

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

FINANCE COMMITTEE

Friday, June 4, 2004

4:22 p.m.

The Hilton Omaha
1001 Cass Street
Omaha, Nebraska

COMMITTEE MEMBERS PRESENT:

Robert J. Dieter, Chair
Thomas A. Fuentes
Herbert S. Garten

OTHER BOARD MEMBERS PRESENT:

Thomas R. Meites
Ernestine Watlington
David Hall
Lillian R. BeVier
Maria Luisa Mercado
Florentino A. Subia
Michael D. McKay

STAFF AND PUBLIC PRESENT:

Helaine M. Barnett, President
Victor M. Fortuno, Vice President and General Counsel
Randi Youells, Vice President for Programs
David L. Richardson, Treasurer and Comptroller
Leonard Koczur, Acting Inspector General
John C. Eidleman, Acting Vice President for Compliance
and Administration
David Maddox, Assistant Inspector General for Resource
Management
Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel
Reginald Haley, Program Analyst
Patricia Batie, Manager of Board Operations
Karen Dozier, Executive Assistant to the President
Linda Perle, CLASP
Rich Teitelman, Justice, Missouri Supreme Court

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P R O C E E D I N G S

MR. DIETER: My name is Robert Dieter and I'm the chairman of the Finance Committee and calling the June 4th meeting of the Finance Committee to order. Present are Herb Garten and Tom Fuentes, the other two members of the committee.

The first item on the agenda at page 11 is approval of the agenda. A motion to approve.

M O T I O N

MR. FUENTES: So moved.

MR. GARTEN: Second.

(Chorus of ayes.)

MR. DIETER: It passes unanimously. The second item is to approve the minutes of committee meeting April 30th, which is pages 13 and 15 of the board book. There is one amendment. The amount that's stated to be transferred from the budget of the Office of Inspector General to the Corporation's Management and Administration Budget line should read \$1 million rather than \$1 billion. So with that correction, do I have a motion to approve the minutes?

M O T I O N

MR. FUENTES: So moved.

MR. GARTEN: Second.

(Chorus of ayes.)

MR. DIETER: That passes unanimously. And then David Richardson, the treasurer, is going to present the information concerning item 3, which starts on page 19(a) of the board book. And I wanted to just thank David for his work in trying to help make the presentation of the budget a little easier for us to follow in terms of the comparative presentation so we can track things a little easier. I know that's been a big change for him, and I appreciate his cooperation on that.

So, David, why don't you go ahead and present the internal budgetary adjustments for 2004 which start on page 19(a).

MR. RICHARDSON: Okay. This information was provided to you last Thursday by way of Federal Express for an insert into the board books.

Each year we conduct a midyear review, that is, each quarter. This is the midyear review ending in March. We'll

do another one at the end of June that will be presented in September.

The review itself goes into an aspect of looking at how we have operated during the first six months, if there's any projects that were planned that have been delayed, and projects that may have been completed but yet the cost not yet provided to us. So we've sort of laid out how we want to handle that. We do not open up the March expenses because we of course have reported to the board those expenses in Baltimore. So any expenses that perhaps lag, were not turned in, are recorded in April and thereafter.

So when a director or vice president is doing the budget, any expenses that were not reported to you in March, not provided to my office included in the reports are included April and thereafter, and they adjust their planning as such.

The guidelines gives the president the authority to make these internal budgetary adjustments and report them to you here at the midyear. They also give the Inspector General the opportunity to make the same type of adjustments in that particular budget.

I have reported in my memorandum to you the changes

that are \$5,000 and greater. With all of these projections, you will note in the materials that we're showing a projected carryover of some \$580,000. I believe that that figure will actually increase somewhat. The reason that I have put the memo the way I put it together was to show you that there are open positions and there are activities going to occur in the next six months, and we've taken all that into consideration.

In the offices, such as the Office of Legal Affairs, where I have shown you that there is one open position. That position we projected to be filled on June 15th. So there's salary and benefits and any additional associated cost with that position already in the budget. Well, today is the 4th of June, and the position has not yet been hired, and even if we hired somebody who is in a position they probably will not be able to start for another two weeks, so there's going to be some additional monies that will be freed up that will be identified later that would be able to go to support other activities.

