

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

FINANCE COMMITTEE

OPEN SESSION

Thursday, July 28, 2005

11:05 a.m.

Hyatt Regency Monterey
1 Old Golf Course Road
Monterey, California

COMMITTEE MEMBERS:

Herbert S. Garten, Acting Chairman
Florentino A. Subia

OTHER MEMBERS PRESENT:

Frank B. Strickland, ex officio
Lillian R. BeVier, Vice Chairman
David Hall
Michael D. McKay
Maria Luisa Mercado
Ernestine P. Watlington (by telephone)

OTHERS PRESENT:

Helaine M. Barnett, LSC President
Thomas A. Fuentes, Nominee, LSC Board of Directors
Charles N. Jeffress, LSC Chief Administrative Officer
Patricia Batie, Manager of Board Operations
David C. Maddox, LSC Assistant Inspector General
for Resource Management
Richard "Kirt" West, LSC Inspector General
Laurie Trantowicz, Assistant Inspector General and
Legal Counsel
Linda Perle, CLASP
Don Saunders, NLADA
Mattie Condray, LSC Senior Assistant General Counsel
Jonathan Asher, Colorado Legal Services
Karen M. Dozier, Executive Assistant to the President
Karen Sarjeant, LSC Vice President for Programs
and Compliance
Bernice Phillips, Nominee, LSC Board of Directors
Thomas Polgar, Acting Director, Government Relations
and Public Affairs

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MOTIONS: Pages 4, 5, 18, 28 and 32.

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

2 MR. GARTEN: If I may, I'd like to call to
3 order the meeting of the Finance Committee. I'm Herb
4 Garten. I'm sitting in as Acting Chair of the Finance
5 Committee as the result of the promotion of former
6 committee chair Robert Dieter as Ambassador to Belize.

7 MR. McKAY: Mr. Chairman, I'm not a member of
8 this committee, but I do want to take issue with your
9 term "promotion." I think it's more accurate a lateral
10 move.

11 (Laughter.)

12 MR. GARTEN: Well, after seeing the swearing
13 in at the Treaty Room at the State Department in
14 Washington on Monday and who was present, including the
15 Secretary of State, I'll still consider it a promotion.

16

17 APPROVAL OF AGENDA

18 M O T I O N

19 MR. GARTEN: In any event, you all have the
20 agenda in front of you, and I'd like a motion to
21 approve the agenda. May I have that motion?

22 MS. BeVIER: So moved.

1 MR. GARTEN: Second?

2 MR. HALL: Second.

3 MR. GARTEN: Any discussion? If not, the
4 agenda is approved.

5 APPROVAL OF COMMITTEE MEETING MINUTES (4/30/05)

6 MR. GARTEN: The approval of the minutes of
7 the committee's meeting of April 30th, 2005 is the next
8 item. It's among the papers and in the loose-leaf
9 book.

10 M O T I O N

11 MR. GARTEN: May I have a motion to approve
12 the minutes as drafted?

13 MS. BeVIER: So moved.

14 MR. GARTEN: Second?

15 MR. HALL: Second.

16 MR. GARTEN: Okay. All in favor, aye.

17 (Chorus of ayes.)

18 FINANCIAL REPORTS

19 MR. GARTEN: So approved. The next item is
20 the presentation of LSC's financial reports for the
21 eight-month period ending May 31st, 2005. David? Or
22 Mr. Charles, why don't you introduce yourself?

1 MR. JEFFRESS: Thank you, Mr. Chairman. I
2 appreciate that opportunity. And I understand Ms.
3 Watlington is on the telephone with us. Is that right?
4 Can she hear me?

