

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS

FINANCE COMMITTEE

Sunday, June 25, 2000

1:15 p.m.

Radisson Plaza Hotel Minneapolis  
35 South 7th Street  
Minneapolis, MN 55402

BOARD MEMBERS PRESENT:

Douglas S. Eakeley, Chairman  
Hulett H. Askew  
LaVeeda Morgan Battle  
John N. Erlenborn  
Edna Fairbanks-Williams  
F. William McCalpin  
Maria Luisa Mercado  
Nancy H. Rogers  
Thomas F. Smegal, Jr.  
Ernestine Watlington

## ALSO ATTENDING:

John McKay, President  
Victor Fortuno, Vice President for Legal Affairs,  
General Counsel and Corporate Secretary  
David L. Richardson, Treasurer and Comptroller  
Edouard Quatrevaux, Inspector General  
Randi Youells, Vice President for Programs  
Michael Genz, Director, Program Performance  
James Hogan, Vice President for Administration

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Motions: 4, 31, 39

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

2 MS. ROGERS: Call to order the meeting of the  
3 Finance Committee. Committee members LaVeeda Battle, Edna  
4 Fairbanks-Williams are here, as well as other board members.  
5 Ernestine Watlington, John Erlenborn, Tom Smegal are present  
6 as well.

7 The agenda is page 8 of the agenda book.

8 David, if you will take us through -- the first  
9 item, I guess, is the approval of the agenda. I'm sorry, I  
10 skipped that.

11 Is there a motion that we approve the agenda?

## 12 M O T I O N

13 MS. MORGAN BATTLE: I would so move.

14 MS. ROGERS: Is there a second?

15 MS. WATLINGTON: Second.

16 MS. ROGERS: All in favor?

17 (Chorus of ayes.)

18 MS. ROGERS: Any opposed?

19 (No response.)

20 MS. ROGERS: The agenda is approved.

21 Item 2, reviewing the consolidated operating

1 budget.

2 MR. RICHARDSON: In the board book you have before  
3 you, we will be referring to page 11, 12, 13, 14 and 15 for  
4 this presentation.

5 We, of course, are presenting the budget and  
6 expenses through April, which is basically 58 percent of the  
7 year. We have the budget that the board approved in January  
8 of \$302,450,000. Of that, the delivery of legal assistance  
9 is \$289,620,000, the management and administration is  
10 \$10,485,000, and our Inspector General's budget is  
11 \$2,344,000.

12 Expenses through April for, for instance, the basic  
13 field is \$287,571,000. The remaining funds that you have,  
14 for instance, in the basic field program, the \$1.97 million,  
15 is for pending grant decisions. All of that money is  
16 allocated to a particular service area, but because of the  
17 nature of the competition, some performance reviews, those  
18 grants have not yet been made, but they are already allocated  
19 to a specific area.

20 Grants from other funds available, we do have  
21 basically \$80,000 there. We have responded to a couple of

1 emergency needs and we have spent the \$51,000 there and the  
2 remaining \$28,000 is dedicated to serve either emergencies or  
3 other needs that the corporation identifies. We have used  
4 that money in the past to fund state planning and help with  
5 computer support and so forth, so the money is dedicated to  
6 go to the field.

7           The U.S. Court of Veterans Appeals, we have a  
8 budget there. We have only contracted to date \$885,000. I  
9 have talked with Ms. Pat Hanrahan about that and there will  
10 probably be a revised award given to the veterans program  
11 that receives that money, so there will be money spent out of  
12 that line in the next probably month or two. They will be  
13 revising the amount of money that goes there.

14           What they did this year, they had a budget that was  
15 approved by the U.S. Court of Veterans Appeal. They set  
16 aside really too much money for the management of the grant  
17 and once we got to looking at it again with the veterans  
18 committee, we determined that we could make an additional  
19 grant to the program to help with those needs there.

20           Within management and administration, we have spent  
21 to date through April \$5,553,000. That does represent 53

1 percent spending. As I said before, we are 58 percent of the  
2 year, so we are under budget for the total spending. Later,  
3 we have identified some areas where money is not going to be  
4 spent for one reason or another, where a program is not going  
5 to be completed this year, or where staffing has left and has  
6 provided some additional compensation money, so the next  
7 agenda item will be to review some of that information and  
8 then move it to different areas to help enhance and take on  
9 additional, for instance, state planning initiatives where we  
10 can expand that and move further along with it. There are  
11 also some other needs that I will identify at that time.

