

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE FINANCE COMMITTEE

Saturday, September 8, 2001

8:45 a.m.

Hilton Alexandria Mark Center
5000 Seminary Road
Alexandria, Virginia

BOARD MEMBERS PRESENT:

Douglas S. Eakeley, Chairman
LaVeeda M. Battle, Vice Chair
Hulett H. Askew
John T. Broderick, Jr.
Edna Fairbanks-Williams
F. Wm. McCalpin
Maria Luisa Mercado
Nancy H. Rogers (via telephone)
Thomas F. Smegal, Jr.
Ernestine P. Watlington

STAFF AND PUBLIC PRESENT:

Randi Youells, Vice President for Programs
Mauricio Vivero, Vice President for Government
Relations & Public Affairs
Michael A. Genz, Director, Office of Program
Performance
David L. Richardson, Treasurer & Comptroller
Leslie Q. Russell, Director, Office of Information
Technology
Leonard J. Koczur, Acting Inspector General
Laurie Tarantowicz, Acting Inspector General and
Legal Counsel
Robert D. Gross, Senior Program Counsel III/State
Planning
Julie Clark, NLADA
Don Saunders, NLADA

C O N T E N T S

	PAGE
1. Approval of Agenda	4
2. Approval of the minutes of the Committee's meeting of June 30,	
3. Report on LSC's Consolidated Operating Budget, Expenses, and Other Funds Available through July 31, 2001	5
4. Report on the projected operating expenses for fiscal year 2001 based on operating experiences through June 30, 2001	5
5. Report on internal budgetary adjustments	12
7. Consider and act on proposed Temporary Operating Budget for Fiscal Year 2002	13
8. Consider and act on budget mark for fiscal year 2003	21
9. Consider and act on other business	35
10. Public comment	36

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

2 MR. EAKELEY: Perhaps we should let the record
3 reflect that we have tried unsuccessfully to reach Finance
4 Chair Nancy Rogers at her home and her office. She was very
5 busy this weekend, but will hopefully call in.

6 But in the meantime, I've asked Mr. Smegal to take
7 over as acting chair of the finance committee.

8 MR. SMEGAL: Thank you, Mr. Chair.

9 At this point, we are at the bewitching hour and
10 I'll call to order the meeting of the Legal Services
11 Corporation Finance Committee.

12 We have an agenda, and I would ask an approval of
13 the agenda.

14 MS. FAIRBANKS-WILLIAMS: So move.

15 Mr. EAKELEY: Second.

16 MR. SMEGAL: Second. As many as are in favor,
17 please say aye.

18 (A chorus of ayes.)

19 MR. SMEGAL: Opposed?

20 (No response.)

21 MR. SMEGAL: Thank you.

1 We have minutes of a meeting of June 30 in a
2 wonderful place in New Hampshire. They are in board book at
3 pages 60 through 64 -- 63.

4 May I have a motion to approve the minutes of the
5 Saturday, June 30 finance committee meeting?

6 MS. FAIRBANKS-WILLIAMS: So move.

7 MR. EAKELEY: Second.

8 MR. SMEGAL: As many as are in favor, please say
9 aye?

10 (A chorus of ayes.)

11 MR. SMEGAL: Opposed?

12 (No response.)

13 MR. SMEGAL: Thank you.

14 I believe we have Mr. Richardson available to us
15 for item number 3 on the agenda, report of the LSC's
16 consolidated operating budget, expenses, and other funds
17 available through July 31, 2000 [sic].

18 Mr. Richardson, I believe you have a handout that's
19 been received by at least the members of the finance
20 committee.

21 MR. RICHARDSON: Yes. And it is actually in the

1 board book, page 65 through 69. And I'll briefly go through
2 that.

3 Basically, we are operating, as you see, very much
4 within the budget. The grants that we have available to us
5 through the budget is a total of \$318,800,000. Through July,
6 we had expended \$310,700,000.

7 The main body of that money that has not been given
8 out is for the technology grants, and we're in the process of
9 making those at this point. There is some money available
10 from basic field funding, and that's because of funding
11 decisions that have been made to short-term some grantees.
12 But that money is allocated to that particular service area.

