

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS

FINANCE COMMITTEE

OPEN SESSION

September 18, 1999

1:10 p.m.

W Seattle Hotel  
1112 Fourth Avenue  
Seattle, Washington 98101

COMMITTEE MEMBERS PRESENT:

Maria Luisa Mercado, Chair  
Thomas S. Smegal, Jr.

BOARD MEMBERS PRESENT:

Douglas S. Eakeley, Chair  
Hulett H. Askew  
John N. Erlenborn  
Edna Fairbanks-Williams  
F. William McCalpin  
Ernestine Watlington

STAFF AND PUBLIC PRESENT:

Shannon Adaway  
Danilo Cardona  
Kim Dixon  
Victor Fortuno  
John Hartingh  
James J. Hogan  
Joan Kennedy  
John McKay, President  
Eduouard Quatrevaux  
David Richardson  
Leslie Russell  
Don Saunders  
Chris Sundseth  
Mauricio Vivero

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C-09389

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

1  
1 MS. MERCADO: We'll bring the finance  
2 committee meeting to order and just note for the record  
3 that we do have a quorum. And I would also like to  
4 welcome all of you in the public, LSC staff, LSC  
5 supporters, members of the community of Seattle, and  
6 other board members that are present here at our  
7 finance committee meeting.

8 Do we have any changes or additions to the  
9 agenda?

## M O T I O N

10  
11 MR. SMEGAL: I move that we approve the agenda  
12 as submitted.

13 MR. EAKELEY: Second.

14 MS. MERCADO: All in favor?

15 (Chorus of ayes.)

16 MS. MERCADO: Okay. The next item, approval  
17 of the minutes of the committee meeting of June 11th.

18 Are there any additions or corrections to the  
19 minutes?

20 MR. SMEGAL: No, I approved that -- no, I'm  
21 sorry, there is a correction on the fourth page at the

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1 top or the last page at the top. There is a motion  
2 made there by Mr. Smegal which I believe should  
3 correctly refer to the chair, Ms. Mercado, as having  
4 entertained a motion to adjourn. To be consistent with  
5 the rest of the minutes where you've been entertaining  
6 a lot of things.

7 MS. MERCADO: Yes.

8 MR. ERLNBORN: She's always entertaining.

9 MR. SMEGAL: She's very entertaining, I might  
10 let the record note that.

11 M O T I O N

12 MR. SMEGAL: Anyway, I would move the approval  
13 of the minutes with that minor typographical  
14 correction.

15 MS. MERCADO: Okay. All in favor?

16 (Chorus of ayes.)

17 MS. MERCADO: Our next item is the review of  
18 the projected expenses for the remainder of FY '99.

19 Mr. Richardson, our comptroller, will make  
20 that presentation.

21 MR. RICHARDSON: For the record, my name is  
22 David Richardson. I am the treasurer of the  
23 corporation.

1           There are documents available on the corners  
2 of your tables, if you did not pick them up, and for  
3 the people in the gallery there are copies at the back  
4 of the room.

5           My first order of business is just sort of to  
6 draw your attention to the document that's in the board  
7 book, which is the expenses through June and I'll use  
8 that, then, to go through the spending and, after we  
9 review that, the projections for the remainder of the  
10 year.

11           The budget that we have before you that is in  
12 the board book is a total budget of \$302,098,000. It's  
13 the same budget, it's the budget that you passed,  
14 though revised with the mid-year review.

15           What I'll do is as I report this, I'll round  
16 to the nearest thousand.

17           The money for the delivery of legal assistance  
18 is \$290,081,000; the money budgeted for management and  
19 administration is \$9,841,000; and the budget for the IG  
20 is \$2,176,000.

21           We have spent money this year, of course, in  
22 total of \$297,342,000. That is broken up into your

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1 expenses for the delivery of legal services, for our  
2 grants of \$289,913,000. Also, that leaves a balance of  
3 \$168,000.

4 In management, we have \$6,122,000, leaving a  
5 balance of \$3,719,000.

6 And in the inspector general, that has spent  
7 \$1,307,000, leaving a balance of \$869,000 there.

8 As the memo states in the board book, we  
9 are 75 percent through the year as of this reporting.  
10 The spending for management and administration is at  
11 62 percent and spending for the OIG is at 60 percent.

12 As you see, there's a great deal of funds that  
13 are still available, budgeted funds, through this time  
14 period, but there's a very ambitious undertaking in the  
15 next few months or through the end of September,  
16 actually, to get some things accomplished through the  
17 competition initiative, a new telephone system.

18 Of course, we've had our 25th annual event,  
19 so we're projecting, of course, that that money will be  
20 spent almost entirely through the end of the year.

21 Let me direct your attention to the handout  
22 and what I'll do is point out a few things there that

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1 will be of interest to you.

2           When you look at the June revisions, you'll  
3 see that there is a net increase in the management and  
4 administration budget of \$117,700. We're able to do  
5 that because we had a refund of some litigation money  
6 that we're able to bring back into the budget and I  
7 have allocated it back into the budget based on the  
8 needs that the directors have given me through the  
9 remainder of the year.

10           You'll note that in the board of directors  
11 that there is an increase of \$69,150. The money was  
12 needed for additional expenses with the 25th annual  
13 celebration. Also, we've extended our meeting  
14 schedule. Actually, in Denver, we had an extended  
15 meeting.

16           We normally budget two-day meetings. This  
17 meeting, for instance, with all the activities, is  
18 three days, so we had to increase the money to make it  
19 available for the spending that we see there.

20           What I'm going to do is mention those where  
21 there are increases and then I'll go back and give you  
22 the reason for the decreases that net out there.

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1           Within the general counsel's office, there is  
2 a need of an additional \$57,500. That money is needed  
3 for some litigation, for outside counsel, and you'll  
4 get a report on that tomorrow in your executive  
5 session.

6           Government affairs has a net need of \$2500.

7           All of these budgets, we as directors through  
8 our internal budgetary guidelines, have the authority  
9 to move money from one area to another, from travel to  
10 other operating or to consulting or so forth.

11           What we're looking at is a net need or where  
12 there is monies available where we can transfer it to  
13 help supplement other offices' expenditures.

14           In administration, for instance, there's an  
15 additional need of \$56,600. There was a need in the  
16 occupancy line of \$127,000 for some ongoing needs that  
17 we had there with the spending through administrative  
18 offices. We were able to accommodate all of that  
19 spending with internal budgetary adjustments and  
20 savings with the exception of the \$56,600.