12           Also, within the IG's office, the money that you  
13 see there, of course, his budget is \$2.3 million. He's spent  
14 1.167. He has spent right at 50 percent, like 49.8 percent  
15 of his money. He has given us also a projection of the  
16 spending of his office that we'll review next.

17           Within the next line, you'll see interest money  
18 that we had allocated to this year's budget. We have  
19 collected \$194,000 of that. There is \$80,000 that we need to  
20 help continue to support this budget. And, as I spoke with  
21 Ms. Rogers at lunch, we will get that, plus probably a little

1 more. The way that we recover interest is that we, of  
2 course, have operating money. We draw down once a month and  
3 put the money in the bank for our operating costs, our  
4 payroll, rent and so forth. And then within our grant line,  
5 we are transmitting -- right now, we have about 235 grantees  
6 and it's sort of varying because of the combination of the  
7 state planning combining programs, but of those we have about  
8 185 who get direct deposit. So two days prior to  
9 transmitting that money to them, the bank requires that we  
10 have the money in the bank.

11 Well, look at a weekend like we have next weekend,  
12 the first is a Saturday, so we pay the money on the third,  
13 but we've got to have the money in the bank on Thursday to  
14 ensure that -- they want to ensure that the money is on hand  
15 before they transmit it. Well, that gives us four days  
16 interest and that's the way we draw the interest on the grant  
17 money.

18 We don't put a lot of money in the bank and let it  
19 sit. We draw it down as we need it, as identified by the  
20 funding of the grantees.

21 MS. MORGAN BATTLE: You have grant recoveries here,



1 but there was nothing in the budget, but we did recover  
2 grants. Can you explain that?

3 MR. RICHARDSON: We normally when we're putting  
4 together the budget, the decisions on recovery of funds and  
5 fund balances are not made until after the grantees submit  
6 their audits. Some were submitted -- they have March year  
7 ends, some have June year ends, some have September. So we  
8 really don't know the grant issues and where we're going to  
9 get money when we're putting our budget together and that  
10 comes to us usually in February, March when there are  
11 decisions that would necessitate us collecting money.

12 This particular grant is as a result of a close-out  
13 funding. We owed at the end of a year one grantee, I don't  
14 remember the exact amount, but it was like \$75,000 and they  
15 were able to close out the grant, they're no longer a  
16 grantee, with like \$50,000, so we had that \$25,000 that we  
17 did not need to give them. The new service provider had  
18 money, start-up money, already, so we didn't have to identify  
19 that and provide additional funding for them. So that's  
20 where this money came from.

21 MS. MORGAN BATTLE: Okay.

1           MR. RICHARDSON: The breakdown in the seven-month  
2 spending, there's really nothing that is outstanding. I  
3 might point out that the key spending areas that we have, of  
4 course, we've spent \$63,000 on the board of directors and  
5 that's just to support your last two meetings.

6           MR. SMEGAL: David, why is that so far under budget  
7 on the arithmetical -- \$63,000 out of \$271,000?

8           MR. RICHARDSON: All the expenses for the April  
9 meeting were not in here. This is basically the meeting cost  
10 for November and January. So we've actually this week just  
11 gotten a number of board members' expense reports, the hotel  
12 bill just came in and we got it reconciles and paid, so this  
13 will go up next month.

14           The other reason is remember we have a budget of  
15 \$274,000 for the board, \$75,000 of that was the presidential  
16 search because of the contract of Mr. McKay that was coming  
17 due and we set some money aside. It looks like we'll not  
18 need that money at this point.

19           MR. SMEGAL: Does John get the money, then? Just  
20 give it to him?

21           MR. ERLNBORN: No, we split it. We all split it.

1           MR. RICHARDSON: It's going to support state  
2 planning.

3           The key areas of money that have been spent, you'll  
4 notice that there is a consulting line, for instance,  
5 \$158,000 in the executive office. \$70,000 of that was a  
6 final payment for the 25th anniversary celebration that was  
7 paid in November.

8           MS. ROGERS: How much, David?

9           MR. RICHARDSON: \$70,000. And then the remainder  
10 of that has gone to the comparability study, money there. We  
11 also had a consultant come in and review -- the same  
12 consultant -- look at some evaluations, give us some advice  
13 there, and then the money that we've paid for the strategic  
14 planning process. So that's the majority of the money that's  
15 been spent there.