13 The Court of Veterans Appeals, I understand that
14 there is a movement to spend additional funds there also.
15 And, of course, the grants from other funds available is
16 available for emergency needs.

17 And at this point, with some recent flooding,
18 there's some calls as to how much money might be available to
19 help in those particular needs. We'll be reviewing those and
20 making funding decisions very shortly.

21 As far as grants and administration, you'll see

1 that we have for management administration \$3 million --
2 that's 74 percent of the budget -- being spent. We are, of
3 course, at 83 percent of the year, so we're well within the
4 budget there.

5 Within the IG's office, he has spent at about 67
6 percent, so they're a little bit -- they're well within
7 budget also. So there's no particular problems there.

8 The only problem that I see in the whole budget
9 process, and I will highlight that again when we look at the
10 budget revisions, is an interesting item. Looks like we're
11 going to see a little bit of a shortfall this year -- it will
12 be very modest -- with the interest rate cuts that the Fed
13 has introduced the last few months.

14 Our interest rate has gone from a high of 6 percent
15 last October to 2.85 just in the last week. So we are
16 experiencing just a slight shortfall there in in the interest
17 income that we're receiving. But you'll see, when we look at
18 the budget projections, it will not impact our budget at this
19 point.

20 MR. EAKELEY: When is our lease up? When do we
21 start looking at significantly higher occupancy costs?

1 MR. SMEGAL: May of 2002, isn't it?

2 MR. RICHARDSON: May of 2002. Just a word on that.

3 We are negotiating with our landlord to stay in the current
4 property. Because we have some issues with some expenses
5 that have been passed through, we have negotiated basically a
6 level funding lease for the first year, for June 1, 2002 to
7 May 31, 2003. So in that particular period, we will not see
8 an increase.

9 MR. SMEGAL: Wonderful. That's good news, David.
10 Good job.

11 MR. RICHARDSON: And as far as the increases, they
12 want a guaranteed 2 percent increase a year, and we're trying
13 to work on maybe reducing that a little bit.

14 MR. SMEGAL: I'm sorry. When you say guarantee,
15 they guarantee a maximum of a 2 percent?

16 MR. RICHARDSON: Yes. I'm maybe a little too
17 stingy. Probably ought to just approve it and go on, but I'm
18 trying to get them down a little bit more.

19 MR. SMEGAL: All right. And the projections of the
20 2 percent are in the budget we're going to get to a bit
21 later?

1 MR. RICHARDSON: That is correct.

2 MR. SMEGAL: Okay. Any questions of
3 Mr. Richardson?

4 (No response.)

5 MR. SMEGAL: I believe we have a resolution which
6 is necessary to transfer funds to various categories, which
7 we do periodically. And I believe it's Resolution 2001-012.
8 Is that correct?

9 MR. RICHARDSON: That is correct.

10 MR. SMEGAL: Is that where you are? There should
11 be in front of you a document which appears to be revised
12 adopting revisions to LSC's consolidated operating budget,
13 fiscal year 2001, Resolution 2001-012. Do we need to read it
14 into the record?

15 MR. RICHARDSON: I don't believe so at this point.
16 It would certainly be read later at the board meeting.

17 MR. SMEGAL: All right. I've heard a motion to
18 approve?

19 MS. FAIRBANKS-WILLIAMS: So move.

20 MR. SMEGAL: Thank you. Is there a second? Mr.
21 Eakeley?

1 MR. EAKELEY: I second.

2 MR. SMEGAL: All right. Thank you very much.

3 MR. EAKELEY: You're welcome.

4 MR. SMEGAL: All in favor? Any further discussion?

5 MR. McCALPIN: Tom?

6 MR. SMEGAL: Yes, Mr. McCalpin? Without a tie, I
7 might add.

8 MR. McCALPIN: What's the difference between
9 Resolution 011 and 012? I notice that one's a consolidated
10 operating budget for 2001; the other is a temporary operating
11 authority.