21           In addition, information technology, they've  
22 made some adjustments, but there's an increased need



1 there of \$1500. And then the program operations,  
2 actually, out in the field at this time, it's a very  
3 busy time of the year for them with the competition,  
4 with state planning, and there was actually a need  
5 there for some additional travel money and the area of  
6 program performance was able to absorb the additional  
7 travel money that they needed with the exception of  
8 the \$113,000 and they're also hoping to give some  
9 consulting contracts out at this point. So it's a net  
10 need of additional money.

11 As far as those that have money that were  
12 able to give that money to help support other programs,  
13 if you'll recall, when we passed our operating budget  
14 the first of the year, there was \$375,000 in the  
15 executive office to help support the 25th annual  
16 celebration and other ongoing projects through the year  
17 that we were able to draw from, so we now have  
18 identified and moved that money. This is the second  
19 movement.

20 We did move some money at mid-year and now we  
21 have another \$92,000 that we can move to support other  
22 activities throughout the corporation.

1           Also, within my office and the information  
2 management and compliance, the reason we have negatives  
3 there is mainly because of hiring issues where we had  
4 budgeted hiring people at certain times of the year  
5 and were not able to do so, so as that money became  
6 available, it's now available to help support other  
7 activities through the corporation. Also, there is a  
8 decreased amount of money being spent on consulting, so  
9 that money is also available. So that's the two main  
10 sources of funds that we have there that's available to  
11 support the total operations.

12           Of course, what we're asking you to do is to  
13 adopt this budget as shown in Attachment A.

14           I did notice that the Attachment B does not  
15 have Attachment B on it unfortunately, but you'll see  
16 that the \$9,958,211 does match the total of the budget  
17 that's shown on Attachment A.

18           So what we're asking you to do is approve the  
19 budget as shown on Attachment A and as broken down for  
20 management and administration on Attachment B.

21           If you do have any questions, I'll be glad to  
22 answer those at this time.

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1 MS. FAIRBANKS-WILLIAMS: So have you allocated  
2 all of the \$375,000 that we had going for projects for  
3 the year?

4 MR. RICHARDSON: Yes, we have.

5 MR. SMEGAL: Madam Chair, do we need an  
6 approval of the revised budget as reflected at column 3  
7 of Attachment A, page 1 and 2?

8 MS. MERCADO: Yes, I would entertain a motion.  
9 And Attachment B we don't have?

10 MR. RICHARDSON: It's actually not labelled.

11 MR. SMEGAL: It's the one without the label?

12 MS. MERCADO: It's just the blank page?

13 MR. RICHARDSON: Right. Unfortunately, it  
14 didn't get labelled. It's actually -- the title, of  
15 course, is "Proposed Operating Budget for Fiscal Year  
16 1999."

17 MS. MERCADO: So that would be labeled  
18 Attachment B. Okay.

19 Any questions from anyone, other board  
20 members?

21 (No response.)

22 MS. MERCADO: Hearing none, I would entertain

1 a motion to approve the revised budget.

2 M O T I O N

3 MR. SMEGAL: So moved.

4 MS. MERCADO: All those in favor?

5 (Chorus of ayes.)

6 MR. EAKELEY: Actually, I would show a second  
7 to the motion from Eakeley.

8 MS. MERCADO: Any objections? None? Okay.

9 The motion passes.

10 MR. RICHARDSON: Let me state one other thing  
11 here. On the document itself, you'll see that there is  
12 no money as being shown remaining for the inspector  
13 general. That is an error.

14 There will be approximately \$90,000 remaining  
15 for the inspector general and that is actually shown in  
16 the next document because he is asking for a temporary  
17 operating budget of \$2,190,000. So I just wanted to  
18 clarify that as we move forward.

19 MS. MERCADO: Two million what?

20 MR. RICHARDSON: Actually, when we look at the  
21 year 2000 budget, the inspector general's budget is  
22 \$2,190,000.

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1 MS. MERCADO: And so are you saying that in  
2 the attachment the figure should be \$2,190,000?

3 MR. RICHARDSON: No, I'm saying in the  
4 carryover. The very first sheet. It does not affect  
5 your vote as far as the adopting of the budget, but I'm  
6 just saying that the projected carryover is shown as  
7 zero there.

8 MS. MERCADO: Right.

9 MR. RICHARDSON: And that is an error. That  
10 should be a \$90,000 carryover.

11 MR. EAKELEY: You asked for us to vote on it  
12 first and then --

13 MR. RICHARDSON: Actually, that doesn't affect  
14 the budget presentation. I just wanted to clarify that  
15 there is additional monies that would be carried over  
16 there.

17 MS. MERCADO: All right. But we still need to  
18 note that we are approving the complete and revised  
19 budget, which includes the \$90,000 now added to a  
20 carryover for the inspector general line.

21 MR. RICHARDSON: Well, it doesn't increase the  
22 budget.

1 MS. MERCADO: Right.

2 MR. RICHARDSON: And that's the reason I  
3 mentioned it at the end. So the budget will remain the  
4 same.

5 MS. MERCADO: Okay. The next item is the  
6 comparability study.

7 MR. RICHARDSON: Yes. And actually I'll sort  
8 of combine this and step into the next one also as I  
9 talk there.

10 We have not received the final -- all of  
11 the comparability study. We've seen a couple of  
12 sections of it. There is some budgetary impact for  
13 the comparability study. There were some salary  
14 adjustments that were identified that needed to be  
15 made. We have made those in this initial presentation  
16 of a temporary operating budget for year 2000. There  
17 are additional recommendations that are in it that  
18 we're looking about how we can go about and implement  
19 them, the various costs that they will have.

20 We only got that last Thursday, so I was able  
21 to quickly make some of the adjustments, but we as  
22 management need to look at the report, we need to

1 analyze it a bit further. We hope to come back to you  
2 in November with a plan of action as to how we're going  
3 to implement the recommendations of the salary  
4 adjustment on the comparability study.

5           So we're moving forward with that.  
6 Unfortunately, it did not come in time enough for us  
7 to analyze it and be built into this temporary  
8 operating budget for the beginning of the year, but  
9 we'll look at it and come back to you in November with  
10 some recommendations.

11           And, of course, in January, after we go  
12 through the audit, we have the amount of appropriation,  
13 of course, which we do not yet have, so we'll have the  
14 appropriation figure at that point, we'll have the  
15 carryover figure, we'll have a projection of interest  
16 and other incomes that are available and then we'll  
17 come back to you with an operating budget in January at  
18 the annual meeting.

19           MR. EAKELEY: But did I hear you correctly to  
20 say that there are some elements of the recommendations  
21 from the comparability study that are already in the  
22 temporary operating budget?