16           MS. ROGERS: You might mention, David, that you're  
17 projecting that number to continue to grow.

18           MR. RICHARDSON: That is correct. This year,  
19 within the executive office, we have increased our budget  
20 line to continue the strategic planning process and also  
21 there is another consultant that is being contracted to help

1   devise performance measures.  It's being charged as executive  
2   office because it's sort of an initiative for the whole  
3   corporation, but the performance measures that we're talking  
4   about are dealing with field programs.  It's dealing with  
5   establishing the criteria that we want to put in our  
6   strategic plan for performance measures to report to the  
7   Congress.  And it will increase in the next few years.

8           We were talking at lunch, of course, we want to put  
9   some model programs in place, we need to do some data mining  
10  to determine the information that's out there, how useful it  
11  is, how we can report it to Congress.  We want to set up some  
12  model programs to see if we can get a better mix of how to  
13  count cases, what cases or what activities are not being  
14  counted that we can count and really look to a way that we  
15  can look to improve our reporting capabilities to Congress.

16           MS. MORGAN BATTLE:  Do we anticipate -- is  
17  strategic planning -- I know that we've already gone through  
18  that process.  Do we have prospective meetings for strategic  
19  planning or just implementation of the strategic plan that is  
20  now on the books?

21           MR. RICHARDSON:  There are some prospective needs.

1 For instance, what I was just referring to was to develop  
2 the performance measures. We have contracted with the  
3 consultant to help the program performance people who are  
4 doing the competition initiatives and they are identifying  
5 areas where we can report information to Congress. We're  
6 looking at ways that we can improve our reporting if we're  
7 not collecting a certain type of activity that we should  
8 report to Congress. This year, I think our case reporting  
9 was a million, million one, as far as case closures, but  
10 there's a lot of other activities going on out there.  
11 There's community outreach, there's training of clients,  
12 there's community education and we're looking for ways that  
13 we can include those type of activities in our reporting to  
14 Congress to show that cases closed is only one element of the  
15 work that we're doing.

16 The other thing that I would point out and we will  
17 look at the general counsel later on, he has at this point  
18 only spent 23,000, but there is some ongoing litigation, we  
19 have had some additional costs that have come up as a result  
20 of some litigation issues. You will receive a report on that  
21 in executive session. Vic has forecasted an increase in

1 spending there, so we are going to be moving some money in  
2 that particular line, but is underspent at this point.

3           As far as the other major items, when you look at  
4 the government affairs, there's some spending there for the  
5 25th annual conference that sort of rolled over into this  
6 year that we're funding. Also, the fund run we had in  
7 Austin, there were some expenses there and we have some money  
8 that has been ongoing that will go against this line,  
9 approximately -- well, it's a couple thousand dollars, we  
10 don't know exactly at this point, because we have also told  
11 the field programs that we would return some of the fund  
12 money to Austin that helped in the planning process of the  
13 fund run. These expenses hopefully will curtail for the  
14 remainder of the year.

15           Within the administrative line, you see that  
16 there's a \$143,000 there for other operating and the reason  
17 that that line is higher percentage wise than the others is  
18 because, for instance, we've already paid this year's  
19 directors and officers liability insurance, that was \$75,000,  
20 that's paid in October. So we don't have that expense for  
21 the remainder of the year.

1           MR. SMEGAL: We're paying what? \$75,000 for  
2 directors liability insurance?

3           MR. RICHARDSON: Directors and officers liability  
4 insurance, commercial package. It's all the insurance  
5 package that we have covering our insurance for the building,  
6 the furniture and equipment, storage of paper and the  
7 directors and officers liability coverage.

8           MS. ROGERS: So it covers more than directors and  
9 officers.

10          MR. RICHARDSON: Yes.

11          MR. SMEGAL: How much of that is directors and  
12 officers liability?

13          MR. RICHARDSON: I don't recall right off, but I  
14 can certainly provide that to you.

15          MR. SMEGAL: More than 10?

16          MR. RICHARDSON: Yes, it is. I will provide that  
17 to you.

18          MR. MCKAY: And I think when we get to detail on  
19 that, if my recollection is correct, we renegotiated that  
20 number from -- it was a higher figure and I believe David  
21 renegotiated it to a lower figure maybe two years ago.