5 MS. BeVIER: Ernestine?

6 MR. GARTEN: Ernestine, are you on the
7 telephone?

8 MS. BeVIER: You have to press the green
9 button.

10 MR. GARTEN: Ernestine, are you with us?

11 MS. WATLINGTON: Yes, uh-huh.

12 MR. GARTEN: All right. And we're on item
13 number four of the agenda, and, Charles, will you
14 proceed?

15 MR. JEFFRESS: Thank you, Mr. Chairman, and
16 congratulations on your promotion. This is my first
17 opportunity to meet with the Board, meet with the
18 Finance Committee and then later with the Board. I
19 appreciate that opportunity.

20 I came with the organization in early May as
21 the Chief Administrative Officer and have been working
22 with David here on financial matters, with Alice

1 Dickerson on personnel matters, Jeff Morningstar on the
2 IT matters, and then as a part of Helaine's executive
3 team. And I'm enjoying it and I appreciate the
4 opportunity to be a part of this.

5 For this morning's session of this committee,
6 I'm going to brief you on the impact and the important
7 issues I think that are in the financial report, and
8 then if you have questions about specific items, David
9 will be able to respond to questions or any particular
10 interests or concerns that you have.

11 The first item on the agenda is the briefing
12 for the financial reports for the eight-month period
13 ending the end of May, and those are in your notebook.

14 The report, the narrative report is on page 12 of the
15 notebook, and the financial reports themselves for this
16 8-month period start on page 15. Rather than read any
17 numbers to you, let me just talk a little bit about
18 what is happening with our finances as we are
19 proceeding.

20 The spending for this year in the Management
21 and Administration accounts for the Legal Services
22 Corporation is about 13 percent under budget so far

1 this year, and you will see that reflected on page 16,
2 the Management and Administration accounts, column 5,
3 shows you the percent of variance this year compared to
4 previous years. So I think probably the single most
5 important number for this period of time is that 12.74,
6 approximately 13 percent under budget spending for
7 Management and Administration so far, or through the
8 end of May of this fiscal year.

9 As of the end of May, that was about 1.2
10 million that we were under budget. We continued to
11 spend at this rate, and the figures for June show that
12 we are continuing to spend at just about this rate. We
13 anticipate a carryover in the neighborhood of \$1.5
14 million for the end of the year. So the Corporation is
15 well within its limits, is maintaining its fiscal
16 conservatism I think.

17 The primary reasons for the underspending or
18 that we are under budget first, as every year, there is
19 employee turnover. There were nine vacancies at the
20 end of May. Those vacancies obviously contribute to
21 some of the underspending, money that had been budgeted
22 for those positions are not being spent.

1 We also are not using as many consultants as
2 we have used in the past, so we are saving money in
3 those categories, and our travel is down compared to
4 the past -- compared to the budget. So the three major
5 categories where we are saving money in the Management
6 and Administration accounts are the vacancies and the
7 travel and the consultants. But overall, 13 percent
8 less and anticipate a carryover this year at the end of
9 the year, if this continues, of about \$1.5 million.

10 The other accounts in this report, and let me
11 go back to page 15 to mention just a couple of things
12 there on page 15, and that's Board book number 15, you
13 will see the technology initiatives number 4 in that
14 category, \$1.2 million.

15 That was money that we expect to give out in
16 TIG grants. Those have not been awarded yet this year,
17 and the projection currently calls for them to be
18 awarded in October. So this entire amount of money
19 actually will be carried over from September to October
20 and will be spent in the next fiscal year.

21 The loan repayment assistance program -- let's
22 see, David, where is that? Thank you. On page 17, you

1 see the loan repayment assistance program, a million
2 dollars. Elected technology grants, that program is
3 well into its -- beyond its planning phase, in the
4 selection phase, and you'll hear more about that later
5 during this meeting. But the awards probably will not
6 be made until September. The checks probably will not
7 be written until October, so the entire amount of this
8 loan repayment assistance program will be carried
9 forward into next year as well.

10 Finally, the Office of Inspector General is
11 spending at about a 14 percent under budget, just as
12 Management and Administration is, so their carryover
13 presumably will be about that 14 percent level as well.