1 MR. RICHARDSON: That is correct.

2 MR. EAKELEY: Which are they?

3 MR. RICHARDSON: We had a couple of employees,  
4 I think there's four or five, that were identified as  
5 being paid below the appropriate scale, so we have  
6 gone ahead and reviewed that. I reviewed that with  
7 Mr. Hogan last week. We identified those and were able  
8 to add that money to the budget that you have before  
9 you.

10 MR. EAKELEY: Okay. So we're really not  
11 looking at or being asked to consider any structural  
12 changes that might result from the comparability study  
13 until the November meeting.

14 MR. RICHARDSON: That's correct.

15 MS. MERCADO: And when you're talking about  
16 the temporary budget, it's the last attachment, right?

17 MR. RICHARDSON: That is correct.

18 MS. MERCADO: For the year 2000.

19 MR. EAKELEY: Yes. Our fiscal year actually  
20 starts before our next board meeting.

21 MR. RICHARDSON: Right. So any changes that  
22 I'm going to recommend would be, of course, at a future



1 time to be implemented.

2 Just to back up a little bit with the year  
3 2000 budget that you have you before you, what we have  
4 done is, as I had stated before, with the monies that  
5 were available in 1999 because of the delays in hiring,  
6 we've now annualized those salaries and in so doing we  
7 now have personnel compensation as it should be going  
8 into the next year, absent whatever recommendations we  
9 come up with regarding the comparability study.

10 We've made some adjustments within the travel  
11 lines, within the consulting and capital, because we  
12 had a number of one-time costs this year, so what we do  
13 have is a budget of \$9,960,000 to come to today, with  
14 the IG's budget of \$2,190,000.

15 I have also in looking at this reduced the  
16 consulting and travel to such that we have added -- or  
17 I have added for your approval here hopefully of  
18 \$75,000. You'll see in the other line of the board of  
19 directors that money is for a presidential search  
20 committee, so I tried to make some money available for  
21 some needs that I recognize, management recognizes,  
22 that you'll have in the next year.

1           Again, I'll be glad to answer any questions  
2 you may have about that. This is consistent with the  
3 way that we are currently operating and, as you see,  
4 it's very close. I've just rounded to get up to the  
5 \$9,960,000 as far as the budget.

6           MS. MERCADO: Now, when you project the  
7 \$12,150,000, is that a projection based on the same  
8 funding plus carryovers that you would have? Or is  
9 it --

10          MR. RICHARDSON: Yes.

11          MS. MERCADO: Okay.

12          MR. EAKELEY: And just -- this is implicit in  
13 the presentation, but to make it explicit, this  
14 proposed temporary operating budget for the Office of  
15 the inspector general is the request or recommendation  
16 of the inspector general?

17          MR. RICHARDSON: That is correct.

18          MS. FAIRBANKS-WILLIAMS: And have the people  
19 been hired that you were planning to hire earlier in  
20 both the inspector general and in the general  
21 administration? Or do you still have some spots that  
22 are not covered?

1 MR. RICHARDSON: I think we actually have  
2 one position that is still unencumbered in the  
3 management and administration. The inspector general  
4 I think has one or possibly two. I might let him speak  
5 to that.

6 MR. QUATREVAUX: There are two.

7 MR. RICHARDSON: Two that are unencumbered at  
8 this time. He lost an employee in June and there was  
9 one open position, so there's two currently that he has  
10 to fill.

11 MS. FAIRBANKS-WILLIAMS: And are those figured  
12 into the budget?

13 MR. RICHARDSON: Yes, they are.

14 MS. MERCADO: Does anyone else have any other  
15 questions on the proposed FY 2000 budget?

16 M O T I O N

17 MR. EAKELEY: I move for its adoption.

18 MR. SMEGAL: Second.

19 MS. MERCADO: All those in favor.

20 (Chorus of ayes.)

21 MS. MERCADO: Opposed?

22 (No response.)

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1 MS. MERCADO: Our next item for the agenda is  
2 to consider and act on the budget mark for FY 2001.

3 MR. RICHARDSON: What I'd like to do at this  
4 time is ask Don Saunders to come forward. He will be  
5 speaking on behalf of programs for a budget mark.

6 MR. SMEGAL: Let the record show that  
7 Mr. Saunders did not own that suit one hour ago.

8 MR. SAUNDERS: Thank you, Mr. Smegal. I will  
9 spare the committee the travel travails that I've had  
10 getting through a hurricane and getting to Seattle  
11 yesterday. My bag is in some airline somewhere in the  
12 continental United States, I believe.

13 Good afternoon. My name is Don Saunders.  
14 I am the director of the Civil Division of the National  
15 Legal Aid and Defender Association and I am very  
16 pleased to be with you this afternoon to very briefly  
17 submit to the committee and through you to the board  
18 the recommended field budget mark for FY 2001 that we  
19 seek your support in as you begin the process with  
20 Congress into the next year.

21 If I could digress for one moment to bring  
22 you up to speed on where you are, you have received

1 this report, I'm sure you know, for the last 20-some  
2 odd years from the funding criteria committee of the  
3 project advisory group.

4 We have not broken any records in terms of  
5 merging with the group, but we have actually merged  
6 with PAG and are very excited about the progress which  
7 will culminate really at our November annual conference  
8 and the first meeting of the new elected leadership of  
9 NLADA.

10 We have a new board and we will have a civil  
11 policy group which will perform very much the same role  
12 in terms of providing field input into our advocacy on  
13 their behalf and into your deliberations as we proceed  
14 into the future.

15 It has taken us longer than we had  
16 anticipated, primarily because of D.C. corporation law  
17 and some of the hurdles we did not anticipate, so we  
18 have not -- we've had to treat this year as a  
19 transition year.

20 What the staff of NLADA and CLASP have done is  
21 continue to work with the past funding criteria  
22 committee of the project advisory group with respect to

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1 matters related to the budget and state planning in  
2 particular as we've seen the decisions around  
3 competition and grant making as very relevant decisions  
4 with regard to funding.

5 In fact, a delegation of the FCC was in  
6 Washington last week to meet with most of your senior  
7 staff and program counsel to discuss this mark, as  
8 well as developments around the state planning process.  
9 It was a very productive meeting and I believe they  
10 were very appreciative of the time and effort your  
11 staff spent and I think it was a very constructive and  
12 positive dialogue.

13 So I am really speaking to you today on behalf  
14 of the co-chairs of the funding criteria committee, Bob  
15 Gillette, who is the director in Ann Arbor, Michigan,  
16 and I think who has addressed this committee on several  
17 occasions with regard to this subject, and Regina  
18 Rogolf, who will host your Austin meeting as the  
19 director in Austin, Texas. They have served in the  
20 capacity of co-chairs for the last several years and  
21 really have spent a good deal of time providing input  
22 and making this recommendation.