1           MR. RICHARDSON: Yes.

2           MR. McKAY: And so I don't recall the exact number  
3 either, I want to say it's around 20, but I'm guessing,  
4 David, and that's why you're here, not me, but there was a  
5 reduction on it. And I know the board has had discussion  
6 about whether there needs to be insurance and I think there  
7 has always been a consensus that there should be directors  
8 and officers liability insurance. And I know David managed a  
9 substantial decrease in our premium two years ago.

10           MR. RICHARDSON: Well, we have decreased it, but we  
11 have also -- we bid it out every three years. Basically,  
12 when you go out for bidding, you agree to renew on a  
13 three-year basis. We have done that.

14           Vic was just reminding me that two years ago when  
15 we did this, we were able to reduce the amount of premium and  
16 decrease the deductible. We had like a \$100,000 deductible  
17 and it decreased to a \$50,000 deductible per occurrence. And  
18 it's been used on a couple of occasions.

19           MR. SMEGAL: Thanks.

20           MR. RICHARDSON: The other areas, for instance, the  
21 expenditure for capital expenditures, we did some purchases



1 there that there will, of course, not be a need for the  
2 remainder of the year or a very small amount. When you look  
3 at the information technology, we've done some wiring in the  
4 corporation, we've purchased some computers, we've upgraded  
5 our network and we've purchased some software. So there will  
6 be some ongoing expenses there, but relatively minor  
7 considering what we've already spent for this point of the  
8 year.

9           And then under the program performance, you'll see  
10 that we've spent consulting, \$100,000; in travel and  
11 transportation, \$161,000. Those two figures mainly are for  
12 the state planning process, but certainly our program counsel  
13 go out to the project director meetings, they attend ABA  
14 functions, they go to NLADA functions, and they're keeping  
15 quite busy, mainly with the state planning process. Their  
16 spending will continue as we increase the state planning  
17 process and we will see that as we go into the next portion  
18 of the presentation.

19           Information management has been very little  
20 spending, really. As you see, it's mainly salaries, but in  
21 the next six months I know that they've already signed a

1 contract for about \$50,000 to do some updates to our program  
2 grant process so there will be money spent there and then in  
3 compliance there's some consulting and travel and, of course,  
4 that is dealing with the compliance issues that Randi and Mr.  
5 Cardonna identified where they need to go into a program and  
6 look at issues. Some are delivered to us by the Inspector  
7 General, others come to us directly from the grantee where we  
8 have to go out and do a review of a program.

9           When you look over at the total spending on page  
10 14, you see most of the areas are under the 58 percent.  
11 There are a couple, the temporary employee pay, and that is  
12 because we have lost some employees and we have hired  
13 temporary staff to replace them at this point and we will  
14 make an adjustment in the internal budgetary adjustments in  
15 the next presentation there.

16           And then when you look at the occupancy costs, they  
17 are right at 59 percent and, of course, we should be at 58.

18           Printing and reproduction is 75 and we have  
19 identified some additional monies to help support that line  
20 and there will be some additional costs there.

21           The other operating, as I alluded, the 61 percent

1 versus 58, that is because of the insurance package that we  
2 have and that has been paid for the year. So there will be  
3 limited expenses there. There will be some, but it's mainly  
4 your office supplies and the different needs that we have  
5 there.

6 In the Inspector General, he's at 49 percent. The  
7 only areas that you see where he is over budget is basically  
8 in the flip that we have between personnel compensation and  
9 benefits is at 63 percent, personnel benefits, and there is a  
10 small adjustment in the next item to take care of that.

11 There is 92 percent of the capital needs and, of  
12 course, the spending that the Inspector General had  
13 identified for capital expenditures, he has basically spent  
14 that for the year and there will be a limited amount for the  
15 remainder of the year.

16 MS. FAIRBANKS-WILLIAMS: I see this occupancy  
17 costs, \$7170 for total expenses and then I see it over here,  
18 the same exact amount for unexpected balance. How does that  
19 happen?

20 MR. RICHARDSON: Normally, we as far as the  
21 corporation provide the occupancy costs for the Inspector

1 General. He wanted to do some retrofitting in his particular  
2 area, so we have contracted with some contractors to put in  
3 an office, buy some carpet, run the different wiring,  
4 electrical needs, and this is the cost of that, for him to be  
5 able to expand his office -- a couple of offices, I should  
6 say -- there.

7 MS. FAIRBANKS-WILLIAMS: Two offices.

8 MR. RICHARDSON: And when we look at our  
9 projections, we're moving money to take care of that.  
10 Because he had more than enough money to pay for it within  
11 his budget.