14 Those are the comments that I have on the
15 eight-month spending. And I will take questions on
16 that if there are any. We can then move on to some
17 internal budgetary adjustments we'd like to make if
18 there are no questions on the eight-month spending.
19 But let me pause and see if there are any comments on
20 that.

21 MS. MERCADO: Yes. On the vacancies that you
22 have, I mean, you do intend to get those vacancies

1 filled, correct?

2 MR. JEFFRESS: Yes. We have fully funded
3 them, and as a matter of fact, two of them listed on
4 this vacancy have been selected. One person starts on
5 Monday, the 1st of August. Another person starts the
6 middle of August. We have interviews underway for a
7 number of the others, so we are actively trying to fill
8 those vacancies.

9 MS. MERCADO: Right. So, in effect, even
10 though we're carrying money over into the October, the
11 new fiscal year, in effect, it will actually be funding
12 that will be used whenever you get your new positions?
13

14 MR. JEFFRESS: Yes. The positions --

15 MS. MERCADO: So it's not going to be a slush
16 fund that you're going to have there.

17 MR. JEFFRESS: The positions will be filled,
18 and during the time that they are vacant is when the
19 money accumulates. But there's not a continuing
20 vacancy on this.

21 MS. MERCADO: Thank you.

22 MS. BeVIER: I have a question about the TIG

1 grants. In your memo, you say that it's nearly
2 all -- the balance is nearly all anticipated to be
3 spent this fiscal year, but I misunderstood. I heard
4 you to say we don't anticipate spending that until next
5 fiscal year. So are we carrying that over or not?

6 MR. JEFFRESS: I expect the grant process to
7 be completed this year. From the current discussion
8 with the staff, I don't think the checks are actually
9 going to be cut until --

10 MR. GARTEN: In other words, the commitment
11 has been --

12 MR. JEFFRESS: The commitment will be made
13 this year.

14 MR. GARTEN: -- will be made by the end of the
15 fiscal year?

16 MR. JEFFRESS: Yes.

17 MS. BeVIER: All right.

18 MR. JEFFRESS: I'm sorry. And that is a
19 change from the end of May to right now. There have
20 been a little delay in the anticipation of when the
21 check is going to be cut.

22 MS. BeVIER: Okay. Thank you.

1 MR. JEFFRESS: Yes.

2 MR. GARTEN: Any other questions?

3 (No response.)

4 MR. GARTEN: All right. Well, now we can move
5 on.

6 FISCAL YEAR 2005 INTERNAL BUDGETARY ADJUSTMENTS

7 MR. JEFFRESS: All right. Thank you, Mr.
8 Chairman. The budgetary adjustments is the second
9 attachment to your report, and that starts on page 21
10 of the Board book. Just a couple of comments about
11 this attachment.

12 At the last meeting of the Board, the Finance
13 Committee asked that the budget report too show the
14 obligations and encumbrances -- we've called these
15 encumbrances to the accounts. So you have a new column
16 on the far right of that sheet, column 6, that shows
17 the encumbrances. So you now and in the future will
18 not only see what we've actually spent, but you also
19 will see the encumbrances and where we have made
20 commitments already that will come out of the account
21 but we've not yet written the check.

22 One of the adjustments that we propose in this

1 time would be in the Grants from Other Funds
2 categories, which is in Roman Numeral I, Item number 3
3 on page 21. You see Grants from Other Funds. In the
4 approved budget, there was \$298,000, which is what we
5 carried forward from this year. In recoveries from
6 grant funds not spent, there's been receipts of
7 \$116,000 this year. We would propose that the
8 committee and Board put this \$116,000 into the Grants
9 from Other Funds categories.

10 This category, if you will recall from past
11 years, has been used to offset the losses due from
12 hurricane damage in states that have had significant
13 hurricane damage. So this is not proposed to be spent
14 at this point but to be put into a category where it
15 could be spent should there be emergencies which people
16 request assistance for.