1 I sent to David a brief account of the  
2 numbers. I don't know if you have received those or  
3 not. I will just lay them out, they're not that many.

4 Essentially, the recommendation follows the  
5 recommendations of the last three years, which  
6 primarily reflect the high water mark in funding for  
7 the corporation in the FY '95 budget process of  
8 \$415,000,000, adjusted for inflation.

9 This year, that amount, that figure, would be  
10 \$460,500,000. We have broken that down in several  
11 specific ways.

12 With regard to the delivery of legal services,  
13 obviously that is our most pressing need and our  
14 primarily recommendation. We are asking you to seek an  
15 amount of \$445,500,000 to support the direct delivery  
16 of legal services through your basic field programs,  
17 your Native American and migrant grantees.

18 As an aside, we would recommend that you  
19 continue the same percentage allocation among those  
20 recipients as you currently have in place.

21 We are also recommending with new funds above  
22 \$300,000,000 in the direct delivery line that you seek

1 \$4,000,000 in training and publication resources and to  
2 support the state planning process to provide  
3 additional technical assistance. We discussed this  
4 matter at some length with your staff, Mauricio was  
5 there, Mr. McKay was there.

6 We understand that you are considering seeking  
7 again significant funds to support technology, both in  
8 terms of some per capita allocations on technology as  
9 well as a significant amount of discretionary money for  
10 the corporation to allocate.

11 We would urge you to broaden that perspective  
12 and we mentioned this to your staff, that there are  
13 other needs that exist now to support the work of the  
14 field, particularly with regard to technical  
15 assistance.

16 As you know, 37 states are in this year's  
17 grant competition. I have read most of the letters  
18 that have gone out. Obviously, your staff remains  
19 fully engaged with a number of states, a huge number of  
20 states this year, 75 percent of your grantee states,  
21 and many of those will continue to work very hard and  
22 interact with your staff next year around state



1 planning issues. I'm fairly certain that there will be  
2 a number of states from our meeting that will not be  
3 funded fully and will have to do additional work.

4           You have allocated two pools of money this  
5 year to support state planning and we think that  
6 seeking additional support for that to provide  
7 technical assistance grants to the field would be  
8 helpful.

9           We are also urging you to seek resources to  
10 support training initiatives and publication and other  
11 kinds of resources. With the demise of any kind of  
12 structure of training within the field, we are seeing a  
13 tremendous need there, a tremendous lack of resources.  
14 In fact, we are hosting with your support and Cindy  
15 Snider's involvement a meeting of training people from  
16 across the country next month to really look hard at  
17 training and how it can be delivered better or at all  
18 in some instances across the country, and we're asking  
19 you to support that initiative as well.

20           Again, we don't draw anything in stone.  
21 We're certainly not opposed to the initiative around  
22 technology, which I think your staff prioritizes, but

1 we feel like there are other needs in terms of  
2 technical assistance and support and we would really  
3 welcome the opportunity to continue to work closely  
4 with your staff in figuring out a way to appropriately  
5 support some of these initiatives.

6 I will reiterate that we would seek that  
7 support in funding only once the basic field delivery  
8 line is raised to \$300,000,000.

9 We have also discussed with your staff their  
10 current thinking about the earmarking of certain funds  
11 to support problems of families, children, domestic  
12 violence.

13 We certainly understand and appreciate the  
14 initiative. We support the corporation in seeking that  
15 and certainly I have had the privilege of listening to  
16 Chairman Rogers and his response to the domestic  
17 violence side in the past and I understand you may be  
18 thinking about either a different approach or other  
19 kinds of initiatives like that.

20 We certainly understand the importance of your  
21 being able to structure your proposal as appropriate in  
22 terms of those issues and will welcome the opportunity

1 to work with you. We're not proposing any particular  
2 line with regard to domestic violence or any other  
3 particular substantive area.

4 As you know, the field has for a long time  
5 strongly opposed any particular national prioritizing.  
6 However, to the extent it makes sense in the political  
7 environment, we would very much want to work with you  
8 to ensure that your priorities reflect the priorities  
9 that the field sees day to day in its delivery.

10 Finally, with regard to M&A and the Office of  
11 Inspector General, we have put in \$9,000,000 at M&A, at  
12 that line, and \$2,000,000 for the Office of Inspector  
13 General.

14 Obviously, that's an ongoing dialogue and we  
15 haven't had the privilege of seeing your proposal this  
16 year, but that's something we've always worked, I  
17 think, constructively with the committee and the board  
18 on and would continue to do so.

19 I know time is short and I don't really want  
20 to go through a whole list of justifications. I would  
21 urge you to consider the difficulties that the field  
22 faces, not only in meeting the huge client demand, but

1 they continue to get hammered by opponents of what they  
2 do in a political way.

3 Certainly you all have spent a great deal of  
4 time responding to the issues around CSRs. It's been a  
5 difficult year in the field, doing self-inspections,  
6 continuing to work very hard, and I think in most cases  
7 very constructively with your staff around state  
8 planning.

9 But I think particularly as well in the field,  
10 even though in Washington there may not be the euphoria  
11 about the budget situation that exists, out in the  
12 field, they see enormous surpluses and I think people  
13 expect both us as their advocates and you to be a  
14 strong voice and advocate in that kind of environment  
15 and we would urge you to come as close to the figure  
16 that we're suggesting today, the \$460,000,000 as you  
17 can, at least initially.

18 We understand the political realities you  
19 face, we understand that your interrelationship with  
20 OMB is critical on this, but it really is important  
21 given all the other things that are going on to  
22 reiterate your strong support and advocacy and that you

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1 are the voice for the field in this context.

2 We understand some of the compromises that  
3 have to be made, but we would urge you to adopt the  
4 highest possible figure, at least going into this  
5 process, as you possibly can.

6 I will share with you my own experiences that  
7 relate to this in terms of the state planning process  
8 and the diversification of resources.

9 We're seeing remarkable work. Georgia, I  
10 think, had another appropriation. California, as you  
11 know, had a \$10,000,000 one. New York is going very,  
12 very well, right now. There's really movement out  
13 there, but you do remain, particularly in many parts of  
14 the country, almost the sole source of funding and  
15 you're clearly the primary source and you need to push  
16 that as hard as you can.