12 MS. ROGERS: Any questions on items 2 and 3 before  
13 we look at the recommendations for transfers?

14 MS. MORGAN BATTLE: One question in the IG's  
15 budget. The consulting you have now for the year, for seven  
16 months ending, a smaller amount than the amount budgeted is  
17 left, you've got \$400,000 still available for consulting.

18 MR. QUATREVAUX: My name is Ed Quatrevaux.

19 The answer to that is the case statistical  
20 assessment. The field work did not begin until May. This is  
21 through April and a lot of the budgeted expenses for

1 consulting are in that line. You'll see travel is also in  
2 the same. Apparently underspent, but not category.

3 MS. MORGAN BATTLE: So we'll see the rest the next  
4 time we see a report?

5 MR. QUATREVAUX: Yes.

6 MS. ROGERS: Thank you, Ed.

7 Should we shift now to page 16, David?

8 MR. RICHARDSON: Yes, we should.

9 We have provided to you a memorandum regarding our  
10 six-month review. The items that we're going to discuss are  
11 mainly in the purview of the president to be able to do the  
12 changes in consultation or on the recommendation of the  
13 directors.

14 We review each budget very carefully, just like we  
15 do the annual budget. For instance, this year, in the board  
16 budget, we had identified a need because of not knowing the  
17 circumstances of our president, we had identified \$75,000 for  
18 a presidential search in case it was needed. We wanted to  
19 set the money aside to handle that.

20 We also budgeted for a House hearing on the  
21 appropriations, a Senate appropriations hearing,

1 reauthorization hearings, and we also budgeted for the board  
2 to attend some ABA functions, NLADA functions, and come to  
3 the corporation to visit with program directors, visit with  
4 the president and go over things that are going on in the  
5 corporation.

6           We have identified some money in this review  
7 process that it does not look like will be used this year.  
8 The budget of \$274,700, we've identified \$85,775 that it  
9 looks like will not be needed to support the budget of the  
10 activities of the board and the biggest chunk of that is the  
11 \$75,000 for the presidential search.

12           So what we are coming to you after doing this  
13 particular review is to move that money out of the board  
14 budget to help support other budgetary needs within the  
15 corporation.

16           At the same time, we reviewed the spending of the  
17 executive office and, as I told you, with the 158,000 that  
18 was spent through April with the executive office. We  
19 identified monies, of course, that were spent for the 25th  
20 annual conference, the continued consulting with the  
21 strategic planning, the consultant that helped with some

1 human resource issues that we had. And we've identified that  
2 there's going to be a need for some additional monies there.

3 We have also identified that we had budgeted more money in  
4 salaries than are needed.

5 So what we have done is we've identified that  
6 through moving some money around that we can increase the  
7 executive office, originally \$125,500, to support the all the  
8 needs of the executive office.

9 We also identified that there was money within  
10 certain budgets that were not going to be spent, so instead  
11 of leaving all that money in the particular budgets of the  
12 offices, we left some of it, but we moved \$40,000 into the  
13 executive office to address any particular unidentified,  
14 unanticipated needs at this point, so there is a \$40,000  
15 contingency that's built into the executive office to help  
16 respond to any of those type of circumstances.

17 Within the Office of Legal Affairs, you'll see that  
18 we have added \$24,200. But at the same time, in doing that  
19 within our review, we have been able to increase the  
20 consulting line from \$125,000 in Legal Services to \$228,000.

21 So we have increased the consulting line for Legal Affairs,

1 because of the ongoing litigation \$103,000, we only had to  
2 move \$24,000 in that line. The reason we could do that is  
3 because we had some staff that have left the corporation, we  
4 had some issues with benefits that we identified that were  
5 not going to be used for the benefits line, and we've also  
6 included some additional money here for some interns and some  
7 temporary employees that will help us through the remainder  
8 of the year. That's the type of review that we're doing in  
9 each and every one of these budgets.

10           Within the government affairs, we're increasing  
11 Mauricio's budget there \$13,200. In the administrative human  
12 resources area, there is \$104,300 that will be subtracted  
13 that will help support other activities.

14           MS. FAIRBANKS-WILLIAMS: You said that some of the  
15 people had left. Will you have to do a search to hire more?

