting with LSC's auditor, to require that the auditor report within 45 days of the end of the fiscal year.
- Work with management as appropriate on any risk management program, internal controls, and financial reporting.

Response to OIG investigation of potential false statements to Congress

During this reporting period, the Board received the OIG's report on the investigation of potential false statements to Congress with the OIG's conclusion that there is no evidence that LSC Management knowingly provided false statements to Congress. The Board notes that as soon as LSC Management became aware that information that had been provided to Members of Congress was mistakenly inaccurate, LSC immediately sent a letter to Members with the corrected information. Safeguards have been implemented to significantly reduce the chance of a mistake of this kind occurring again.

Personnel policies revised, new Employee Handbook issued

This reporting period, LSC issued an Employee Handbook to inform employees of—and help managers properly apply—current personnel policies. LSC is committed to providing equal employment opportunities and a work environment free from discrimination or harassment in any form.

Litigation Involving Challenges to the 1996 Restrictions

Velazquez v. LSC and Dobbins v. LSC a/ka/ Brooklyn Legal Services v. LSC.

In these consolidated cases, the plaintiffs brought a First Amendment “as applied” challenge to LSC’s Program Integrity rule, which implements the statutory prohibition against LSC grantees participating in 1996 restricted activities. In 2006, the U.S. Court of Appeals for the Second Circuit ruled in favor of LSC, lifting a district court injunction and remanding the case for further consideration. In 2007 the plaintiffs petitioned the U.S. Supreme Court for a *Writ of Certiorari* to review the Second Circuit decision. During the reporting period LSC and the United States, as intervenor, filed briefs in opposition to *Certiorari*. On October 1, the day after the closing period for this SAR, the U.S. Supreme Court denied the plaintiff’s *Certiorari* petition, leaving the Second Circuit’s decision intact and remanding the case to the district court for application of the legal standard set out by the Second Circuit.

Legal Aid Services of Oregon v. LSC.

The plaintiffs in this case brought a First Amendment “as applied” challenge to the application to them of LSC’s Program Integrity rule, which implements the statutory prohibition against LSC grantees participating in 1996 restricted activities. During the reporting period the parties continued to exchange discovery and submitted discovery disputes to the court for review.

State of Oregon v. LSC

In this case, the State of Oregon is challenging the 1996 statutory restrictions on LSC grantees that limit the use of Oregon state funds by LSC programs in Oregon. In 2006, the court dismissed all of the State’s claims, which the State appealed to the U.S. Court of Appeals for the Ninth Circuit, where the matter is now pending.

Board concurs with OIG statistics

The Board concurs with the presentation of statistics in Tables I, II and III of the Office of Inspector General’s report.

Program Oversight

This year, the Legal Services Corporation is distributing \$330.8 million in field grants and \$2.1 million in technology grants. LSC regularly visits grant recipients to assess performance and ensure compliance with the Legal Services Corporation Act, LSC regulations, and congressional restrictions included in the 1996 appropriations act and subsequent legislation.

Assessing performance, ensuring compliance

Two LSC offices conduct program oversight activities: the Office of Program Performance (OPP) and the Office of Compliance and Enforcement (OCE). This reporting period:

- OPP conducted on-site visits to 27 programs in 20 states: Alabama, Alaska, Arizona, Arkansas, Idaho, Kentucky, Florida, Louisiana, Minnesota, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, South Dakota, Texas, Virginia, Washington, and Wyoming.
- OCE conducted on-site compliance reviews of 12 programs in 11 states: Alabama, Arkansas, California, Colorado, Iowa, Maryland, Massachusetts, Nevada, New Jersey, Washington, and Wisconsin. Two of these visits continued from the last reporting period; two were multi-week visits; and one initiated an on-site complaint investigation which is continuing.

With a focus on quality, OPP examines all aspects of program operations: priorities, intake systems, managing and supervising legal work, governance, private attorney involvement, resource development, and strategic planning. After program visits, OPP provides feedback that includes findings and recommendations, and follows up periodically.

To ensure compliance with the laws and regulations that govern the operations of LSC-funded programs, OCE conducts on-site compliance reviews, requires prior approval for certain expenditures and activities, and performs training. After reviewing a program, OCE provides a written report that details findings, required corrective actions, and recommendations. OCE also addresses complaints, and investigates and responds to audit findings referred by the Office of Inspector General.

\$330.8 million in 2007 field grants distributed to 138 programs

Recipients of LSC grants are chosen through a competitive process. In 2007, LSC is distributing \$330.8 million in field grants to 138 programs. Special conditions are attached to 12 field grants. Two programs began the year with limited field grants: U'unai Legal Services Clinic in American Samoa and California Rural Legal Assistance.

In March, LSC terminated funding for U'unai Legal Services Clinic and continued funding California Rural Legal Assistance month-to-month with special conditions pending resolution of a current investigation. Following established procedures, LSC is investigating and closely monitoring the program's performance.

Review of 2008 grant proposals underway

This reporting period, LSC requested, received, and began evaluating proposals for calendar year 2008 grant awards. Grant awards will be announced in December.

LSC completed its review of "grant assurances" — the documents that specify the conditions recipients of field grants must agree to meet — this reporting period, and the Board adopted the revised assurances for 2008 at its July meeting. Representatives of the Office of Inspector General and the Center for Law and Social Policy participated in the process.

2007 technology grants total \$2.1 million, stress self-help

In September, LSC awarded \$2.1 million in 2007 Technology Initiative Grants (TIG). The State Justice Institute is providing an additional \$321,000 in matching funds for seven joint projects.