The same thing in the Government Affairs Office, where we have two positions currently open and we have another position that will be vacated on June 15th. If there is a

delay in hiring, further delay in hiring those positions, that money will be freed up and be able to support other activities also.

So in all, there are seven positions that are identified as vacant in this memorandum. We have one position that is supposed to start the end of June in the Office of Program Performance. So we do we have one additional staff member coming in.

With that, Mr. Chairman, would you like me to go through the memorandum identifying those items that are over \$5,000, or should we --

MR. DIETER: I think the memo is detailed in the expression of what the changes are that are recommended. I just had a couple of questions myself, if we could get a little more information.

On the work study program for the student, I was just curious. Is that for -- just for my own information -- is that one law student who works there for the whole year?

MR. RICHARDSON: It was actually originally thought that we would support two law students, but what we have now determined is that we're not going to be able to do that. So

the increased money that we're putting in temporary employee pay in the Office of Legal Affairs is to support a temporary clerk during the summer, and I understand that there will be a law clerk available sometime during the summer also in this particular money that this would fund.

MR. DIETER: And is the \$12,000 our total cost for that?

MR. RICHARDSON: No. That's additional money to that budget line. There was already an amount in the budget. The budget will increase to \$43,125 for the Office of Legal Affairs and the temporary pay. And that's found on page 19(f).

MR. DIETER: Okay.

MR. RICHARDSON: You'll see that the temporary pay under the Legal Affairs is \$43,000. Now not all of that is for law clerks and for the temporary employee, the clerk that we currently have.

MR. DIETER: I'm just curious how much -- with the work study programs, generally I assume the school is paying part of this person's salary and we're paying \$12,000?

MR. RICHARDSON: That was the original hope. That

has not come to fruition. So we are not participating in the work study program now. That's the reason we need additional money in the temporary employee pay to continue their employment through the remainder of this fiscal year.

MR. DIETER: Okay. And then I mentioned to you before, before the meeting, because I was a little unclear on the vacant positions where money is being transferred out of those positions to other departments, it's my understanding that those transfers in no way affect the ability of those offices to hire people in the future, you know, when they decide to fill those vacancies.

MR. RICHARDSON: It does not. All the positions have been funded and their benefits and the associated costs.

This is money of what we would say lapsed positions, money that was budgeted in January and those positions were not filled, or we had additional vacant positions that have occurred, so now their money is now available to be spent in other initiatives and take care of other expenses.

MR. DIETER: And the outside consultant on the OHR, that \$15,000 consultation fee, is that going to be a one-time kind of adjustment, or?

MR. RICHARDSON: We hope so. There has been an ongoing use of a consultant, external consultant in the employee situation, and I think that has now been resolved. There's a little bit of additional expense that is expected, but we had originally budgeted \$133,000 for that particular cost, and this will increase -- this additional \$12,000 will actually bring it -- it's actually \$135,000. Check my math. Will actually bring up the cost in the human resources to \$148,000, almost \$800 to pay for the outside consultant.

MR. DIETER: Herb or Tom, do you have any questions about it?

MR. FUENTES: I don't.

MR. DIETER: Okay. Herb?

MR. GARTEN: David, I noted your concern about no income coming in on the Equal Justice magazine, and you have budgeted \$40,000. Is there a reason for that?

MR. RICHARDSON: When the budget was originally created, it was created with the idea that there would be \$40,000 of new money coming into the corporation. What I have since learned is that last year when the \$42,000 of income was recorded, a part of that was to pay for future ads. And

therefore, some of that money probably should have been deferred into this year.

But even with that said, certainly there's no money -- new money that has been received for this year.

MR. GARTEN: Have the advertisers been billed?

MR. RICHARDSON: They have. But what had occurred is last year they submitted a bill. For instance, one of the vendors, I don't know which one, they may have been billed \$1,500. Well, they paid \$4,500 to pay for future ads. Well, that information wasn't provided to us. We were just provided the checks.