17 You probably are aware of the fact, I'm sure  
18 the chair is aware, that next Wednesday we will have a  
19 trial in Texas about the IOLTA case. That has been  
20 stagnant for a good long time, but the judge in Federal  
21 District Court in Texas was not our friend and there's  
22 some concern as to what he might do in regard to the

1 remand. I'm not trying to be an alarmist with regard  
2 to IOLTA, but again that issue will, I think, be front  
3 and center again.

4 So I guess my closing remark would simply  
5 be that we appreciate the strong commitment and  
6 support of this board and your staff, Mr. McKay's and  
7 Mauricio's work on the Hill has been stellar.

8 We understand the pressures you're under, but  
9 even if it's only a symbolic gesture in the context of  
10 the current political environment, it's an important  
11 symbolic gesture for this corporation to make.

12 So to the extent you can come as close to our  
13 figure as possible, I think that's the proper message  
14 for you to send to the field and I will be glad to  
15 answer any questions you might have.

16 MR. EAKELEY: I have a bunch of different  
17 questions at different levels, but just staying with  
18 the budget mark in general, I take it you're not  
19 advocating that we adopt a budget mark that would  
20 impair or reduce or credibility with either the  
21 Congress or OMB.

22 MR. SAUNDERS: Not at all.

1 MR. EAKELEY: I mean, the importance of  
2 sending a strong signal to the field, obviously that  
3 has to take into consideration the political cost that  
4 it might entail.

5 MR. SAUNDERS: We understand that and I think  
6 particularly with regard to the relationship with OMB.

7 MR. EAKELEY: And are you saying that from  
8 your perspective you think that a \$460,000,000 mark is  
9 a political feasible mark for the board to adopt?

10 MR. SAUNDERS: I think --

11 MR. EAKELEY: You don't have to answer that,  
12 actually.

13 MR. SAUNDERS: Given the fact that the  
14 Congress, not this particular Congress but Congress,  
15 has allocated an equivalent amount to that, I think  
16 it's something that certainly can be justified in a  
17 historical context. Given the incredibly intricate  
18 interrelationships with OMB as it puts together the  
19 administration's budget, that is something that your  
20 staff has a much better feel, I think, than we have.

21 MR. EAKELEY: But I know you know, but just  
22 for the record, I mean, I think that the budget reality

1 confronting OMB and us and the Congress and you all is  
2 not the budget reality of surpluses and how do we spend  
3 the surplus or save it or pay down the federal debt,  
4 but is the budget reality of spending limits driving  
5 the Congress to borrow funds on an emergency basis for  
6 the census.

7 Now, there is less money allocated to our  
8 subcommittee this year than last year and we're not  
9 even done with the appropriations process. So it's --  
10 you know how we came in together with the first budget  
11 mark we adopted and I don't think I ever was able to  
12 reestablish a modicum of integrity, my credibility with  
13 OMB at least until management changed, but that is just  
14 very difficult right now.

15 So we would like to do -- I mean, it is -- I  
16 know I speak for the entire board when I say we want to  
17 do as much as we can and then double that for the  
18 field, but I don't know what the ultimate constraints  
19 are.

20 MR. SAUNDERS: And we certainly understand  
21 and appreciate that. The reason I characterized it as  
22 as far as you can go, understanding what John and his



1 staff have to deal with --

2 MR. EAKELEY: I would say that we probably  
3 come closer to pushing the envelope with OMB than any  
4 other agency within the government at this point and we  
5 haven't worn out our welcome, but, on the other hand,  
6 we are permitted access and greater dialogue and  
7 greater audience than perhaps -- well, certainly than  
8 larger agencies.

9 But the administration and OMB have, I think,  
10 reaffirmed their commitment to supporting this program  
11 to the maximum extent, but it is a question of knowing  
12 our limits and doing the best we can to maximize what  
13 we can for the field.

14 MR. SAUNDERS: And certainly don't let my  
15 remarks on behalf of my colleagues in the field  
16 indicate that we don't understand that you and your  
17 staff have done the best you could at every  
18 opportunity.

19 We will support whatever you come out with and  
20 obviously the fourth year the budget caps come into  
21 play next year, so it has to be viewed in that context.  
22 We understand that.

1           It just -- I'm speaking for a committee that,  
2           again, came in at 825 or whatever and felt that that  
3           was a credible figure. So we've engaged in the same  
4           kind of credibility process as well. And this may be  
5           more of an aspirational figure to push to you, but just  
6           to the extent that you continue your advocacy with OMB  
7           and the Congress we appreciate that and we have full  
8           faith in your commitment to getting the highest  
9           possible outcome you can.

10           MS. MERCADO: I'm just sort of curious,  
11           what -- I don't know whether or not you all have done  
12           any kind of review of what type of training, if any,  
13           have the field programs, attorneys in the field and  
14           paralegals received in the last few years.

15           Have there been any kind of pro bono or waiver  
16           of fees by the state bars in some of their training?  
17           Have the state bars provided any of the training that  
18           is specialized to poverty law as opposed to general law  
19           as practiced out there in the private industry?

20           MR. SAUNDERS: There's been some of that.  
21           The unfortunate situation is those bars who are pretty  
22           well equipped to provide that kind of training

1 generally exist in states where the legal services and  
2 poverty law community maintain a fairly strong  
3 capacity.

4           There are some states where they're  
5 experimenting with regional efforts. New England is  
6 putting together a regional training effort. Michigan,  
7 Ohio and West Virginia continue to cooperate and do  
8 very good training.

9           We obviously offer some at the national level,  
10 but I would say that it's scattered all over the place.  
11 There are scholarships available for needed kinds of  
12 skills, for example, but in many parts of the country,  
13 it's a very haphazard, catch as catch can kind of  
14 system.

15           And it's the kind of thing, too, when budgets  
16 are really stressed that it doesn't necessarily --  
17 career development and professional development is not  
18 always the top priority within management and that's  
19 something I think we have to continue work on. But  
20 some resources are available to your staff to promote  
21 that and we certainly appreciate the commitment you  
22 made to support this event I referred to and Cindy's

1 involvement in it.

2 That's certainly something I know the  
3 corporation is looking at, but we just see it's  
4 something that you ought to be looking at with some  
5 resources as well.

6 MS. MERCADO: And to what extent do our staff  
7 attorneys in the field open themselves up for  
8 malpractice in representing their clients if they don't  
9 have the training and expertise and are up to date in  
10 the different substantive areas of law that they're  
11 required to practice in? Is that a greater cost to the  
12 programs?