17 So one of the adjustments, the budgetary
18 adjustments, we would propose is to increase the Grants
19 from Other Funds categories by this \$116,000.

20 The second proposed budget revision, and,
21 again, I'm looking at column 2, is \$13,000, which from
22 the Financial Administrative Services category to the

1 Office of Information Management category, and that's
2 simply the result of one employee being transferred
3 from one office to another.

4 So those are the two large budgetary
5 adjustments we propose to make. Now the Board's
6 procedures also require that we notify you about some
7 other minor ones. Yes? Maria Luisa has a question?

8 MS. MERCADO: I'm sorry. I just wanted to
9 make sure on the funding on item number 3, revised
10 Grants from Other Funds.

11 MR. JEFFRESS: Yes.

12 MS. MERCADO: And you were talking about
13 hurricanes. It's really sort of a general emergency
14 fund, correct? Like I think we've had tornadoes and
15 flooding in the Midwest and other kinds of things. I
16 just wanted to make sure that it wasn't just
17 hurricanes, but that in fact it's kind of emergency
18 type damages that are done to our grantees.

19 MR. JEFFRESS: That is true. It is an
20 emergency fund. I used the hurricane because that was
21 the most recent use of it.

22 MS. MERCADO: Right.

1 MR. JEFFRESS: But it is not restricted to
2 that.

3 MR. GARTEN: Any natural disorder you're
4 talking about?

5 MR. JEFFRESS: Yes. Well, of course, the
6 Board could authorize it for any emergency purpose.
7 But the intent was for those kinds of natural
8 disasters.

9 MR. GARTEN: Any other questions?

10 (No response.)

11 MR. GARTEN: Okay. Move on.

12 MR. JEFFRESS: Then just so you know, because
13 we are required to inform you about other minor line
14 item shifts, and these are not detailed in the numbers
15 before you because they are minor, but we have shifted
16 money between line items to cover some compensation and
17 benefits costs in OPP, some travel costs in the
18 Executive Office, consulting and printing and some
19 other operating expenses in Government Relations and
20 Public Affairs Office, and the Office of the Inspector
21 General has shifted some funds to cover temporary
22 employees and capital expenditures.

1 None of these are major shifts. They haven't
2 required Board approval, but we just wanted to notify
3 you that we have done these minor shifts that were
4 needed to cover costs.

5 MR. GARTEN: What do they represent in the
6 aggregate?

7 MR. JEFFRESS: Do you have what they represent
8 in the aggregate?

9 MR. GARTEN: Well, they're not substantial
10 you're telling us.

11 MR. RICHARDSON: No, they're not substantial.

12 MR. GARTEN: All right. You can move on.

13 MR. JEFFRESS: If there are no questions on
14 that, then the third agenda item is the consolidated
15 operating budget reallocation, and there there is a
16 Resolution that we have recommended to you.

17 CONSOLIDATED OPERATION BUDGET RE-ALLOCATION RESOLUTION

18 MR. GARTEN: That's page 20, starts at 23, and
19 the Resolution itself is on page 24.

20 MR. JEFFRESS: That's right.

21 MR. GARTEN: All right. If you want to
22 briefly describe what this Resolution encompasses.

1 MR. JEFFRESS: Right. This Resolution
2 authorizes \$116,673 that have been recovered from grant
3 funds to be used to increase the Grants from Other
4 Funds budget. It is the same \$116,000 --

5 MR. GARTEN: The same line item you just
6 testified about.

7 MR. JEFFRESS: -- I just mentioned, but it
8 requires Board approval to add that to the budget.

9 MR. GARTEN: And it also describes in detail
10 the aggregate amounts involved, the revisions to them.

11 MR. JEFFRESS: Yes. We put in the Whereas
12 clauses and in the Therefore, Be It Resolved clauses
13 the full amounts. Again, this is a repetition of what
14 you had previously approved. The only change is the
15 addition of that \$116,673 to the Grants from Other
16 Funds category.