So when the January issue came out of the magazine and then the next issue that's being put out, there was money that was received last year that was to pay for those ads this year, but, again, we've had a little turnover in personnel, the people who were in charge with the magazine and raising the income are no longer with us, so the income that was originally projected in new money has not come in and probably will not.

MR. GARTEN: Is there any money that would be due us for this year that will be coming in?

MR. RICHARDSON: Let me ask Ms. Youells, because we were just talking about it. I think there has been some billings sent out, but they have not yet paid for that money this year.

MS. YOUELLS: The short answer is no. With this issue that will be issued and goes to the printer next week, we will then have exhausted the limit of our paid advertisements. And the question that's going to come before the executive team next week is what do we do about selling future advertisements.

And part of the problem is we've just been uncertain about the future of the magazine. And when you sell advertisements, especially to a law firm or another vendor who wants to buy for a year, you have to tell them exactly what product they are going to have. And so with the issue that goes to the printer next week, we're at the end of our paid advertisements, and we'll have to make a decision.

MR. GARTEN: But you will not collect any additional funds this fiscal year?

MS. YOUELLS: That's correct.

MR. DIETER: And I note somewhere that you're going

to three issues of the magazine rather than four. Is this sort of a plan, or at least until you decide what you're going to do? Is that right?

MR. RICHARDSON: That is correct, sir.

MR. DIETER: Okay. On 19(b), then I had a question about just briefly, what is the grants from other funds available that's \$400,000 carryover? Column 7, and it's under delivery of legal assistance item 3, grants from other funds available.

MR. RICHARDSON: Right. You approved a budget of \$1,134,000 prior in May, last month. We have only spent \$808,000 this year, and this is dealing with the Florida program and some money that went -- money that was collected in the sale of the building, an eminent domain case, and then money was awarded back to Florida to pay for a building there.

And it's just a matter that there's, in this particular report \$400,000, because what we have done this year is we've collected two sums of money. One was from a program that funding in excess of 25 percent which automatically comes back to the program if there's not insurance. There's certain criteria that they would follow

where they would be able to keep that. This particular program did not meet those criteria, so we received about \$21,000 there.

We received another \$61,000 in another settlement of a property. So we're asking the COB reallocation and the revised budget, we're asking that you pull that back into the budget. So the \$400,000 would go to special needs grants or emergency grants. We have in the past helped people who have lost a building because of fire. We've helped people who have a victim of hurricanes or flooding, those type of issues that we try to address with one-time grants.

MR. DIETER: Is that, when you add those two numbers up, 38,000 and 407, how do you get the 363? Am I looking at that right?

MR. RICHARDSON: You're talking about grants from other funds available?

MR. DIETER: Yeah. Where it says delivery of legal assistance totals.

MR. RICHARDSON: Column 3.

MR. DIETER: Column 7 is what I'm looking at.

MR. RICHARDSON: We're just projecting -- the 4,000,

400,000?

MR. DIETER: Yes. Well, above it is \$38,021.

MR. RICHARDSON: Oh, I'm sorry. I do see what you mean.

MR. DIETER: And 407.

MR. RICHARDSON: There's a subtraction there.

MR. DIETER: And down in the total is 363.

MR. RICHARDSON: I apologize. I will have to check my math there.

MR. DIETER: And then is that \$407,000 part of our \$587,000 carryover or not?

MR. RICHARDSON: It is not.

MR. DIETER: Okay.

MR. RICHARDSON: The \$580,000 that I speak to is solely for management and administration.

MR. DIETER: Okay. And then if I read it right, we had a \$1.2 million carryover at the beginning of the year, and if we spend according to this pattern, that would be -- we'd have a \$587,000 carryover at the end of the year. Is that right?

MR. RICHARDSON: That's correct.

MR. DIETER: And you indicate that we'll probably have -- that number was going to go up.

MR. RICHARDSON: Up. That is correct.

MR. DIETER: Okay. Anybody have any other questions on those pages?