13 MR. SAUNDERS: That sounded more rhetorical.

14 MS. MERCADO: Yes.

15 MR. SAUNDERS: I don't feel there's rampant  
16 malpractice. Certainly many states continue to do  
17 basic poverty law training and there's still some  
18 materials out there, but in terms of career growth  
19 skills, we hear a lot about the need for just basic  
20 lawyering skills training and really advanced --

21 I don't feel like people don't understand  
22 landlord/tenant law and public housing law or whatever

1 welfare law is these days, but I do think they need to  
2 take it to the next level, thinking about ways to  
3 improve their staff and improve the delivery, is really  
4 where we are now.

5 MS. MERCADO: Is that something that could  
6 happen through an M&A specialized line request as far  
7 as technical assistance or training?

8 MR. EAKELEY: Unfortunately, I think it can't  
9 come through M&A. It's got to be in the portion of the  
10 appropriation directed at field support.

11 I didn't want to cut you off.

12 MS. MERCADO: Go ahead.

13 MR. EAKELEY: I have a process observation  
14 and sort of question also.

15 We've got to adopt a budget mark today, but a  
16 lot of what is in your presentation and reflective of  
17 discussions with staff are substantive and policy  
18 oriented in their nature and I think that some of the  
19 recommendations such as for increased training and  
20 publications for substantive advocacy, that that is  
21 something that I find very interesting and I think it  
22 would be appropriately explored or discussed at the

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1 board level at some point or a provisions committee or  
2 the like.

3 I am sensitive to the earmarking issue and to  
4 the reasons why we try it and what happens if it  
5 doesn't succeed.

6 I am curious about why in a budget mark  
7 recommending that we seek roughly 50 percent more in  
8 appropriation you think that we should seek a million  
9 dollars less for M&A and what implications there are in  
10 terms of the FCC's perception of what the corporation  
11 does.

12 I mean, these are issues maybe for another day  
13 or another meeting or an off-the-record encounter  
14 somewhere, but I just --

15 MR. SAUNDERS: Again, I'm kind of  
16 transitioning from one to the other. My understanding  
17 of the past, and I don't think this is an issue -- that  
18 certainly the people I'm working with -- the general  
19 approach has been to come with you generally at  
20 generally the current level, the levels of expenditure  
21 and see what new initiatives come out of the  
22 corporation.

1 MR. EAKELEY: Well, what are you proposing  
2 that we cut out of M&A?

3 MR. SAUNDERS: I don't think we're to that  
4 degree of specificity at all. In fact, in some ways,  
5 with the -- the earmarking of direct delivery funds to  
6 sort of support some of your other kinds of substantive  
7 initiatives is a fairly unusual position for this  
8 committee to bring to you, so I think to the extent it  
9 signals to you that you should stop certain particular  
10 initiatives or support activities of management, that's  
11 really not accurate. And probably any more detail, I  
12 would need to get you some further information.

13 MR. EAKELEY: Well, I didn't -- I did, but  
14 only in a totally benign way -- mean to put you  
15 slightly on the spot with this, but I do think there  
16 are issues here that are worth exploring together,  
17 either in provisions or at a later date. And we've got  
18 plenty of time between adopting a mark and receiving an  
19 appropriation within which to explore some of this  
20 stuff.

21 MR. SAUNDERS: And, as I said earlier, we have  
22 had those dialogues around the technology initiative

1 and others and I feel very comfortable that we can  
2 continue those and I can't imagine that we would at  
3 this level have any serious concerns with your proposal  
4 for management.

5 MR. EAKELEY: So we shouldn't take that  
6 reduction personally.

7 MR. SAUNDERS: I don't think you should.  
8 No, sir.

9 MS. MERCADO: Yes?

10 MR. MCKAY: Madam Chairman, I wanted to also  
11 apologize for being a little bit late to your meeting  
12 and to welcome Mr. Saunders to the warm weather, good  
13 weather coast.

14 And just to indicate, in response to some of  
15 your comments, Don, that our staff and I appreciate the  
16 efforts of the FCC to engage us in dialogue on these  
17 issues and I think from our standpoint, the mark that's  
18 proposed by the FCC we understand to be related to a  
19 very strong sense of unmet legal need in the field.

20 And to that extent, I think all of us would  
21 say that's a very helpful, useful, revealing indication  
22 and that we as an agency and the grantors of the



1 federal funds need to consider that information, that  
2 there is a strong sense in the field that there are  
3 unmet needs which this organization, NLADA, advises the  
4 corporation it should seek additional resources for.  
5 And I think that's a very helpful conclusion and to me  
6 that is a reasonable interpretation of the FCC's  
7 requests, that there is unmet need.

8 I think that certainly from a staff  
9 perspective the corporation would not disagree with  
10 that and that's something that we hope to continue to  
11 look at as we meet our charge that's provided to us by  
12 the Congress. So I appreciate it.

13 MS. MERCADO: Although we would want to  
14 clarify that unmet need is much greater than  
15 \$460,000,000. I mean, I'm sure it's way over the  
16 2 billion mark -- a little unmet need.

17 Any questions? Any other questions for  
18 Mr. Saunders?

19 (No response.)

20 MS. MERCADO: Thank you.

21 MR. SAUNDERS: Thank you.

22 MS. MERCADO: Mr. Richardson?

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1           MR. RICHARDSON: Last year, the board approved  
2 a budget initially of \$350,000,000 with the proviso  
3 that after discussions with OMB that we had the  
4 authority or Mr. Eakeley had the authority to work with  
5 OMB through management and come up with a revised mark.  
6 That mark ended up being \$340,000,000 and that's the  
7 mark where we have been for the last three years.

8           Internally, we have discussed this. We think  
9 that an approach that is appropriate is to again ask  
10 that the board, this committee and then the board,  
11 approve a budget mark of \$360,000,000 and at that  
12 point, again, with the proviso that we work with OMB,  
13 that we have ongoing discussions with them, and that  
14 Mr. Eakeley be given the authority to make any  
15 particular modifications on that budget mark and, of  
16 course, report those back to the full board as he sees  
17 fit as chairman of the board.

18           We do not have a breakdown. That is something  
19 that we are working internally. As Mr. Saunders  
20 just said, we are working with the program people to  
21 see if we do want to go to the earmarking or other  
22 avenues of trying to see what is -- really what is

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1 politically sensible for us to try to achieve a higher  
2 budget mark.

3 So at this point, it's still in the working  
4 phases, but we do feel that we do need to ask -- you  
5 might say we need to get off the time, we need to get  
6 off the \$340,000,000 budget mark and increase that and  
7 we feel that the \$360,000,000 budget mark is an  
8 appropriate mark for the board to set.