12 MR. EAKELEY: I can answer that.

13 MR. SMEGAL: One has 2001 in it and the other has
14 2002, to start with.

15 MR. EAKELEY: Right. Fiscal year 2002, Bill,
16 starts on October 1 of this year, and that board will not
17 have met again, if ever, before then. So we need temporary
18 operating authority to continue at current levels of
19 expenditure.

20 MR. McCALPIN: Well, the interesting thing about it
21 is that the resolution number is lower for 2002 than it is

1 for 2001. That confused me.

2 MR. EAKELEY: It was deliberate.

3 (Laughter)

4 MR. SMEGAL: It was deliberate to confuse you, Mr.
5 McCalpin.

6 Is there any further discussion?

7 (No response.)

8 MR. SMEGAL: Seeing none, as many as are in favor
9 of the adoption of the 2001-012, please say aye.

10 (A chorus of ayes.)

11 MR. SMEGAL: Opposed?

12 (No response.)

13 MR. SMEGAL: Thank you very much.

14 Mr. Richardson, please continue.

15 MR. RICHARDSON: Okay. Let me ask the pleasure of
16 the committee. There is a memo in the information that was
17 dated September 6 that goes through the nine-month review.
18 Would you like to walk through that at this point?

19 Basically, the resolution that you just approved
20 approves these changes.

21 MR. EAKELEY: I thought the memo was self-

1 explanatory.

2 MR. SMEGAL: Yes, it was.

3 MR. EAKELEY: And unless somebody needs to have it
4 repeated, are there items that need further development? I
5 thought that it was self-contained.

6 MR. SMEGAL: Yes. Let me ask -- Mr. Askew, you
7 have a question on your face? No.

8 MR. ASKEW: No.

9 MR. SMEGAL: On your mind.

10 MS. MERCADO: Are you only dealing with the nine-
11 month review issue right now?

12 MR. SMEGAL: Right at this moment, yes.

13 MR. RICHARDSON: That's correct.

14 MS. MERCADO: Then I'll wait.

15 MR. SMEGAL: All right. Mr. Richardson, your memo
16 is sufficient in every respect.

17 MR. EAKELEY: And actually, David is right. In
18 approving the prior resolution, we were approving the
19 internal readjustments for the balance of the current fiscal
20 year.

21 MR. RICHARDSON: That is correct.

1 MR. SMEGAL: That's correct. We're moving right
2 along. Thank you very much, Mr. Eakeley, for pointing that
3 out.

4 MR. EAKELEY: By leaps and bounds.

5 MR. RICHARDSON: Okay. And the next agenda item
6 that you have is the temporary operating budget for 2002.

7 Again, there's a memo there that explains that we
8 have budgeted in this particular temporary operating budget
9 five board meetings for next year, two to be held in
10 Washington and three at locations outside of the District.

11 We've increased -- we've projected salary increases
12 that will be coming in January, along with locality
13 increases.

14 The occupancy cost that you see there, I had
15 originally \$1.5 million. That was at a point where we were
16 negotiating at a higher interest rate. So it looks like that
17 will be in the 1.4 area. So when we do come back to you,
18 we'll have a more firm figure there. But I just wanted to
19 make sure to leave it at that point until we get a signed
20 document executed and everything set up.

21 The office of --

1 MR. SMEGAL: I'm sorry, Mr. Richardson. Let me
2 make sure everybody on the board -- this is not in the board
3 book, the document from which he's speaking. It was a
4 handout that you should have had.

5 MS. BATTLE: I don't think I have it.

6 MR. SMEGAL: You don't have it? It's the one
7 that -- it's paperclipped, and it says on the front of it,
8 "Nine-Month Budget Review." Actually, it's several
9 documents.

10 MS. BATTLE: Okay.

11 MR. RICHARDSON: And I apologize. That was put out
12 yesterday morning in between the two meetings, and I didn't
13 get a chance to call it to your attention there.

