

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

FINANCE COMMITTEE

Saturday, June 30, 2001

8:45 a.m.

Sheraton Harborside Hotel
250 Market Street
Portsmouth, New Hampshire

COMMITTEE MEMBERS PRESENT:

Nancy H. Rogers, Chair
Douglas Eakeley, (*ex officio*)
John N. Erlenborn
Edna Fairbanks-Williams
Thomas F. Smegal, Jr.

BOARD MEMBERS PRESENT:

LaVeeda Morgan Battle
Maria Luisa Mercado
F. William McCalpin
Ernestine P. Watlington

STAFF AND PUBLIC PRESENT:

John McKay, President
Randi Youells, Vice President for Programs
Victor M. Fortuno, Vice President for Legal Affairs, General
Counsel and Corporate Secretary

STAFF AND PUBLIC PRESENT (CONT'D):

David Richardson, Treasurer and Comptroller
Mattie C. Condray, Senior Assistant General Counsel
Elizabeth Cushings, Communications Specialist and
Liaison to the Board
Leonard Koczur, Acting Inspector General
Laurie Tarantowicz, Assistant Inspector General and Legal
Counsel
John Idleman, Program Counsel III
Robert Gross, Senior Program Counsel
Linda Perle, National Legal Aid & Defender Association
Don Saunders, National Legal Aid & Defender Association
Elizabeth Ardledge, National Legal Aid & Defender
Association
Connie Lane, Former Executive Director of New Hampshire
LARC
L. Jonathan Ross, Standing Committee on Legal Aid and
Indigent Defendants

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MOTIONS: 4, 5, 26

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

2 CHAIR ROGERS: We are going to call the Finance
3 Committee meeting to order. Finance Committee members: John
4 Erlenborn, Douglas Eakeley. Is LaVeeda here? No.

5 MR. MCKAY: But Edna --

6 CHAIR ROGERS: Is this an immediate effective
7 change?

8 MR. MCKAY: Yes.

9 CHAIR ROGERS: Edna Fairbanks-Williams is here. So
10 we also have committee -- or board members present, Tom
11 Smegal, Maria Luisa Mercado, Ernestine Watlington.

12 And I ask that we begin by a motion to approve the
13 agenda, which is on page 53 of the board materials.

14 M O T I O N

15 MR. EAKELEY: So moved.

16 CHAIR ROGERS: Second?

17 MR. ERLNBORN: Second.

18 CHAIR ROGERS: All in favor?

19 (Chorus of ayes.)

20 CHAIR ROGERS: Second, I'll ask for a motion to
21 approve the minutes of the meeting of January 26, 2001.

1 M O T I O N

2 MR. EAKELEY: So moved.

3 MR. ERLENBORN: Second.

4 CHAIR ROGERS: All in favor?

5 (Chorus of ayes.)

6 CHAIR ROGERS: Opposed?

7 (No response.)

8 CHAIR ROGERS: And David Richardson is here. And,
9 David, we'll ask that you take us through the review of the
10 consolidated operating budget expenses and other funds
11 available through April 30th.

12 MR. RICHARDSON: Okay. For the record, my name is
13 David Richardson, and I am the Treasurer/Comptroller of the
14 Corporation.

15 On page 60 of your board book, we have the
16 reporting for the seven-month period ending August 30. The
17 budget that was passed by this board was \$333,100,226, and
18 that was done in January. To date, we have spent a total of
19 \$317,041,751 through contracts with our field and with the
20 different administrative expenses.

21 The main areas that you see there, of course, is

1 your basic field funding. We still have some money remaining
2 there. We spent \$307.6 million -- and I will round from here
3 out, so we will be having all the numbers shown -- expressed
4 here.

5 But there is still an amount of \$1,665,000 that's
6 left for short-term funded or funding decisions that have not
7 been fully implemented for this year, but it is earmarked for
8 service to a particular area. So the money is obligated on
9 that basis.

10 The US Court of Veterans Appeals, we have given
11 awards there. There is a small amount of administrative
12 expenses that will be added to that. There will be a good
13 bit of that money left unless there is an additional award
14 given at the end of the year, and that money rolls over into
15 next year for grants for the US Court of Veterans Appeals.

16 Within the technology, there is an RFP that is in
17 the field. They're getting ready to review those
18 applications, and there should be a good deal of money spent
19 in the next three months. In regards to the technology, all
20 of that basically should be awarded for that program.

21 Within the corporate management administration, you

1 see that we have a total of \$7.2 million of that. Almost \$6
2 million is for management and \$1.2 million is for the IG.