MS. MERCADO: No, but I just had a point about --

MR. DIETER: Maria Luisa?

MS. MERCADO: That carryover where you do like one-time expenses or whatever else, like the mentoring program that we discussed just a little while ago or emergency funding for national disasters or whatever, I mean, there's a variety of different things that carry over. But we really won't know until September what the actual carryover -- we're anticipating and we projected what it will be, but it's not a definite number till then?

MR. RICHARDSON: No. That's correct. I'm just thinking -- and the reason, again, I identified the open positions, I think that it will be greater than what it is currently showing.

MR. DIETER: He just indicated that some of the positions are not likely to be filled within the next 30 days,

and so that we're going to have those salary savings, right, that will increase that carryover?

MR. RICHARDSON: That's correct.

MR. DIETER: I just wanted to clarify that that's the situation.

MS. MERCADO: Well, just in following up, it seems like most of that money came from the government relations office side of the budget. And have we been affected any as far as PR work that we've been doing? I know we're doing one magazine less. But other than that, has it affected our ability to promote legal services out there, because of the lack of staff in that division?

MR. RICHARDSON: That I could not speak to authoritatively. It would have to be either John Eidleman or Randi Youells or perhaps Helaine could speak more to that as to the effects of not having the new vice president of government affairs.

MS. MERCADO: I think you said it was like two positions?

MR. RICHARDSON: And the administrative assistant to the vice president also left, and there's another position

that's leaving in that office June 15th. So the effectiveness of the office? I can't speak to that.

MR. DIETER: Well, maybe Helaine could just mention that to the board at the board meeting, or would you want to address that?

MS. BARNETT: I would just say that we are -- I am currently still interviewing candidates for the position of vice president for government relations and public affairs. And the holds on the lesser positions were initially because we didn't want to fully staff the office when a new vice president was going to be in charge, and I frankly thought they should have input into the staffing of the office.

But my understanding is between both John Idleman and Randi Youells, they are providing the supervision of the staff, and I do not think that the staff -- the work of the staff has not -- actually, to put it positively, I think because of that, the work of the staff is supporting the corporation appropriately.

It's just that it has the most number of vacancies because the vacancy is at the vice president level, and I didn't think that we should fully staff it as long as John and

Randi were telling me that the work was being done by the current staff, until the new vice president is in a position to play a role in the hiring of those positions.

MR. DIETER: Okay. I guess we can move on to Item 4, which is to consider and act on the resolution that appears at page 20 of the board book. I guess I just have one comment to make that I mentioned to David.

The resolution that we passed in May, the second paragraph has a little bit different formulation of that statement regarding the budgets where it specifically mentions the carryovers and that sort of thing, and he said that in the future resolutions he'd follow that format. So I have a copy of the 2004 004 if anybody wants to look at it, but it was missing in this resolution, and I was just curious as to why, and it was just a different way of stating essentially the same thing.

So as I understand the effect of this resolution, that basically the numbers changed from the May 1st resolution by \$82,318, which is, you know, the fourth or the third preliminary paragraph there. Is that right? The 343,509,319 is \$82,318 more than the 343,427,001?

MR. RICHARDSON: Yes, sir.

MR. DIETER: Okay. And that's basically all this resolution does?

MR. RICHARDSON: It does. And we've sort of made it a practice because we're adding money to the budget, but at the same time, the president has approved the internal budgetary adjustments. So when you look at page 19(f), it's just for you in your accepting all the internal budgetary adjustments to include that breakout within the resolution, therefore having board approval for that also.

MR. DIETER: Okay. All right. Is there a motion that we present this --

M O T I O N

MR. FUENTES: Move approval of the recommended action.

MR. DIETER: Okay. Is there a second?

MR. GARTEN: Second.

MR. DIETER: It's unanimous. Then we'll present this Resolution 2004 006 to the board at tomorrow's meeting for adoption by the full board.

Then Item 5 starts at page 21 of the board book is

the financial report for the seven-month period ending April 30th. If you could just highlight anything of importance there.