14 Staffing, you will see, is at 91, spread throughout
15 the different offices, as you see there. Inspector General
16 has a budget that -- he has budgeted based on last year's
17 appropriation of 2.2 million, and then the projected carry-
18 over that he has for the year. He has 17 members on the IG
19 staff.

20 They have consulting funds, of course, for their
21 particular activities -- the corporate audit, the annual

1 service reviews, and then the competition evaluation,
2 technology project assessment. There's other smaller
3 projects that he has budgeted in his office.

4 I should note that there is a good deal of
5 investment of resources in the management side in the state
6 planning. So that's something that we will continue and move
7 forward there.

8 The total budget that we are looking at for
9 management and administration, we have built their budget on
10 a more optimistic note, since we do have both House and
11 Senate appropriation figures of 12 million 4. We have also
12 included \$300,000 in interest revenues and 500,000 in carry-
13 over.

14 I will note at this point that if you had looked at
15 the prior report, we were only showing carry-over of like
16 \$220,000. So we need to come up with an additional 280,000
17 carry-over to make this budget work.

18 Our directors are aware of that, and actually I've
19 been told in the last two days that some of the projects that
20 were in the budget that was just approved have been delayed
21 or canceled at this point. So we still feel good about the

1 \$500,000 carry-over, even though our other paperwork doesn't
2 show that.

3 So we're just hoping to move forward. If not, this
4 budget will have to be reduced at a coming meeting. And, of
5 course, it all hinges also on the actual passing of the
6 appropriation.

7 So basically what we have before you is a
8 resolution, 011, 2001-011, that provides for a temporary
9 operating budget for management and administration of
10 13,200,000, and for the Inspector General to be at a level of
11 \$2,358,788. And that resolution is before you.

12 MR. SMEGAL: All right. Question, Maria Luisa?

13 MS. MERCADO: Yes. David, I was just wondering, in
14 looking at the budget for the 2002, and I'm assuming I'm
15 either looking at the competition in program improvement or I
16 am looking -- I don't know, maybe just a compliance and --
17 I'm not sure where -- are we including in this budget for the
18 diversity initiative that we've had?

19 MR. RICHARDSON: There is \$300,000 there for the
20 program performance, and they are allocating that money. In
21 speaking with Ms. Youells earlier this week, she tells me

1 that she thinks that she can fund it at this point.

2 If not, we will look for possible resources
3 throughout the budget that could support that. It is
4 something that is still there.

5 MS. MERCADO: Well, I just wonder whether in some
6 of the carry-overs that we're looking at, if we have greater
7 carry-overs, that we could in fact ensure that the diversity
8 initiative is funded.

9 MR. RICHARDSON: In talking with Ms. Youells,
10 definitely she plans to do that.

11 I will note one other thing in our budget. In here
12 you'll see that there's a \$334,000 line item for the board.
13 In thinking forward of the new board coming in, a search for
14 an inspector general and president, that money is included.

15 One shortfall that I see here that we've got is in
16 the litigation line. This year we're spending about
17 \$400,000, and we've budgeted 190 here. So we are going to
18 have to -- and I've talked with Vic about this, and it's a
19 matter that we're going to have to be very diligent in trying
20 to keep the litigation down. But sometimes we can't control
21 that.

1 And it's something that we're mindful of that we
2 may have to make a shift in funding here in some of these
3 initiatives so that we can make money available for that if
4 it is needed.

5 MS. BATTLE: How much insurance coverage? I mean,
6 is there a mix between what we have to spend, deductibles
7 coverage, and insurance coverage in that figure?

8 MR. RICHARDSON: It is not. And let me explain
9 this -- well, let me back up. We have an insurance carrier
10 now that we have a \$100,000 deductible. And that may go up
11 because of the different litigation.

12 I've called our insurance broker, and at this point
13 we have not gotten renewal information from them. And as
14 always, we did get the notice that you're not for renewal,
15 but we always apply and it seems to always come through.

16 Last year, if you'll remember, we had a significant
17 increase in litigation, and the carrier wanted to go to
18 \$200,000 deductible and increase the premiums almost double.