3 I won't go into a whole lot of detail there because
4 what we have is basically we've spent, per this particular
5 budget, 49.94 percent of the money in management and
6 administration through the first seven months. We should be
7 at about a 58.3 mark at this time, so we're well within
8 budget as far as the total money spent.

9 And within the Inspector General's Office, they
10 have spent 45.85 percent -- you'll find those percentages on
11 page 63 and 64 of your book -- and that gives you a breakout
12 as far as what we've spent as far as personnel compensation,
13 the benefits and each of the budget categories on a
14 percentage basis.

15 I don't call a whole lot of attention to that
16 because what we're getting ready to do now is we've submitted
17 a new budget plan. We have a new budget document that we'll
18 go over it as the next agenda item that reallocates the money
19 that we are not currently spending on salaries and other
20 items and reallocating them into areas that will be used in
21 the next six months.

1 So while there is no -- there's no action today.
2 These are simply reports. These are actions that are taken
3 under the authority of the president, but we bring this
4 report to you each quarter.

5 The one other item that I would call your attention
6 to is we did allocate \$325,000 of interest into this year's
7 budget, and through April we have collected \$199,000. So
8 we're on target to collect the amount of money needed to
9 underwrite what we've projected to help us with the
10 operations this year.

11 CHAIR ROGERS: Okay. Remember that the generation
12 of that interest is partly the result of your work, David,
13 for which we are very grateful.

14 MR. RICHARDSON: Thank you.

15 CHAIR ROGERS: Are there questions about the budget
16 --

17 MR. SMEGAL: And that interest comes from accrued
18 funds that we get from -- through the government and invest?
19

20 MR. RICHARDSON: What we do, sir, is it's float.
21 When we write a check, we put the money in the bank. If it

1 takes two weeks for the check to be cashed, we earn the
2 interest on it.

3 MR. SMEGAL: Okay.

4 MR. RICHARDSON: And that's the same way as some of
5 the money, of course, is earned on the grants. We have to
6 put the money in the bank two days before we electronically
7 transfer the funds to the bank, so we get two days' interest
8 on that.

9 And approximately 85 percent of our grantees are on
10 electronic transfer. We still have a few that receive a
11 check, and of course we receive whatever interest on that
12 money until they get the check in the bank and it clears.

13 CHAIR ROGERS: Maria Luisa.

14 MS. MERCADO: David, on I think it's page 66, your
15 column two on the budget revisions, are those the changes
16 that you've made where you reallocated to a different fund
17 line, in parentheses?

18 MR. RICHARDSON: That is correct.

19 MS. MERCADO: Those are the changes? And for
20 example, the 38,000 in the first line, where would that go?
21 Where would that be reallocated to?

1 MR. RICHARDSON: Okay, that's earmarked -- it goes
2 throughout the whole budget. We look at money that's not
3 being spent, and then we reallocate it. If I had to pinpoint
4 as to where the money went, I'd say to legal affairs at this
5 point because of the amount. You see that they received
6 260,000 additional funding for this final six months because
7 of the ongoing need for outside counsel.

8 MS. MERCADO: So the bulk of it went to program
9 performance and legal affairs, pretty much?

10 MR. RICHARDSON: That is correct. And I apologize.
11 There is a memo that has been put out and you evidently do
12 not have a copy, so we'll get that for you.

13 MR. SMEGAL: Maria Luisa, the pluses and minuses
14 are about 400,000, and 260 and 115 -- or 113 -- are what you
15 pointed out.

16 MS. MERCADO: Right.

17 MR. SMEGAL: The rest of it's 27,000.

18 MS. MERCADO: Right. And I can see it because that
19 was my other question that I had. On page 62, on the
20 consulting line for legal affairs, and I assume that that's
21 for outside counsel?

1 MR. SMEGAL: David, do you --

2 MS. MERCADO: No, I'm sorry.

3 MR. SMEGAL: David, do you have one more? I
4 managed to lose my copy. I'm sorry, there's one right there.

5 MS. MERCADO: I'm sorry, I was asking you a
6 question when you were still studying that.

7 MR. RICHARDSON: That's okay.

8 MS. MERCADO: On page 62, the budget line for legal
9 affairs, and I think that was my other question, and I think
10 you've probably answered that. On the consulting line, the
11 \$286,000 in consulting, that's for outside counsel; is that
12 correct?