17 MR. GARTEN: And we have a total budget,
18 operating budget of \$338,546,929 with this Resolution
19 being approved. And the details of how that's arrived
20 at is included in the Resolution, and we've double
21 checked the figures this morning. So they all add up.

22 MR. JEFFRESS: All right.

1 MR. GARTEN: Don't try to add up a lot of
2 figures on an airplane while you're flying from
3 Baltimore --

4 MR. JEFFRESS: While the plane is bumping.

5 MR. GARTEN: -- to San Francisco. We couldn't
6 track down 20,000, but David has found it for me. All
7 right. The Resolution on page 24 is before the
8 committee. I'm not going to read it. It's in front of
9 you. I'll accept a motion to adopt it.

10 M O T I O N

11 MS. BeVIER: I move that we adopt it or
12 recommend its adoption to the board.

13 MR. GARTEN: Second?

14 MR. HALL: Second.

15 MR. GARTEN: All right. All in favor, aye.

16 (Chorus of ayes.)

17 MR. GARTEN: Okay. The Resolution passes and
18 we'll move on to the next item.

19 STATUS OF THE FY 2006 APPROPRIATIONS PROCESS

20 MR. JEFFRESS: The next item, and let me ask
21 Tom Polgar to come up for this, this is a report on the
22 status of the fy 2006 Appropriations process. Tom, as

1 you can imagine, is tracking this on a daily, sometimes
2 hourly and minute-by-minute basis through Congress, and
3 I will let him speak to this.

4 MR. POLGAR: Good morning, everyone.

5 MR. GARTEN: Do you want to identify yourself?

6 MR. POLGAR: Yeah. My name is Tom Polgar.

7 I'm Director of the Office of Government Relations and
8 Public Affairs for the Corporation.

9 The House, since the last Board meeting in the
10 third week of June, the House took up the
11 appropriations bill. The chart I just distributed
12 compares our F05 budget, the 06 request. The third
13 column is labeled Full House Appropriations, but it's
14 actually just supposed to -- it sounds like it's the
15 Appropriations Committee. It's meant to be the
16 appropriation adopted by the full House.

17 And the third column is what the Senate
18 committee did. The House acted in the third week
19 of -- in early June, and they basically adopted the '05
20 budget for the Corporation, although they made a couple
21 of minor shifts. They made a minor shift. They got
22 rid of the census adjustment money that's in the second

1 line on the table, and reallocated towards basic field
2 and half a million to the TIG program. Other than
3 that, it mirrors our '05 budget.

4 The Senate Appropriations Committee met in the
5 third week of June. The subcommittee met on Tuesday
6 the 21st. The full committee met on Thursday, the 23rd
7 of June. And there things get a little more
8 complicated. The bottom line number reported by the
9 Senate Appropriations Committee is 6.5 billion below
10 the '05 mark.

11 However, the statute, and you can see it in
12 footnote 1, the statutory language approved by the
13 committee has numbers for the various line items of the
14 appropriations bill, and they add up to 335 million.
15 So there's a 10.5 million gap between what the
16 committee did in the line items and what they did as to
17 the total number.

18 The numbers that are actually in the column
19 are the numbers taken from the report. we're assuming
20 that they made a mistake in the statutory language, and
21 even those don't add up. There's a \$400,000 gap, but
22 at least \$400,000 is manageable.

1 We believe what happened is that the mark that
2 the committee was going to adopt was actually \$335
3 million. That a last minute change was made to knock
4 it down to \$324.5 million, and then they forgot to
5 change the line items that go with it.

6 As a result of that cut, Senator Harkin stated
7 publicly on the record both at the subcommittee markup
8 and at the full committee markup, that he intended to
9 offer an amendment on the Senate floor to raise the
10 number to \$363 million as requested by the Board. He
11 has since been offered as a compromise to go with the
12 House numbers, and he rejected that.