9 MS. MERCADO: What is the cap under the new  
10 commercial spending caps? What would it be?

11 MR. RICHARDSON: I do not have those figures.

12 MR. EAKELEY: It's less than this year.

13 MR. RICHARDSON: It is less.

14 MR. EAKELEY: Don't forget also where we are  
15 at the moment, \$300,000,000 approved by the Senate,  
16 \$250,000,000 approved by the House.

17 MS. MERCADO: Any questions?

18 MR. SMEGAL: Our number was 350 last year?

19 MR. EAKELEY: No.

20 MR. SMEGAL: Didn't we start out at 350?

21 MS. MERCADO: Yes.

22 MR. EAKELEY: We did and we went down to 340

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1 at the recommendation of OMB. And, unfortunately, were  
2 unable to persuade people in the Congress to reach that  
3 mark.

4 MS. MERCADO: Any questions for Mr. Richardson  
5 or any comments on the proposed budget mark of  
6 \$360,000,000 --

7 M O T I O N

8 MR. EAKELEY: That's management's  
9 recommendation. I think what we need to do is convert  
10 it into a motion and I would move that we adopt as a  
11 budget mark for FY 2001 \$360,000,000. And on the  
12 subject to being authorized to adjust that figure, if  
13 further discussions with OMB suggest that it would not  
14 be either credible or effective for us to come in at  
15 that level.

16 MR. SMEGAL: So isn't adjusted, it's reduced.

17 MR. EAKELEY: It will be a reduction. Well,  
18 it could be up. I mean, I would think -- I would love  
19 to have the -- I'll come right back and we'll convene  
20 an emergency board meeting, if it's up. The idea would  
21 be to have the flexibility to move either way, but come  
22 in to OMB publicly saying we want to come in at 360.

1 MR. SMEGAL: Well, what's the reality of OMB  
2 ever coming in higher than us?

3 MR. EAKELEY: I don't care to answer that  
4 question on the record.

5 MR. SMEGAL: But my point is if that is the  
6 reality, I mean, why -- I'm not sure I heard any  
7 justification or any understanding of a justification  
8 for 360.

9 MR. EAKELEY: I think, Tom, it's based upon  
10 preliminary discussions in the Congress and within the  
11 administration in terms of what we might maximally  
12 expect and could credibly seek and that if we get too  
13 far out of line, we start burning bridges to our  
14 principal allies within OMB to start with, but  
15 elsewhere, and that we have to be disciplined by the  
16 reality of the political situation. Or at least that's  
17 the advice we're getting from some.

18 MR. McKAY: Madam Chair, if I may just  
19 contribute to that?

20 MS. MERCADO: Yes.

21 MR. McKAY: I think there is -- we're not in a  
22 position to present to the board a study which would

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1 have to include a massive description of need and unmet  
2 need for civil legal services and I think the board is  
3 well aware that the empirical data in that area is  
4 fairly limited and somewhat dated.

5 But I can tell you that the input that we just  
6 received from NLADA and the FCC is in my view  
7 indicative of what our programs, our grantees, are  
8 experiencing across the country. And just to remind  
9 the board and for the record to indicate that when the  
10 funding for the corporation was significantly reduced  
11 in 1995, offices were closed, clients were unable to  
12 seek the services of lawyers for critical legal needs.

13 That is not the kind of empirical data that we  
14 would like to have, unfortunately. Categorizing or  
15 cataloging and determining unmet legal need is  
16 precisely what is necessary here to meet the statutory  
17 charge. And it would be a tremendously costly  
18 undertaking. We have to look to outsiders to help us  
19 with that.

20 But I don't think as we establish our  
21 budget mark that we should dismiss the great weight  
22 of evidence that all the board members here in their

1 representative capacities, in their community  
2 activities, that I hear as the president of the  
3 corporation in substantial travels throughout our  
4 grantee system of the burden imposed on legal aid  
5 lawyers to meet their statutory duties with reduced  
6 funding from prior levels in excess of \$400,000,000.

7           So I would not want the record to reflect that  
8 somehow we put our fingers in the political winds to  
9 determine what number we might be able to achieve.

10           I think the empirical data, our experience,  
11 the input of a representative agency such as NLADA and  
12 the FCC all clearly indicate that our system remains  
13 substantially under-funded and that a number which has  
14 input from our staff, input from outside agencies and,  
15 most importantly, input from the lawyers and staff who  
16 are attempting to meet the statutory duty, is a  
17 reasonable basis on which to try and develop a number  
18 that has some basis.

19           And so 360 may not be the most scientific in  
20 the sense that it's based on empirical data for which  
21 we can all say, yes, that's the number, but I feel very  
22 comfortable in going to the Congress and suggesting to

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1 the board that based on our experience with the  
2 administration, based on our knowledge of the unmet  
3 need and with the experience of having seen the  
4 reduction below \$400,000,000 and 360 obviously does not  
5 approach the prior funding levels that our recipients  
6 dealt with in the past and we know that the case loads,  
7 we know the case loads have not decreased since funding  
8 was in excess of \$400,000,000.

9 So I just wanted to indicate for the record  
10 that there has been substantial thought devoted to this  
11 proposed budget mark that Mr. Richardson has mentioned  
12 and that it does reflect a careful analysis of what we  
13 understand to be the huge unmet legal need, the number  
14 of eligible clients that we have to turn away.

15 So I want you know that as president of the  
16 corporation, Madam Chair, I am very comfortable with  
17 that requested budget mark. While not completely  
18 empirical, I think it has a sound basis in fact and in  
19 our experience across the country.

20 MS. MERCADO: Tom, do you need to say  
21 something?

22 MR. SMEGAL: No. I asked my question and



1 Mr. McKay was eloquent in his answer.

2 MR. MCKAY: Not responsive?

3 MR. SMEGAL: Well, not responsive, but  
4 eloquent. Thank you.

5 MS. MERCADO: I heard a motion, but I didn't  
6 hear a second.

7 MR. SMEGAL: I'll second.

8 MS. MERCADO: Is there any further discussion  
9 on the motion?

10 MR. EAKELEY: Yes. I wanted to say one final  
11 postscript on this. I mean, I think that the message  
12 to the field from the budget mark we adopt is that it  
13 is hopefully but a step in the right direction, but in  
14 order to walk we need to take a series of steps and I  
15 think it's my sense that this is the best next step and  
16 hopefully we can continue to build our core of  
17 congressional support for the continued survival of the  
18 corporation and then ultimately for its renewed and  
19 sustained growth.

20 MS. MERCADO: I still wish I knew what the cap  
21 limit was because that would give me a better  
22 indication. Now, if it's 500,000,000, then maybe --

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1 MR. EAKELEY: No, no. It doesn't apply to us.