19 We went outside. We got another carrier to bring
20 the -- to cover the insurance at a substantial reduction but
21 an increase in deductible. So it's a mix.

1 Included in this budget is \$85,000 for insurance
2 next year. When I get the final figure, it may go up a
3 little bit. I increased it 10 percent, but that may not be
4 enough. It's constantly juggling at this point until you get
5 final figures, and that's the reason we do our quarterly
6 reviews and we have revisions throughout the year.

7 MR. SMEGAL: So the 190 is based on anticipations
8 of the best that Victor can come up with at this point?

9 MR. RICHARDSON: That's correct.

10 MR. SMEGAL: I notice you've got a million and a
11 half for occupancy costs versus a million 319 -- eleven nine.
12 And you were discussing earlier a 2 percent increase.
13 Hopefully, there are some incentives. There are some
14 adjustments being made here. Why 15 percent more?

15 MR. RICHARDSON: When we originally started the
16 negotiations, the landlord's initial attempt to renegotiate
17 was to say, we want a \$2 increase in the annual square
18 footage rent per year and an increase.

19 We have worked on that. I had budgeted at that
20 figure until we come to a place where we've signed the lease.
21 We've negotiated that down at this point, but since I don't

1 have a signed document, I've left it at the more conservative
2 figure.

3 MR. SMEGAL: So that 1.5 may come down?

4 MR. RICHARDSON: Yes.

5 MR. SMEGAL: All right. Thank you. Any other
6 questions of Mr. Richardson?

7 (No response.)

8 MR. SMEGAL: All right. We have a resolution.

9 This one is marked 011, out of order, but nevertheless here.

10 And it would ask us to approve a temporary operating budget
11 for fiscal year 2002, Mr. McCalpin.

12 And is there a motion?

13 MR. SMEGAL: So move.

14 MR. SMEGAL: Thank you. Second?

15 VOICE: Second.

16 MR. SMEGAL: Is there any further discussion?

17 (No response.)

18 MR. SMEGAL: As many as there are in favor, please
19 say aye.

20 (A chorus of ayes.)

21 MR. SMEGAL: Opposed?

1 (No response.)

2 MR. SMEGAL: Thank you very much.

3 Mr. Richardson, next item.

4 MR. RICHARDSON: Okay. We've had some internal
5 discussions regarding a budget mark which we are supposed to
6 present to OMB October 15th. Our current budget, of course,
7 is \$329,300,000.

8 We looked at different percentage increases. We've
9 discussed internally some of the political ramifications of
10 requesting a significantly higher number. The high water
11 mark of this board was \$415 million that was received in I
12 think it was '94, of which 15 million of it was rescinded.
13 So the highest budget that the Corporation has received to
14 date has been the \$400 million.

15 Since that time, and there was of course a sea
16 change in the Congress that created a need to ask for reduced
17 money, and our logic has been to ask for cost of living
18 increases, increases for new initiatives, and so forth along
19 the line, to the point where we are now. The highest increase
20 that the board has asked for to date, with the sea change,
21 has been \$396 million.

1 In our discussions, we feel that that's the figure
2 that, as far as the staff, that we would like to bring
3 forward to the board and ask you to approve. I'd be glad to
4 answer any particular questions you may have at this point.

5 In your booklets, you will see that there is
6 information from NLADA. We have had some discussions with
7 them. Their budget request was significantly higher. But we
8 felt at this point to go from basically a \$330 million budget
9 to 395 would be the more prudent step for us to take.

10 MR. EAKELEY: 396.

11 MR. RICHARDSON: 396. Excuse me, 396.

12 MR. SMEGAL: 396 is your recommendation to the
13 board?

14 MR. RICHARDSON: That is correct.

15 MR. SMEGAL: Thank you very much.

16 Questions of the board members?

17 MR. EAKELEY: I wanted to make an observation, but
18 maybe I'll hold that for the moment.

19 MR. SMEGAL: We have in the board book at page 70,
20 and for several pages thereafter, a very helpful and
21 instructive memorandum from NLADA. And I think Mr. Don

1 Saunders is here and may want to elaborate upon that.

2 I notice his budget mark or their budget mark is
3 492.4, and if you do the math, it's based upon an
4 inflationary adjustment of the 1995 level. And beyond that,
5 why don't you tell us about your recommendation, Don.