13 MR. RICHARDSON: That is correct.

14 MS. MERCADO: Okay.

15 CHAIR ROGERS: David, on page 68, the \$1.3-
16 something million for consulting and management, what is that
17 for?

18 MR. RICHARDSON: Okay. The main monies that we
19 spent consulting on -- there is consulting, basically, in
20 every budget. Your fees for attendance at a board meeting
21 are considered consulting fees. So that is one thing.

1 Additionally, we have consulting contracts dealing
2 with technical assistance to the field. We provide
3 competition review. We bring in people for a panel from
4 outside, from the field, to review those areas where there is
5 competition so that we have a field representative and inside
6 personnel reviewing those contracts to make recommendations
7 to the president.

8 Additionally to that, the bigger part this year is
9 over 400,000 -- almost 500,000 -- in outside counsel for the
10 ongoing litigation that we have.

11 CHAIR ROGERS: Would that be under legal affairs,
12 or would that be under management budget?

13 MR. RICHARDSON: They are added together.

14 CHAIR ROGERS: Oh, so that's the total under
15 management budget?

16 MR. RICHARDSON: Right. When you look at page 68,
17 management budget, we are picking up the \$1.3 million. That
18 includes --

19 CHAIR ROGERS: I see, I see. That's the total of
20 the whole line across.

21 MR. RICHARDSON: That is correct.

1 CHAIR ROGERS: Okay.

2 MS. MERCADO: Also, then adding the 1.3 and the
3 406,000 for the Inspector General equals the 1.79?

4 MR. RICHARDSON: That is correct.

5 MS. MERCADO: One more. So the program performance
6 -- then the contracts were outside -- consultants -- that's
7 the 553,000?

8 MR. RICHARDSON: That's a part of it. There's
9 other things that are ongoing that take effect there, but,
10 yes, that's a part of it..

11 MS. BATTLE: What is the bulk of it for the program
12 performance aspect of those contracts?

13 MR. RICHARDSON: Well, we have technical
14 assistance. We have state planning people coming in. We're
15 providing some technical assistance grants. We have the
16 client conference. There was some money for that. And
17 people brought in -- I see Randi is standing up. She may
18 want to get into a little more detail.

19 You're getting ready to have the technology
20 program. There's money set aside for the consultants from
21 the field and technical experts to come in and review those

1 technology proposals so that they can then come forward with
2 a recommendation to the president for grants. There's a
3 whole array of things in there.

4 Randi, would you like to --

5 MS. YOUELLS: (Off mike.) The Office of Program
6 Performance uses consultants for three or four main
7 functions. One, of course, is grants review, both in terms
8 of the normal competition and in terms of the technology
9 grants, where we bring in the review panels. After the staff
10 has made some initial determinations we have the (inaudible)
11 that take a second look before those recommendations come to
12 me and to the president. So that's a good chunk of it.

13 Also, a good chunk of it this year is technical
14 assistance on the basis of state planning, where we hire
15 consultants. States or programs ask us for dollars to hire
16 merger consultants, to hire people to help them run meetings
17 in which they are discussing certain aspects of state
18 planning.

19 We recently, just last week, granted \$10,000 to the
20 California project directors to do a statewide retreat about
21 some aspects of state planning. So those types of dollars

1 will be allocated out to the field.

2 And then periodically we use consultants on staff
3 for state planning to support the work of the staff because
4 we have had -- we have small staff working on it. Joe
5 Daling, the Executive Director from Prairie State Legal
6 Services, Chuck Cook, the Assistant Director of the Ohio
7 Legal Assistance Foundation, are both on consultant
8 contracts, and they work with states on state planning and
9 they replace the work of a staff.

10 So it would be generally in those primary areas.
11 Of course, technology grant review is a big chunk of it this
12 time.

13 CHAIR ROGERS: Thank you, Randi. Maria Luisa?

14 MS. MERCADO: No, I was just wondering whether --
15 in the information technology you have \$112,000 in consulting
16 fees, so when you're talking about the technical assistance
17 that our vice president was just talking about, is that
18 different from the information technology consulting?

19 MR. RICHARDSON: Yes, it is. What she is referring
20 to is the technology grants and the technology that they
21 coordinate with the field, and we have technology

1 professionals on staff that work with the field.

2 And, of course, then we have the \$7 million this
3 year in grant awards. So we are staffing and hiring some
4 consultants to review those proposals.

5 MS. MERCADO: Okay.

6 MR. RICHARDSON: The technologies, since you do
7 mention that, that's another large amount, is for the
8 security of our network system. A few months back when there
9 was some spam that put out, or different breaking-in of the
10 different Pentagon computers and so forth -- well, ours was
11 one that was hit also. So we've now put in some security
12 firewalls. There were some firewalls there; we're now
13 updating them.