2 MS. MERCADO: It doesn't apply to us.

3 Okay. Okay.

4 Hearing no further discussions, all those in  
5 favor?

6 (Chorus of ayes.)

7 MS. MERCADO: Opposed?

8 (No response.)

9 MS. MERCADO: Okay. Any other business before  
10 the finance committee?

11 MR. RICHARDSON: Actually, I would just to  
12 mention a few other things.

13 Internally, we have set up a committee to  
14 review last year's budget document and write this  
15 year's budget document and we've set some guidelines in  
16 place and I have Chris Sundseth from my office here  
17 today who some of you got to meet and Denver, but I  
18 hope you take the opportunity to meet him.

19 He's a new addition to my office and he's the  
20 new budget officer for the corporation and he is going  
21 to oversee the development of this budget document,  
22 along with the strategic plan. And it is our hope that

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1 when we come back to you in November that we can have  
2 some information certainly available to you as far as  
3 the breakdown and some of the written materials and  
4 then we want to get the draft of the budget document to  
5 you before the Christmas break so that you have an  
6 opportunity to review it and get it back to us by some  
7 time mid January.

8 This document usually goes to the Congress  
9 two weeks after the president's budget. We want you  
10 as the board to have an opportunity to review it, to  
11 go through it and comment on it, and if there are any  
12 changes that are needed that you will have the  
13 opportunity to do that.

14 We'll be working with Mr. Eakeley on  
15 establishing how we would go about that. It's  
16 something that we did two years ago and we will  
17 certainly have it in place so that we have that  
18 opportunity again.

19 MS. MERCADO: And could I also request a copy  
20 of the memo from FCC, that the board members get a copy  
21 of that, please?

22 MR. RICHARDSON: Absolutely. And just to let

1 you know, we are set up with people from the executive  
2 office, government affairs, we have people from the  
3 program operations who have contact through the state  
4 support systems and through the grantees, and they'll  
5 also be having conversations.

6 We'll all be having conversations with  
7 Mr. Saunders and his group as far as we continue to  
8 work and move forward in this process. So we hope to  
9 make it an all-inclusive process where people will have  
10 an opportunity to have input into it.

11 Chris, as you got an opportunity to meet,  
12 or some of you did in Denver, has worked in the  
13 corporation prior. He actually wrote the budget  
14 document in '92 and '93 and had input into it prior to  
15 that. He has experience in strategic planning, so  
16 we've brought him in to help support that process and  
17 strengthen our budgeting process, so I'm happy to have  
18 him aboard and I hope you will take the opportunity  
19 again to greet him and welcome him to the corporation.

20 MS. MERCADO: Any other business?

21 MR. RICHARDSON: If I may, one more thing.

22 MS. MERCADO: Okay.

1 MR. EAKELEY: It's those long pauses that keep  
2 tricking us, David.

3 MR. RICHARDSON: I've been asked to give you a  
4 little more information on the comparability study. I  
5 was a little uncomfortable in doing that because of  
6 some of the financial ramifications that we're seeing  
7 with that.

8 Les Pinos, the gentleman who is helping us  
9 with the comparability study, is looking about how to  
10 go about instituting a procedure where we can do cost  
11 of living increases, which the corporation has not had  
12 to their pay schedule since January of '91, I believe  
13 it is. The upper bands have been increased, but some  
14 of the lower bands have not been increased in that long  
15 of time. So we're looking about adjusting some of the  
16 pay bands.

17 He is also suggesting that we implement a --  
18 it's not a cost of living, a comparability adjustment  
19 because of being in the Washington, D.C. area. And if  
20 you're familiar with the GSA schedule, what they did a  
21 few years ago was in major cities such as Washington,  
22 Los Angeles, Chicago, they adopted standards to

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1 increase the GSA scale based on the standard of living  
2 in that community.

3 The current comparability or the index for the  
4 Washington area is 7.8 percent. If we would increase  
5 our salaries 7.8 percent, it's a substantial increase  
6 because it would also affect benefits and the salary,  
7 of course.

8 One of the ways that we're looking at doing  
9 this is sort of phasing it in and we may do it over --  
10 come back to you with a two-year plan or a three-year  
11 plan. It's sort of based on how the appropriation  
12 process comes out and the amount of carryover that  
13 we have. So just to give you a little further  
14 background as to what we're looking at in regards  
15 to that.

16 It's been quite an undertaking and we hope to  
17 come back to you with some pretty good recommendations  
18 at the next meeting.

19 MR. HOGAN: Madam Chairman, may I make an  
20 additional comment on that, please?

21 It was in the late '80s that the federal  
22 government instituted locality pay for the high cost of

1 living areas and basically the corporation's salary  
2 structure was based pretty much on the GS structure  
3 that the federal government has.

4 At that time that the federal government  
5 implemented locality pay, the corporation did not  
6 include that. So most of our employees' salary bases  
7 related in some way to where they were in the GS scale  
8 at the time it became a corporation from the federal  
9 system.

10 The locality pay recommended by our consultant  
11 is a substantial cost. What we want to do is phase it  
12 in. It would affect everyone in the corporation except  
13 the highly compensated employees because of the  
14 limitation on the present levels.

15 So that's what we're looking at now. I think  
16 we can do this and we can phase it in, but we're not  
17 prepared with the current budget for fiscal year 2000,  
18 we're not prepared to tell you today exactly how we  
19 would do that and how we would phase it in.

20 We need to take a closer look at our operating  
21 budget and we need to be assured of what our  
22 appropriation is going to be this year before we take

1 that on.

2 MS. MERCADO: Well, if we look at a  
3 7.8 percent increase, we'll be close to about a million  
4 dollar budgetary adjustment that you would have just on  
5 the two lines --

6 MR. SMEGAL: You have benefits -- you have  
7 more than that.

8 MS. MERCADO: Benefits --

9 MR. HOGAN: No, I think it's about 320,000, is  
10 the amount that we estimate. For a full year, for  
11 7.8 percent. If it was a million dollars, I could tell  
12 you today that we aren't going to do it. But I  
13 think -- we can look at this and I think we can come up  
14 with a reasonable plan to phase it in.

15 MS. MERCADO: Any other items? Any other  
16 business that hasn't been conducted?

17 (No response.)

18 MS. MERCADO: If not, I would entertain a  
19 motion to adjourn.

20 M O T I O N

21 MR. SMEGAL: So moved.

22 MR. EAKELEY: Second.



1 MS. MERCADO: All those in favor?

2 (Chorus of ayes.)

3 MS. MERCADO: Thank you.

4 (Whereupon, at 2:20 p.m., the committee was  
5 adjourned.)

6

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