6 MR. SAUNDERS: Thank you and good morning. I will
7 be brief. I have had the pleasure of presenting our
8 recommendations for a number of years, and this is the third
9 year that we have adopted the approach which is essentially,
10 as the chairman pointed out, a restoration approach.

11 We obviously urge you to adopt the highest possible
12 mark within political feasibility. We are certainly aware of
13 the environment in which you deal. But we think it's
14 justifiable to seek a return to a level that Congress has
15 found appropriate in the past. The need is obviously much
16 greater.

17 The community has stepped up since the cuts and
18 really raised revenues from other sources in a real
19 fundamental way, but it remains a reality, particularly in
20 many parts of the world, the South and throughout the
21 Midwest, that without a significant federal commitment, that

1 the promise of equal justice cannot be realized in this
2 country.

3 It's probably the last time we will have an
4 opportunity to address this board about funding levels, and I
5 would be remiss not to commend you throughout your long
6 tenure and really your steadfast efforts around the budget.

7 And I would assure you that NLADA will be there
8 with the American Bar to support your budget request in any
9 and every way. We would urge you to come up at a higher
10 level, but we obviously understand the environment in which
11 you operate.

12 I would like to spend just a couple moments,
13 however, responding to the request of the chair, Ms. Rogers,
14 in New Hampshire that organizations who had an opinion about
15 specific line items that might be of use in this budget, to
16 present them to you. And we have particularly two that I want
17 to highlight and urge you to consider adopting.

18 Primarily, we've asked in the past about support
19 for training and materials and things of that sort. That
20 remains in our budget request. What is new and what is
21 unlike previous budgets that the field has presented you is

1 that we do strongly support an earmarking after a certain
2 level.

3 After 340 million of basic field funding, we
4 support an earmarking of between 17 and \$22 million to
5 support two new initiatives, both of which you contemplated
6 last year. One is the creation of a loan repayment
7 assistance program, and another is the development of a
8 pension program, sort of both ends of the spectrum.

9 As I referenced yesterday in the discussion of
10 diversity, one of the key problems we face in bringing in a
11 new generation of legal services advocates is the problem of
12 student debt. It is enormous. It has increased so much just
13 in the last several years.

14 If you look in the last decade, you see a doubling
15 of student debt. You see debt in the range of 80- to
16 \$100,000, literally many, many students coming out with that
17 kind of debt. That's \$12,500 a year in payment just to
18 handle a loan.

19 We have all identified that, as you have, as an
20 issue. As you probably know if you've seen the last edition
21 of the American Bar Association Journal, Bob Hirschon, the

1 incoming president, in his initial column highlighted two
2 initiatives that the ABA is going to focus on in his year as
3 president. The first one is the issue of student debt.

4 There is a task force appointed. It will be
5 looking at it from the perspective of the Bar. We have a
6 committee working very hard in NLADA, working with NAEFL and
7 some of the other organizations, again to try to come up with
8 some creative theories. John Eidleman and others on your
9 staff have participated with us in trying to think through
10 strategies to address this issue.

11 But clearly there's a need for resources here. We
12 do not, unfortunately, have a plan that can lay out very
13 specifically what it would cost. We think the range of 17 to
14 \$22 million would be enough to get going in every state
15 something to assist the development of programs, as many
16 state legislatures -- Texas is looking right now, as others
17 are, in getting some state funding there.

18 We think there's a federal role and we think the
19 field thinks strongly now, which is different than it was a
20 few years ago, that there ought to be some federal attention
21 paid to these two essentially management issues, particularly

1 around student debt, but also around the issue of pensions.

2 As we talked about yesterday, we do have an aging
3 workforce on the other side, and many, many programs really
4 have little if any protection built in for their employees
5 upon retirement.