13 So the Senate started July taking up
14 appropriations bills. They fooled around with it for
15 about a week and a half and got tired. They passed
16 three of them in that week and a half, and then they
17 derailed the appropriations process and put off all the
18 remaining bills until September.

19 I think as a practical matter, that means
20 we're going to be wrapped into an omnibus
21 appropriations bill like happened last year and has
22 happened in other years recently, and we shall see what

1 happens.

2 And that's my report. I'll be happy to take
3 questions.

4 MS. BeVIER: What was the occasion for the
5 dropping, or the reasoning for the dropping from 335
6 down to 324?

7 MR. POLGAR: It was a decision made by Senator
8 Shelby, who was the chairman of the committee, and I
9 don't have a very good explanation for the reason. He
10 has never been a huge fan of the program. It is not
11 clear to me whether he just did it in order to reduce
12 the appropriation for LSC, or whether he needed the
13 money for something else, and so he decided this was a
14 convenient place to take it from.

15 MS. BeVIER: I see. So there was no stated
16 rationale?

17 MR. POLGAR: There is no stated rationale, no.

18 MS. BeVIER: Okay.

19 MR. POLGAR: And in fact, it's not even on the
20 public record that we were ever at 335 million. It's
21 just that's what we have pieced together from talking
22 to various staff people. Because the first time the

1 bill was unveiled publicly was at the subcommittee
2 markup, so what happened before then is all behind the
3 scenes.

4 MR. GARTEN: What do you anticipate Senator
5 Harkin's position is going to be on the Senate floor?

6 MR. POLGAR: Senator Harkin's position is it's
7 going to be 363 million, and I'm going to pass it.
8 That isn't to say there isn't a number he would take as
9 a compromise, but it's not anywhere close to the 330.8
10 million that we're now getting. He intends to come out
11 of this with a substantial increase. He's already
12 identified an offset for his amendment to get us so
13 that the net effect of his amendment on the budget will
14 be zero, and, you know, he's off to the races. I've
15 spoken to him personally, and he's pretty committed on
16 this right now.

17 MR. GARTEN: Does he have the necessary
18 support?

19 MR. POLGAR: Today, I don't think so. Part of
20 the reason is, you know, any senator or Senate staffer
21 when faced with, well, you're going to add \$39 million
22 to the bill, what's your offset? I need to know that

1 before I commit. And so far, Senator Harkin has been
2 unwilling to unveil his offset, because he wants to
3 wait till we're much closer to acting on the bill
4 before he does so.

5 So it's hard to get people to commit until,
6 you know, they see where he's taking the money from.
7 And he doesn't want to unveil that because, you know,
8 there's no dollar in the federal budget that somebody
9 doesn't claim is important, and he doesn't want to give
10 the other parties time to organize and respond.

11 My guess is at some point a compromise will be
12 reached, because I don't think the chairman is going to
13 much like the offset. And that will put a premium on
14 reaching a deal.

15 Oh, I should have mentioned one other thing,
16 and I'm sorry I forgot it. During consideration of our
17 appropriation in the House, an amendment was offered to
18 cut LSC by \$10 million, and actually it was defeated
19 112 to 316, which is the largest margin of victory
20 certainly in my memory, which goes back to 1980, that
21 LSC has ever had on the floor of the house.

22 MR. MCKAY: Who made the motion?

1 MR. POLGAR: The amendment was offered by
2 Cliff Stearns of Florida. And Mr. Wolf actually was
3 quite vigorous in opposing it.

4 MS. BeVIER: And when was that?

5 MR. POLGAR: That was I believe the second
6 week of June.

7 MS. BeVIER: Okay. That's good to know.

8 MR. GARTEN: Any other questions?

9 (No response.)