MR. RICHARDSON: Okay. The seven-month period ending April 30th and the information that you have in the comparisons are based on the May 1 approved budget because we in just the last few days have completed the internal budgetary adjustments and the adjustments back and forth.

So while the totals will remain the same, there will be a little bit of variation when you talk about the annual budget for the delivery of legal assistance.

The budget for the legal assistance as of May 1 was 325,135, and of course that increases by the 82,000. There's a variance between that budget and the amount of spending, which was 319,149 during the period. So basically we have an amount of 93 percent -- of .93 percent of the money remains available for contracts for the basic field programs and for the delivery of legal assistance, which would also include the Court of Veterans Appeals and the grants from other funds available in the technology initiatives.

I've shown you a comparison, which is shown in

column 5 on page 23, of the expenses from last year. You see that it increased from 319 million this year. Last year it was 321 million, so we're actually down as far as the expenses, but they will be -- programs have been identified for, for instance, the basic field program. Those are formula driven. Those are programs that are on short-term funding, so that money will go to them.

And within the current scheme of the technology initiatives they're in the middle now of receiving the technology grant awards and evaluating those, or I should say the applications, so that awards and decisions will be made later on in this year and the early part of next year.

MR. DIETER: On the technology initiatives, I always get confused on those numbers because they show money that hasn't been disbursed but was committed and then money that's been received but hasn't been committed. Is that right?

MR. RICHARDSON: That's correct. We've received the new appropriation. The money that you see there that was spent in column 2 for this year, actually column 1, the 3.3 million, is money that was from last year's appropriation that was awarded in October, November, December and the first six

months of this year.

MR. DIETER: Is there an easy way to just put a footnote beside that like \$6 million one and show how that money is divided?

MR. RICHARDSON: Sure. I can --

MR. DIETER: Otherwise it's a little unclear. And then on page 24, everything looks in order except human resources up 55.75 percent. Am I reading that right? Or is it down? Item 5 as you go across.

MR. RICHARDSON: Human resources. The 10 percent -- the 39,000 over budget?

MR. DIETER: Okay.

MR. RICHARDSON: The expenses for the first seven months is \$426,000 versus seven-twelfths budget of 386. So they've actually spent \$39,000 more than their seven-twelfths budget. WE've addressed that in our internal budgetary adjustments and by adding money to that particular line.

MR. DIETER: Okay. Column 7 where it says 55.75 percent, does that represent the difference between the 273 and the 426?

MR. RICHARDSON: That's correct. So we are 55

percent under last year's spending. Or over.

MR. DIETER: We're over.

MR. RICHARDSON: Over last year's spending.

MR. DIETER: Okay. And that's I guess something the president is aware of?

MR. RICHARDSON: Yes.

MR. DIETER: Okay. And then the Inspector General, page C. Their occupancy costs went up 35,000 percent. Is that a correct number?

MR. RICHARDSON: That is correct. In the past, see, they've not paid for occupancy. Now they are paying.

MR. DIETER: Okay. All right. Anybody have any questions? Tom?

MR. FUENTES: Herb might.

MR. DIETER: That's just a report. So we don't need to take any action on that.

The next item is number 6, report on the status of fiscal year 2005 appropriations process.

MR. RICHARDSON: Okay. We reported to you in May of course about our appropriation hearing which I believe Frank Strickland, our chairman, was involved with. We had a number

of questions that came in after that hearing that we responded to Congressman Wolf and his committee in regards to some financial issues.

Since that time we've heard very little. What we have heard is that there's supposed to be a markup of the 2005 budget in the next two to three weeks, and we expect a freeze budget to come out of that House markup. We do not have any word as yet on when the Senate might mark up.

MR. DIETER: And so how long could this go on?

MR. RICHARDSON: With the elections, what we are hearing on the radio and through different congressional reports is that this could go into January or February.

MR. DIETER: So we will be operating the fiscal year without an actual budget?

MR. RICHARDSON: We would be operating on a --

MR. DIETER: Without an appropriation?