16           MR. RICHARDSON: We have already done that and a  
17 couple of people have been hired.

18           MS. FAIRBANKS-WILLIAMS: So those expenses are  
19 already included?

20           MR. RICHARDSON: That's correct. The projections  
21 are included.



1           Within the administrative line, I had reported to  
2 Ms. Rogers at lunch, we had an issue where it appeared that  
3 there was duplicate budgeting for some consultant work, so  
4 we've been able to back the duplicate out of the  
5 administrative line to help with other needs within the  
6 corporation.

7           Within the controller's office, we identified  
8 \$31,000 that will not be used and that is mainly due to  
9 employee issues also. We had an employee who is out on  
10 extended sick leave. We had a period of -- we had a point  
11 where we budgeted, of course, for the increases for the  
12 staff. As we do in each of these, we budget the full amount  
13 of the increase that they're eligible for, then when  
14 increases are given, then we are able to use that money that  
15 is not used for increases to help support other activities.

16           Within the information technology, we have  
17 identified \$31,000 that is there that will not be used. The  
18 program performance is where the majority of this money is  
19 going. There's \$78,700 there. That is being increased, that  
20 will go to help support these initiatives that have been  
21 identified by our new vice president, Ms. Youells, our Vice

1 President for Programs. She wants to undertake some  
2 additional initiatives, additional state planning process,  
3 and this money will go to support that.

4           And then there is \$28,000, almost \$29,000 in the  
5 information management program and that's mainly due to  
6 reduced consulting and also staff that is no longer with us,  
7 but we have done a search and it looks like we'll be hiring  
8 somebody in the next few months to move into that particular  
9 area. So we have projected that in, but we're still able to  
10 recover some money to help with these other projects.

11           The net effect of all of the changes that we've had  
12 in management and administration is zero. We have worked it  
13 to the point where we're not trying to increase our budget,  
14 we're trying to maintain. And even with the budget that we  
15 have here within management of \$10,485,000, there's still  
16 \$149,000 that has not been earmarked for a particular project  
17 at this point and when we saw this, it was a little late in  
18 the game, but we're going to sit down in the next week or so  
19 and we're going to look at some of the other activities that  
20 might need to be undertaken that we can use this money for.

21           There is one item within this presentation that

1 does need the committee's approval and then the full board  
2 approval. We had collected some money as a result of the  
3 grant recoveries, the issue with the program that is no  
4 longer a grantee who did not need the particular money that  
5 was set aside for them, so there is an amount of \$26,273 that  
6 has been collected there and what we would like to do is we  
7 would like for the board to approve an increase in the budget  
8 of \$302,449,531 by this \$26,273 amount, to increase our  
9 budget to \$302,475,804.

10 MS. MORGAN BATTLE: The only question I have, you  
11 mentioned the new incoming grantee and its needs and are you  
12 saying that even though these funds that were recovered from  
13 the grantee, it was no longer in the fold as a grantee, but  
14 not needed by the incoming grantee for start-up costs?

15 MR. RICHARDSON: That's correct. When I identified  
16 before -- for instance, well, we'll look at this page. The  
17 expenses through March left the funds in the basic field of  
18 \$3.4 million. We had a grantee that there was money set  
19 aside for a particular area, but because of the transitioning  
20 from one grantee to another, they were already receiving  
21 funding in the area and the grantee that is no longer a

1 grantee was also receiving an amount of that funding. So  
2 they had money for a number of months and then when it termed  
3 out, as they were receiving their grant, they were gearing up  
4 for operations, they were getting their building and their  
5 equipment, this money that we had already given them had  
6 supported that, so they had transition funding into it, so  
7 they didn't need this additional money at this point for  
8 their operation.

9 MS. ROGERS: And, David, I think you mentioned  
10 before that that's to stay within the field program.

11 MR. RICHARDSON: That's correct. This money -- as  
12 we've moved it, we show it as a grant recovery. We're  
13 putting it into the grants from other funds available, then  
14 that way it can go fill an emergency grant or can fill state  
15 planning processes, anything that we deem as an exceptional  
16 nature that we would like to fund, we can use this funding  
17 for.

18 MS. ROGERS: David, I know you listed on page 17  
19 some of the adjustments. Does that list include the  
20 adjustments that exceed 10,000 in amount?

21 MR. RICHARDSON: Yes, ma'am. It does.

1           MS. ROGERS: Any other questions before we look to  
2 see if someone has a motion?

3           (No response.)