10 MR. GARTEN: Well, we'll be looking for
11 reports from you on how things are going.

12 MR. POLGAR: All right. Thank you.

13 MR. GARTEN: Thank you very much. All right,
14 next item 7.

15 FY 2006 TEMPORARY OPERATING AUTHORITY

16 MR. JEFFRESS: Thank you, Mr. Chairman.
17 You've just heard Tom talk about where we are in the
18 appropriations process. Increasingly, it's unlikely
19 that we will have a bill approved by Congress by the
20 1st of October, so we once again will be in the
21 position of needing temporary operating authority for
22 the organization beginning October 1.

1 In anticipation of this event, what we have
2 done is prepared for your consideration a temporary
3 operating Resolution authorizing us to continue
4 operations after October 1. The Resolution is on page
5 28 of your Board book, and let me run through the
6 numbers with you for just a moment so you understand
7 how we came to making this recommendation.

8 Since we don't have one clear direction from
9 Congress -- the House and Senate have different
10 versions and they have different priorities within
11 them -- we've had to pick and choose a little as to
12 what we feel comfortable with recommending to you in
13 terms of a temporary operating Resolution. So in the
14 Therefore Be It Resolved language of the Resolution,
15 we're recommending that the temporary operating
16 authority be \$328,657,221, of which \$310,565,000 is for
17 the delivery of legal assistance. That is the Senate
18 number.

19 And if you look on the chart that Tom provided
20 to you, you see the Senate Appropriations Committee
21 markup chart. When you add the first three numbers
22 together, we think 310,565,000, those numbers plus the

1 little bit of carryover we have in that category, will
2 be a low mark, if you will, the minimum mark that we
3 would expect to be approved for funding of the delivery
4 of legal assistance.

5 And again, I note that this is only temporary
6 operating authority. None of this money actually gets
7 spent until the 1st of January, because this is for
8 grants for next year.

9 We would fully expect that there would be a
10 budget passed by Congress prior to the 1st of January,
11 and we would expect to come back to you when that
12 budget is passed with a consolidated operating budget
13 for 2006 which will reflect the actual numbers passed
14 by Congress. And as Tom indicated, I expect this
15 number is going to come up dramatically.

16 But at this point, the best information we
17 have to go with the most conservative and cautious
18 information we have to go on is the Senate mark. And
19 so that number is based on the Senate mark. Again, it
20 would have no impact on any operations until the 1st of
21 January, and we expect to be back to you and modifying
22 that before the 1st of January.

1 The second and third numbers for Management
2 and Administration and the Office of the Inspector
3 General are based on the House mark plus the carryover
4 that we anticipate from this fiscal year into next.
5 And, again, we're very comfortable with those being
6 marks that are reasonable and we can live with. And
7 the million dollars for the LRAP program would be
8 carried forward since we don't anticipate those checks
9 being cut until the 1st of October.

10 So our recommendation to you, Mr. Chairman and
11 members of the Board, is that the Board consider a
12 temporary operating authority for the Corporation for
13 Fiscal Year 2006 according to these numbers, with the
14 understanding and the knowledge that as soon as we have
15 more information from Congress, we will get back to you
16 to modify this.

17 MR. GARTEN: And this is a customary
18 Resolution that we adopt each year.

19 MR. JEFFRESS: It is customary. You adopt it
20 each year. It's not absolutely essential until October
21 1, but we don't expect to hear any new numbers between
22 now and the 1st of October, so we thought we'd present

1 you with what we have.

2 MR. GARTEN: Any questions?

3 MS. BeVIER: No.

4 MR. GARTEN: If not, I'll accept a motion to
5 adopt this Resolution Number 2005-007.

6 M O T I O N

7 MS. BeVIER: Mr. Chairman, I move that we
8 recommend the adoption of this Resolution, as you
9 suggested, 2005-007, to the Board.

10 MR. GARTEN: Second?

11 MR. HALL: Second.

12 MR. GARTEN: All right. All in favor, aye.

13 (Chorus of ayes.)