More than 60 percent of this year's TIG money will be used to help *pro se* litigants — people who represent themselves in court proceedings — in nine states: Georgia, Idaho, Iowa, Kentucky, Maine, New York, Ohio, Washington, and West Virginia. *Pro se* litigants and *pro bono* lawyers have used tools developed with TIG support to generate more than 128,000 legal documents — and the number continues to grow.

The second largest share of TIG money is earmarked for projects to enhance and expand a Web-based program that takes a user-friendly approach to preparing income tax returns. This program—called I-CAN! E-File—was developed by the Legal Aid Society of Orange County, California, with TIG support. Since 2003, it has helped low-income Americans in 45 states secure more than \$17 million in federal earned-income tax credits. The 2007 grant will add a toll-free telephone number that will direct tax filers to available free tax filing assistance programs in their area.

The remaining TIG money will be used to enhance legal services Web sites, client service, and to increase the efficiency of LSC-funded programs by automating functions such as routing telephone calls and tracking case files.

Final regulation issued on Micronesians' eligibility for legal assistance

LSC completed one rulemaking this reporting period. Under the new rule, published in the *Federal Register* on September 14, 2007, any LSC-funded program may provide legal assistance to financially eligible citizens of the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau who live in the United States.

Quality Agenda

The overall goal of the LSC Quality Agenda is to improve the delivery of legal services nationwide. To help programs increase efficiency and enhance effectiveness, LSC provides technical assistance and training, identifies and shares innovative practices that can be used more widely, and serves as a clearinghouse for “best practices.” LSC also develops strategies for improving the legal services delivery system as a whole.

Revised LSC Performance Criteria distributed broadly

This reporting period, copies of LSC's revised Performance Criteria were mailed to each program office, with instructions to distribute them to each staff member and each member of the board of an LSC-funded program. First developed in 1993, the Performance Criteria are the basis for evaluating programs and grant applications, and the centerpiece of LSC's Quality Agenda. Among the major themes of the revised Performance Criteria:

- LSC-funded programs work with limited resources, so they must make strategic choices about allocating resources—and continually evaluate their consequences.
- LSC-funded programs have grown in size and complexity, necessitating an expanded focus on governance and management.
- LSC-funded programs operate as part of integrated, statewide systems for delivering civil legal aid to low-income Americans.

LSC Board and Grantee Boards Adopt *Pro Bono* Resolutions

Following a year-long exploration of the *pro bono* contributions by the private bar to the delivery of legal services by LSC-funded grantees, the Board of Directors of LSC on April 28, 2007, adopted a resolution in support of enhanced private attorney involvement (PAI) with LSC-funded programs. The resolution is intended to encourage LSC grantees to develop strategies to increase the recruitment and utilization of private attorneys in offering civil legal assistance to the poor.

LSC is encouraging all program Boards of Directors to adopt *pro bono* resolutions modeled after the one adopted by LSC's Board in April 2007. Grantees and their governing boards have responded very favorably to the resolution. As of this writing, the boards of 56 grantees have adopted similar resolutions. A full list of the programs which have adopted such resolutions is available on LSC's website. Urging programs to adopt local resolutions is a key element of LSC's private attorney involvement action plan, entitled "*Help Close the Justice Gap, Unleash the Power of Pro Bono.*"

Pilot loan repayment program completes second year

The second year of LSC's pilot Loan Repayment Assistance Program ended with this reporting period. The program includes 70 attorneys from 24 LSC-funded programs, each of whom can receive up to \$5,000 for up to three years, for a maximum of \$15,000. Participants range from new recruits to attorneys with up to three years of service when the program began; they must remain with an LSC-funded program for three years or repay LSC.

Through this pilot program, LSC aims to determine whether loan repayment assistance helps LSC-funded programs recruit and retain highly qualified attorneys. This reporting period, LSC drafted an evaluation of the first year and began an evaluation of the second year. Preliminary data indicate that the program is achieving its goals. Participants report that loan repayment assistance makes it more likely that they will stay with their programs, while program directors report that loan repayment assistance increases their ability to retain highly qualified attorneys.

Work on updating Case Service Reporting System completed

The Quality Agenda also encompasses revising LSC's Case Service Reporting System and an accompanying Handbook, which is LSC's main data collection system. The Handbook informs programs how to count, classify, and document cases. The Handbook was revised this reporting period to take effect January 1, 2008. OCE staff conducted nine training sessions around the country from July to September to familiarize grantee staff with the changes in the Handbook. Additional trainings will continue through the end of 2007. The goal is to ensure that LSC-funded programs provide consistent data that accurately reflects the nature and scope of their work.

The Road Ahead

Fifty million Americans are eligible for civil legal assistance, including 13 million children. The civil legal aid provided by LSC grantees helps the most vulnerable members of society: women seeking protection from abuse, mothers trying to obtain child support, families facing foreclosure and homelessness, veterans who have been denied health and disability benefits, elderly people who have been exploited by predatory lenders. The issues involved threaten not just the economic and personal survival of an individual, but the fabric of society as a whole.

In January 2006, the Board of Directors of the Legal Services Corporation adopted a blueprint for the future, *Strategic Directions 2006-2010*. This five-year plan has three strategic goals: (1) To increase public awareness of—and support for—programs providing civil legal aid to low-income Americans in order that

more of their needs can be appropriately addressed; (2) to enhance the quality and compliance of legal services programs; and (3) to ensure that LSC operates efficiently and effectively.

Using these strategic goals, LSC continues to work to address the justice gap.