MR. RICHARDSON: -- on a continuing resolution, which is normally the higher of the prior year's appropriation or what has been approved by the lower amount of the House or Senate approved budget. Since we're expecting a freeze, it would actually be a little bit of an increase in funding as

long as we don't have the effects of a rescission again.

MR. DIETER: Because they can pass it and then rescind it?

MR. RICHARDSON: That's right. This year the rescission that we received, the two of them, was \$3.565 million.

MR. DIETER: Anybody have any questions on that? Tom?

MR. FUENTES: I'm totally baffled. We are submitting a budget request to a Congress that's not going to approve it. Another Congress is going to approve this request. Is that right?

MR. RICHARDSON: That is correct.

MR. FUENTES: If those are the rules of the game, and you all seem to understand it. Why don't we just wait till there's a new Congress?

MR. RICHARDSON: Well, we normally present a budget mark to OMB to be included in the President's budget mark, and that's usually done the first Monday in February. So we're giving them guidance and then after we do that, there's a negotiation here that we go back and forth. If we go in and

ask for an increase and then we go to OMB and Helaine and the Government Affairs people meet with them and they say, no can't have it, we're not going to approve that much, and then we try to come up with a compromise figure.

In doing that, we have to then go in and produce a budget -- an appropriation request to justify the mediated or the amount that we come back to as far as requests. And you are right. We have had circumstances where the next President, after the election, if there's a change, will come in and says, whoops, I'm going to do my own budget. So it may be completely -- it could be a third figure out there.

So there's a lot of balancing going on. We've not -- I've not seen it, but the board would have an opportunity to amend their budget at that point before any type of appropriation hearing. So it's a matter of listening to the winds of government.

MR. DIETER: So we would be guaranteed at a minimum the amount of appropriation we got last year. Is that right?

MR. RICHARDSON: Well, that's what we're hearing from the House. But you need to remember that OMB has a budget mark that is somewhat less, \$329,300,000. Our current

appropriation is 338 million --

MR. DIETER: That was with the \$9.5 million census adjustment, right?

MR. RICHARDSON: Right.

MR. DIETER: Okay. Well, does anybody have any observations or thoughts?

MR. GARTEN: So we are deferring taking any action on establishing the mark until the September meeting?

MR. RICHARDSON: For 2006, yes.

MR. GARTEN: You indicate you're going to supply us with additional information between now and then?

MR. RICHARDSON: Right. What I have done is I've provided you -- and that's the next agenda item -- the last two years of testimony from NLADA and the ABA.

MR. DIETER: That's on page 27.

MR. RICHARDSON: So what we are doing is just sort of -- at this point, just sort of laying the groundwork to get any input that you as the board had to get information from NLADA and the ABA to ask them to come back to the September meeting and give testimony and give analysis to you as to what they would request, and at the same time, while we're doing

this, trying to exchange information with you as board members to develop a budget mark or an appropriation mark, an amount of an appropriation that we're going to ask for.

If we do not pass that at the September meeting, because you're going to be getting a lot of information, then we'll just need to do a telephonic meeting so that we can meet the October 15th deadline of providing guidance to OMB for the President's budget -- the president of the United States.

MR. DIETER: Do we send them a letter requesting that they present that information? I know that they hear it through the grapevine. But, I mean, is it a good idea for us to do that, just so --

MR. RICHARDSON: We normally do not. They usually have representatives at these meetings. Don Saunders. I have not seen him today, but I would contact him and we would talk during the summer a couple of times as to when they might have a budget mark and try to get it so it would be in the board book and get it beforehand so you would have an opportunity to look at it and analyze it to make any decisions that you may need.

MR. DIETER: Okay. I see Julie Clarke is in the

audience, so she obviously knows. But I didn't know if as a courtesy it would be nice to send them a letter saying --

MR. RICHARDSON: We could do that. I'll be glad to send something to Don and Julie, also to the ABA representatives --

MR. DIETER: there's Bill Whitehurst sitting here.

MR. RICHARDSON: We can develop something there. It's not a problem.