14 MR. GARTEN: All right. The Resolution
15 passes. Next item.

16 DISCUSSION REGARDING PLANNING FOR FY 2007 BUDGET

17 MR. JEFFRESS: The next item is entitled
18 Discussion Regarding Planning for the FY 2007 Budget.
19 The first step in developing that budget outside of
20 your internal executive operations is notification that
21 we are asked to give the Office of Management and
22 Budget in early October every year as to what we would

1 expect to be asking for for 2007 from Congress. The
2 budget doesn't have to go to Congress until the 1st of
3 February, but OMB for their planning purposes asks all
4 agencies -- agencies are required to and we are asked
5 to let them know by the 1st of October what we
6 anticipate our budget mark being for 2007.

7 We are not prepared today to make a
8 recommendation to you as to what that mark should be.
9 Our recommendation to you as a committee is that the
10 Finance Committee meet in September and discuss what
11 appropriate budget mark you would like to have for the
12 Corporation for 2007.

13 At that time, you might wish to hear from
14 other folks who have -- you have heard in the past,
15 such as the ABA or NLADA, who may have suggestions to
16 you as to what they'd like to see the Corporation
17 consider for 2007. And I think the president would
18 like the Finance Committee to weigh in on what that
19 mark should be. And ultimately the Board may wish to
20 approve that mark that goes forward to the Office of
21 Management and Budget.

22 Since that has to go to OMB by the first week

1 in October, we would urge the Finance Committee to have
2 a meeting perhaps the third week of September to
3 consider this, and we can by telephone find the right
4 date when all of you are back in your offices and have
5 your calendars in front of you if you choose to do
6 that. But we would recommend that you all schedule a
7 September meeting to approve this mark.

8 MR. GARTEN: So you don't need a formal
9 resolution. I just want to sum up what you've said.
10 We're going to have a meeting of the Finance Committee
11 at headquarters sometime in September, and we'll poll
12 the members of the committee and Board to get an
13 acceptable date. Whatever action we take will be
14 confirmed by a telephonic meeting of the entire Board.
15 All of this to happen in time for you to submit it by
16 October 1st.

17 MR. JEFFRESS: David just informs me the
18 official date is now October 15th for the --

19 MR. GARTEN: What is the date?

20 MR. JEFFRESS: October 15th. So we may
21 have --

22 MR. GARTEN: October 15th. So we have

1 additional time.

2 MR. JEFFRESS: You have a little time.

3 MR. GARTEN: Good. And of course we'll poll
4 the Board on acceptable meeting dates for that purpose.

5 I suggest that staff consider comments that
6 have been made in previous years as to what should be
7 considered in arriving at the budget mark, and we'll
8 look forward to your recommendations. Any questions?

9 MS. BeVIER: No, I have none.

10 MR. GARTEN: If none, we'll be contacting
11 committee and Board members regarding these dates, and
12 we'll look forward to hearing from you and your staff.

13 Is there anything else you'd like to report to us on?

14 MR. JEFFRESS: That completes the business we
15 had planned to present, Mr. Chairman.

16 MR. GARTEN: Good. Well, thank you very much.

17 OTHER BUSINESS

18 MR. GARTEN: Next item. Is there any other
19 business for us to take up as a committee?

20 (No response.)

21 PUBLIC COMMENT

22 MR. GARTEN: Hearing none, I'll ask for public

1 comment.

2 (No response.)

3 MR. GARTEN: Well, I'm sure we'll hear from
4 you at the Board meeting.

5 ADJOURNMENT

6 MR. GARTEN: Is there any other action or
7 anything anybody else wishes to say before I ask for a
8 motion to adjourn? If not, I'll accept the motion.

9 M O T I O N

10 MS. BeVIER: Having made all the rest of the
11 motions, I now proceed to make the one that matters to
12 us all. I move we adjourn.

13 (Laughter.)

14 MR. HALL: And having seconded all the other
15 ones, I will send this one.

16 MR. GARTEN: We have a second and we have
17 unanimity. Thank you very much.

18 (Whereupon, at 11:38 a.m. the Finance
19 Committee adjourned.)

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