6 So what we think the Corporation should do is set
7 out a specific line to look at both ends of the personnel
8 issue, to invest some money in it, to create a committee to
9 really work with us, with the American Bar Association, to
10 really figure out what your role would be.

11 But clearly, as the major funder of legal services
12 on the civil side in this country, we think it's time for you
13 to step up and make a commitment in those two areas.

14 So in response to Chairman Rogers' request, that
15 would be one area we would specifically urge you to consider
16 including in your request.

17 MR. SMEGAL: Don, is there a priority in these?
18 Certainly training has been in here before. And if you were
19 to put a label on student ed associate or staff pensions,
20 would you put one before the other in our efforts to fund
21 those?

1 MR. SAUNDERS: We did not try to prioritize them,
2 so I can't speak for the community. But the one area that I
3 think everyone is focusing in on from my interactions is the
4 issue of student debt.

5 MR. SMEGAL: Thank you. All right. And the way
6 your budget request or proposal is set up, if we were to be
7 successful at the level proposed by Mr. Richardson, \$396
8 million, this would leave funding sufficient because the
9 direct would be more than 340.

10 MR. SAUNDERS: It would sufficiently fund it. And
11 again, that's a ballpark figure. I mean, that was our
12 thinking what it would cost to get something going to grants
13 and contracts in every state. But clearly, at your level of
14 funding, that meets our threshold of increase at the basic
15 field level easily.

16 MR. SMEGAL: Maria Luisa?

17 MS. MERCADO: No. I was just going to echo
18 Mr. Saunders' comments that in all the various sessions that
19 I have gone to around the country on the issue of diversity,
20 that the number one item that seems to come up in every
21 different session, whether we're dealing with young

1 attorneys, whether we're dealing with an older population, or
2 regardless of what level of experience, the number one reason
3 that most of those people don't stay with us or don't even
4 come to legal services is that student debt.

5 And we have to find ways of making a diverse body,
6 not only in the sense of race or ethnicity or gender, but
7 just age and bringing some younger people in.

8 MR. SMEGAL: Thank you. Any further comments?
9 Observations?

10 Any other public comment?

11 MR. SAUNDERS: I have one final comment, and it
12 relates back to the earlier question that Ms. Mercado raised.

13 We would, again, as I said yesterday, strongly urge
14 the continuation of a commitment of some of the M&A money to
15 the diversity initiative. We think that's really a terrific
16 idea.

17 And I don't think you need to put it in the budget
18 in any particular way, but we would just like to go on record
19 urging you to continue that commitment and support.

20 MR. SMEGAL: Thank you very much for your comments.
21 Any other public comments?

1 (No response.)

2 MR. SMEGAL: I see none. Board comments?

3 MR. EAKELEY: Let me move the resolution and then
4 address it, if I could.

5 MR. SMEGAL: All right.

6 MR. EAKELEY: I move that we adopt as the budget
7 mark for FY 2003 \$396 million.

8 MS. FAIRBANKS-WILLIAMS: Second.

9 MR. SMEGAL: So this is the fill in the blank in
10 Resolution 2001-013 that is before us?

11 MR. EAKELEY: That is correct.

12 MR. SMEGAL: All right. Thank you very much. And
13 there's a second. Any other discussion of --

14 MR. EAKELEY: Edna seconded?

15 MR. SMEGAL: Edna seconded. Right.

16 MR. EAKELEY: Clearly, I think I speak for the
17 entire board when I say we'd like to see nothing -- I almost
18 misspoke -- we would love to see restoration of the last high
19 water mark of funding adjusted for inflation, although if we
20 were to do that, we would not be returning to the \$400
21 million appropriation adjusted for inflation, but to the

1 300 -- Bill, help me here. Was it 300 million or 325 million
2 in 1980?

3 MR. McCALPIN: 340.

4 MR. EAKELEY: 340 in 1980, which adjusted --

5 MR. McCALPIN: 320. I'm sorry, 25 percent dropped,
6 and 240.

7 MR. EAKELEY: But it was 320 initially?

8 MR. McCALPIN: 312.

9 MR. SMEGAL: Well, it was 305 when I got here in
10 1984, so it was a little higher than that before that. It
11 was 305 in 1984, but you're right, Bill, it had gone down to
12 240 from some other number like 320 or 325.