MR. DIETER: Just send them out a formal notice of the meeting date and request they provide us with the information. I guess it's -- is it legal for them to send it to at least the Finance Committee members when they get it organized before the meeting?

MR. RICHARDSON: I can do that. Normally we --

MR. DIETER: Or send it to Helaine and then she can distribute it?

MR. RICHARDSON: That's the way it normally happens. It usually comes to the president and we distribute it as promptly as we get it.

MR. DIETER: And then the other question I had is if we decide that we would like to have a telephonic meeting of

the Finance Committee sometime this summer to look at information to try to I guess come up with budget mark, do we have to publish notice of that?

MR. RICHARDSON: Yes, we do.

MR. DIETER: And how far in advance do we have to do that?

MR. RICHARDSON: Seven days.

MR. DIETER: Oh, seven days. So that's not too difficult to arrange. Because that looks like probably something we'd want to do before September.

MR. RICHARDSON: Yes.

MR. DIETER: Okay.

MR. FUENTES: Mr. Chairman?

MR. DIETER: Yes?

MR. FUENTES: Do we have anything of a further presentation in the general board meeting tomorrow from our legislative liaison staff? We won't get into this --

MR. DIETER: Appropriations.

MR. FUENTES: -- have to be on this discussion right now?

MR. DIETER: Lisa is not here. Is that right?

MS. BARNETT: No. We did not plan a legislative briefing for tomorrow morning.

MR. DIETER: And I guess in developing a budget mark, I guess I'd just like a little more information in terms of if there's a percentage that's suggested, you know, how that money would be spent in terms of what it would accomplish, instead of just, you know, we want 5 percent more or something like that.

MR. RICHARDSON: It's right at 5 o'clock. Let me --

MR. DIETER: Just a point of guidance. I'm not -- not that we would approve it.

MR. RICHARDSON: I understand.

MR. DIETER: But it's hard to get behind a number when it's just an abstract, you know, proposal, is all I'm saying.

MR. RICHARDSON: I understand.

MR. DIETER: If we increased it 4 percent, we'd be able to do XYZ. If we increased it to 5 percent, we'd be able to do ABC, or it doesn't look like we're going to be able to increase it given the political climate or whatever, so we need to think of how we might reallocate, you know, tech

money --

MR. RICHARDSON: We go through that analysis, and we can certainly provide some documentation to you. During the summer is a busy time for my office, just like October and November and December is a busy time for OPP when they're doing their grant making and so forth. Because this summer, at the end of June we will do a nine-month budget projection.

We are also going to do a temporary operating budget because we don't expect to have the appropriation, we will also project the carryover. And then at September, we will present you a temporary operating a budget and a resolution for continued operations.

We will also internally try to prepare how we would like to operate in 2006, present that to the president and see what type of increases, and in that way, we know what staffing we need or we're trying to identify new projects and working with the new president to do that and planning for 2006. And then the grants is all basically formula driven, and try to come up with how we can effect an increase there and try to determine -- it's a little difficult for us to determine how much additional services we'll be able to provide, but we will

talk to people in the Office of Program Services. We'll talk to Don Saunders and Julie and see what they might -- how they might feel that would come about if we limit -- if we go to a 4 or 5 percent increase or whatever increase in increments what additional services can be provided.

MR. DIETER: Okay. Yes?

MR. GARTEN: Just refresh me on this. To what extent is the carryover considered by all parties interested in establishing the markup?

MR. RICHARDSON: It's not.

MR. GARTEN: It's separate and apart?

MR. RICHARDSON: That's correct.

MR. DIETER: Okay.

MR. RICHARDSON: Let me back up a second. Unless we choose to include it. And we've done it both ways. There have been years where we've included a projected carryover. There's been years we have not. This year our appropriation request was premised on \$300,000 in carryover. But there's been other years when we've forecasted --

MR. GARTEN: That's was the variance between the appropriation and what we budgeted. Is that right?

MR. RICHARDSON: Actually, we budgeted a 4 percent increase in the appropriation. This year's appropriation was 13.3. We've actually asked for 13.8. So when you add \$300,000 in carryover and \$100,000 for the Equal Justice magazine income and interest income, it comes up to a budget of 14.2 is what the appropriation request was justified on.