14 And, of course, we receive transmissions back and
15 forth from the field all the time. This is helping to give
16 secure websites so that we can protect the information that
17 we do receive from the field.

18 CHAIR ROGERS: Are there questions or comments?

19 MS. FAIRBANKS-WILLIAMS: No, I was just wondering,
20 the human resources one there was kind of different. Have
21 you accounted for anybody as leaving besides John McKay? Is

1 there anybody leaving, or do you have those packages all
2 under control?

3 MR. RICHARDSON: They are not in this submission
4 here. We will be talking with John Erlenborn next week in
5 regards to those.

6 MS. FAIRBANKS-WILLIAMS: So you are saying you have
7 some things left over in human resources and personnel
8 compensation and so on, but you haven't worked that extra
9 money into there?

10 MR. RICHARDSON: The agreements have not been
11 finalized.

12 MS. FAIRBANKS-WILLIAMS: Okay.

13 MR. RICHARDSON: So, as a result, I don't know the
14 figures to work in at this point.

15 CHAIR ROGERS: I think we have been talking about
16 four as well, but are there any additional comments or
17 questions about the projected operating expenses for Fiscal
18 Year 2001?

19 MS. FAIRBANKS-WILLIAMS: The other question that I
20 have -- I don't know which number it comes in under -- was
21 the communication seems to be high through April. I realize

1 that it's technology.

2 Is it going to continue to climb for the rest of
3 the year, or do you think it's leveled out?

4 MR. RICHARDSON: We hope it has leveled out;
5 however, we have increased the technology line as a result of
6 this budget revision. It was underestimated at the prior
7 year.

8 Actually, there was a situation where the
9 communications was being handled by two different offices and
10 there was just not enough money budgeted for it, so we are
11 now remedying that with this budget revision.

12 CHAIR ROGERS: And the answer to the question of
13 whether technology is within communications was yes, or --

14 MR. RICHARDSON: It is not.

15 CHAIR ROGERS: It is not.

16 MR. RICHARDSON: No. No, within the communications
17 line we have mailing, telephone, those type of costs --
18 overnight express mailings that we do. But then when you
19 look at the technology, that's for the computer consultants
20 that we're using, and that actually comes under the
21 consulting line. So it's not communications.

1 MS. MERCADO: And is the reason that the bulk of
2 the communications budget is out of the office of financial
3 and administrative because you're really the one that's
4 responsible for that? I mean, it has \$103,000 compared to
5 other offices that are between \$2,000 and \$7,000.

6 MR. RICHARDSON: Right. The communications -- all
7 the long-distance telephones and the telephone service -- is
8 funded out of the administrative offices, yes.

9 CHAIR ROGERS: Five is, Consider an act on the
10 President's recommendations for consolidated operating budget
11 allocations.

12 David, is that page 68?

13 MR. RICHARDSON: It is 68.

14 CHAIR ROGERS: Attachment B?

15 MR. RICHARDSON: That is correct. So we have the
16 consolidated operating budget, which does show a net of zero
17 as far as no increase in the budget. It's been reallocated
18 to the different areas. And then 68 is the breakout within
19 the budget category.

20 When the agenda was originally written, we
21 contemplated that there may be some board action needed.

1 Because of the nature of the changes we have made, it's
2 simply a report; there's no requirement for the board to
3 adopt a separate budget because it's still the same total
4 that we had before.

5 And the same thing with the -- actually the next
6 item, I think, is the COB reallocations. There are no COB
7 reallocations. That would be money that would have been
8 coming in from interest over and above the 325,000 that would
9 be allocated back to the budget, or if there was grant
10 recoveries that came in that's being reallocated back to the
11 budget. We do not have those at this point.

12 CHAIR ROGERS: So although the agenda says
13 "Consider and act," you're saying, David, we don't need to
14 act?

15 MR. RICHARDSON: That is correct.

16 CHAIR ROGERS: Okay. Any further discussion on
17 six, which is the internal budgetary adjustments that were
18 made by the president and the Inspector General?

19 MR. SMEGAL: I have a question, and it may overlap
20 several categories.

21 David, I've forgotten, in my absence from the

1 finance committee, the carryovers from the prior year, where
2 are they shown on page 60?