13 MR. McCALPIN: Yes. Cut 25 percent.

14 MR. SMEGAL: In '81. Yes.

15 MR. McCALPIN: From 320 to 240.

16 MR. EAKELEY: My point being that restoration means
17 different things at different times. But in any event, what
18 we're dealing with is an inadequate pool of resources
19 compared to the need.

20 Unfortunately, if you compare budget levels with
21 current levels or requests with current levels, the smaller

1 the base, the larger the apparent percentage increase
2 becomes, even though in actual absolute dollars or in terms
3 of dollars compared to need, the percentage terms are very
4 small.

5 But I think that our job is to do what we can to
6 maximize federal funding consistent with feasibility and
7 workability and credibility with the Administration and with
8 the congressional leadership.

9 And I think what we want to do is leave the next
10 board with a realistic budget mark that they can work with
11 and ideally improve upon, but which, if obtained, would be a
12 very nice start to a successful tenure.

13 MR. SMEGAL: Any other comments, board or public?

14 (No response.)

15 MR. SMEGAL: Seeing none, I believe we're ready to
16 vote. As many as are in favor of the motion as presented by
17 Mr. Eakeley and seconded by Edna, please say aye.

18 (A chorus of ayes.)

19 MR. SMEGAL: Opposed?

20 (No response.)

21 MR. SMEGAL: Thank you very much. The motion

1 carries.

2 And let's see. Mr. Richardson --

3 MR. EAKELEY: Just before we leave the topic, I
4 just want one other thought. I don't know whether we or this
5 board should pursue the suggestion that we appoint a
6 committee or ask someone to participate in a committee with
7 the ABA on the issue particularly of student loan
8 forgiveness. But I for one would love to see that happen.

9 Randi?

10 MS. YOUELLS: Our president has been invited to
11 serve on that commission and he has accepted that invitation.

12 MR. EAKELEY: Great.

13 MR. SMEGAL: All right. Thank you, Don. We are
14 now at the place in the agenda --

15 MR. ASKEW: Tom, may I say something? I'm sorry.

16 MR. SMEGAL: Yes, Bucky. Sure.

17 MR. ASKEW: It may be better if I waited till the
18 board meeting. I didn't know whether it was better to say it
19 now.

20 But I endorse what Don was saying about loan
21 forgiveness, pension, and am working on a group in Atlanta

1 now with Emory Law School trying to set up a loan repayment
2 assistance program, and have become quite familiar with all
3 the numbers and the hurdles.

4 And it's a very serious problem for the public
5 interest community, and if we don't do something about it,
6 it's going to come back to haunt us in many ways.

7 And so I would like for this board to go on record
8 saying to the next board that that is something we endorse,
9 and we would like for them to pursue that aggressively,
10 depending on the appropriation, and if not, increased money
11 in participating with the ABA and other groups in trying to
12 work on that issue.

13 MR. SMEGAL: Thank you. In reporting to the board,
14 I'll make that comment and hopefully we can discuss it and
15 even vote on it.

16 Again, thank you, Don. We are now at, consider and
17 act on any other business before the finance committee.

18 (No response.)

19 MR. SMEGAL: Seeing none, any further public
20 comment?

21 (No response.)

1 MR. SMEGAL: Observing there are no public members
2 who have risen to speak, I believe it's appropriate to
3 entertain a motion to adjourn.

4 MS. FAIRBANKS-WILLIAMS: So move.

5 MR. EAKELEY: Second.

6 MR. SMEGAL: As many as are in favor, please say
7 aye.

8 (A chorus of ayes.)

9 MR. SMEGAL: Opposed?

10 (No response.)

11 MR. SMEGAL: Thank you very much. We are in
12 adjournment.

13 (Whereupon, at 9:45 a.m., the meeting was
14 concluded.)

15 * * * * *