MR. DIETER: And I guess just to alert you, the one thing I wanted to look at was just, in terms of the board of directors expenditures, I was just curious, you know, there's a large item in there for consultation which I understand is sort of a lot of things are aggregated in that item, and I'd just like to see things broken out a little bit, you know, more particular identification so just kind of knew, you know, what money is available to do what with.

MR. RICHARDSON: Let me talk with you about that and see how we might do that.

MR. DIETER: All right. Then Item 8, if you can just stay here for a few more minutes, Helaine is going to make a short presentation regarding the loan assistance repayment pilot project, which we discussed at the meeting in May in Baltimore and going to report back to the Finance

Committee any progress. And so, Helaine?

MS. BARNETT: Thank you, Chair Dieter. I will be very brief. It is our understanding that the House is drafting language to be included in our FY 2005 appropriation legislation that would allow LSC to spend previously appropriated funds to launch a pilot loan forgiveness project.

MR. DIETER: Okay. Item 9, public comment. There being none, then I'll consider a motion to adjourn.

MR. FUENTES: Mr. Chairman?

MR. DIETER: Yes, Tom?

MR. FUENTES: David, this item that you shared earlier, do we want to have action on that?

MR. RICHARDSON: I guess we can. We were going to defer that for the full board, but we might as well go ahead and take of it.

MR. FUENTES: A recommendation from this body, from this committee?

MR. DIETER: This is Resolution 2004-007 titled regarding amendment of the Legal Services Corporation flexible benefits plan, which is not on the agenda but that David presented to us. And David, can you just explain briefly what

the resolution proposes?

MR. RICHARDSON: Sure. A year ago, the corporation contracted with Flex America to administer a flexible spending account. Employees can designate as little as \$200 up to \$3,000 to pay for medical expenses -- that would be copays, eyeglasses, anything that is not covered by insurance that would be out-of-pocket expenses.

When they did that, we were issued debit cards. And in going back to them, they were telling us that they were behind in getting planned amendments out to the people who they administer plans for. They have now come forward with an amendment to the plan that basically brings us into compliance with what we are doing.

The medical spending cards, credit cards, were provided to each employee who is in the plan. They agree to how much money is going to be deducted from their paychecks, and then they use that card up to the limit of the amount of deductions that is available to them to pay their copays. And this resolution is simply bringing our activities in compliance with the plan administrator the way we're operating.

MR. DIETER: So these are basically monthly deductions from their paychecks that go into a tax-free, or no tax is paid on those deductions, and this is a credit card that allows them to draw money out of that provider?

MR. RICHARDSON: That's correct.

MR. DIETER: And as I understand it, the debit card or credit card would be rejected if it were in an amount over what's available in the employee's account, the employee's money for this purpose.

MR. RICHARDSON: That is correct.

MR. DIETER: Is there a motion then to present Resolution 2004-007 to the full board for approval at the meeting tomorrow?

M O T I O N

MR. FUENTES: Mr. Chairman, I move that the Finance Committee recommend to the full body the adoption of Resolution 2004-008.

MR. DIETER: 007. It should be seven.

MR. FUENTES: Seven? Is that what it is?

MR. DIETER: That's what I've got.

MR. FUENTES: A European 7 or an American 8, one of

the two.

MR. DIETER: I think it's 7. All right. So
2004-007, call in favor?

(Chorus of ayes.)

MR. DIETER: It passes unanimously, so we'll present
that to the board tomorrow. And you have copies that we can
distribute in advance.

MR. RICHARDSON: I have distributed one to everyone
here, and I have a few extra and we can make some additional
ones.

MR. DIETER: Okay. I assume there's no public
comment and no other business. That being the case, I will
entertain a motion to adjourn.

M O T I O N

MR. FUENTES: Move to adjourn.

MR. GARTEN: Second.

MR. DIETER: It's unanimously approved.

(Whereupon, at 5:08 p.m., the meeting was
adjourned.)

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