3 MR. RICHARDSON: They are not. What I've done is
4 I've shown the appropriation, and then the carryover to come
5 to a revised budget. So you've got the January approved
6 budget --

7 MR. SMEGAL: Right.

8 MR. RICHARDSON: And when you look at the 333
9 million and we've got an appropriation of 329 million. So
10 the carryover is --

11 MR. SMEGAL: -- is in that number?

12 MR. RICHARDSON: -- is in that number.

13 MR. SMEGAL: Somehow it's gotten in there, okay.
14 Without putting it in a category such as A, one to four, or
15 A, one to ten, under corporate management. Okay, it's
16 somehow allocated but not separately allocated as a carryover
17 item.

18 MR. RICHARDSON: That's correct.

19 CHAIR ROGERS: Maria Luisa?

20 MS. MERCADO: Yes. In the carryovers that we show,
21 both on page 67 and I guess on page 60 -- I'm sorry, on page

1 61 -- define carryovers. Those go back into the management
2 and administration line? They don't go back to the field
3 budget, do they?

4 MR. RICHARDSON: That is correct. Well, let me
5 back up. The grant recoveries that you see there, we do
6 allocate that to the grants from other funds available. So
7 we normally fund special emergency grants or special
8 situation grants.

9 Not funded in April, but in May, there was a
10 situation of a fire with a grantee in New Mexico, and we
11 awarded \$27,000 out of that line to help them recover from
12 the fire.

13 CHAIR ROGERS: So it goes back to the field, but
14 through management decisions on grants?

15 MR. RICHARDSON: That's correct.

16 CHAIR ROGERS: Any other questions or discussions?

17 (No response.)

18 CHAIR ROGERS: I think we are on item seven, which
19 is report on LSC's budgetary needs for Fiscal Year 2003.

20 MR. RICHARDSON: Okay. This is sort of a heads-up
21 type of report. At the September meeting, we will need to

1 either adopt a budget for Fiscal Year 2003 or a budget mark
2 so that we can go to Congress by the October 15th deadline,
3 or we'll need to have some discussions and then a telephonic
4 meeting to set that mark.

5 I've talked with Don Saunders, and his group will
6 be coming forth with the budget mark from NLADA. I have not
7 talked to other members, representatives from the ABA or
8 anyone else, but if they have a budget mark that they would
9 like to submit to us, we would be glad to look at their
10 information.

11 And then if any of the board members would like to
12 submit a budget, we will review those, we will present them
13 to the board, but then we'll come forward and ask the board,
14 either at the September meeting or at the telephonic meeting,
15 to adopt a budget mark.

16 So this is sort of a heads-up that that will happen
17 in September.

18 CHAIR ROGERS: Any discussion of that? Questions,
19 comments on the budget mark?

20 MR. RICHARDSON: If I can add further, there has
21 been some different things that have been discussed here

1 yesterday; for instance, the program of retiring debt for
2 attorneys. And that's something that we looked at a year ago
3 and considered putting in the budget, but it was taken out
4 later.

5 Those are the type of things that we're looking at,
6 if there are programs who have initiatives that they'd like
7 to see us undertake. We have talked about a nationwide
8 retirement plan. We also talked about a nationwide or at
9 least some type of legal needs assessment.

10 So those are the type of things that we're looking
11 to add to the budget to see if we would like to go to
12 Congress and ask to see if we'd like to have them funded and
13 at what level. So it's a matter of starting to develop plans
14 to work in the future for us.

15 MS. MERCADO: Right, and I think we had also talked
16 about nationwide technology that was all compatible with all
17 the different programs in the national, if in fact the data
18 gathering and everything that you need to do is much easier.

19 MR. RICHARDSON: Mm-hmm.

20 CHAIR ROGERS: So solicitation of views and
21 thoughts on such things as law school loan forgiveness,

1 retirement?

2 MR. RICHARDSON: Yes.

3 CHAIR ROGERS: What were the last two?

4 MR. RICHARDSON: The loan forgiveness -- we were
5 thinking about a legal needs assessment. And health programs
6 -- we were told there are at least a few, if not many, of our
7 programs who don't offer full health care.

8 So if there's any of those type of initiatives out
9 there that there's a need, we'd like to hear about them to
10 see if there's anything that we can do to address them.

11 CHAIR ROGERS: This is the consider and act on
12 other business portion of our committee meeting.

13 Is there any other business?

14 (No response.)

15 CHAIR ROGERS: If not, thank you, David. That was
16 very clear and helpful, and it looks like things are on a
17 sound footing.

18 Is there a motion to adjourn?

19 M O T I O N

20 MR. ERLBORN: So moved.

21 MS. FAIRBANKS-WILLIAMS: Second.

1 CHAIR ROGERS: We'll stand adjourned.

2 (Whereupon, at 9:05 a.m., the Finance Committee was
3 adjourned.)

4 * * * * *