4           MS. ROGERS: Has the resolution been distributed?

5           MR. RICHARDSON: It will be distributed tomorrow.

6 I think you have an advance copy.

7           MS. ROGERS: Okay. Let me read it -- that will be  
8 the board action. Okay. So all we need is a motion to adopt  
9 the consolidated operating budget which totals the higher  
10 amount of unused field allocation of 302,475,804 and the  
11 revisions that are reflected in the materials in the board  
12 book, with the understanding that the distribution remains  
13 the same between delivery of legal assistance management and  
14 administration and Office of Inspector General.

15           And one additional thing, David. It's my  
16 understanding that with respect to the Office of Inspector  
17 General we have a different scope of review there in the  
18 reallocation?

19           MR. RICHARDSON: It's not necessary. It's included  
20 all in the same materials that you have. It was broken out,  
21 unfortunately, in the agenda item, but actually when you look

1 at agenda items 4, 5 and 6, they're all one agenda item and  
2 there's no additional review required.

3 M O T I O N

4 MS. MORGAN BATTLE: I would so move.

5 MS. FAIRBANKS-WILLIAMS: Second.

6 MS. ROGERS: Is there any discussion?

7 (No response.)

8 MS. ROGERS: All in favor?

9 (Chorus of ayes.)

10 MS. ROGERS: Opposed?

11 (No response.)

12 MS. ROGERS: The motion passes.

13 We are moving now to number 6, report on budgetary  
14 needs for fiscal year 2002.

15 MR. RICHARDSON: Okay. This is mainly just to put  
16 on the table that at the San Francisco meeting that we're  
17 having in September that the board will need to adopt a  
18 budget mark.

19 In the past, we've had input from field programs  
20 and from people who come forward who would like to testify on  
21 this behalf and give information to the board. We would like

1 for that to be done prior to the meeting. For instance, if  
2 the board members can get it 10 days in advance, they would  
3 have an opportunity to look at it and review it. We are also  
4 going to be working with board members that would like to  
5 develop a budget mark so that we can come in and have a  
6 discussion at the finance committee meeting and come forward  
7 from the finance committee meeting with a budget mark that we  
8 would like to present to the full board.

9           If we wait and get all the materials at the board  
10 meeting, there's really not enough time to do the  
11 deliberations and go over everything and sort of flesh out  
12 and really come up with a budget mark. If we don't do that,  
13 then we will need to have a telephonic meeting prior to  
14 Monday, October 16th, so that we can provide a budget mark to  
15 Congress.

16           So basically what we're saying is we will work with  
17 the committee, we will try to develop a budget mark and any  
18 interested parties who would like to provide input  
19 information to us, we would like to ask them to contact us  
20 and we would be glad to use that in our deliberations in  
21 putting together a budget mark to be presented to OMB.

1           MS. ROGERS: So ideally, we'll consider information  
2 that comes at any time, but what you're hoping is that the  
3 field will provide some information early enough that it can  
4 be mailed out to board members who can use it and incorporate  
5 some of it in your own presentation and that would be how  
6 many weeks ahead of the September 17th meeting?

7           MR. RICHARDSON: Actually, if we could get it two  
8 weeks ahead, I think it would give us an ample opportunity to  
9 use it in our particular discussions. We're going to be  
10 working with you as the finance committee and other members  
11 of the board who would like to on a budget mark prior to  
12 that. If they can give it to us before that, we can  
13 certainly incorporate their thinking as much as possible  
14 within the budget mark that we prepare.

15           MS. ROGERS: I want to note we have two members for  
16 the record who have recently arrived, Maria Luisa Mercado has  
17 just arrive and Doug Eakeley, I take it, has just arrived  
18 from China.

19           MR. EAKELEY: Yes. After 44 hours of transit.

20           MS. ROGERS: Looking fresh as a daisy.

21           MS. MERCADO: And I apologize, Madam Chair. I had



1 to go to church in between lunch.

2 MS. ROGERS: I skipped agenda item 5, a report on  
3 internal budgetary adjustments by the president and Inspector  
4 General.

5 MR. RICHARDSON: Well, that was actually -- items  
6 3, 4 and 5 were all encapsulated in the presentation that I  
7 made.

8 MS. ROGERS: Okay. Consider and act on other  
9 business.

10 MS. MORGAN BATTLE: For new committee members,  
11 David, as you are going through the process of developing the  
12 budget mark, can you just keep us clued in so that we can  
13 participate appropriately?

14 MR. RICHARDSON: Yes.

15 MS. MORGAN BATTLE: I think you basically made a  
16 plea for getting us involved and we need to know when it is  
17 appropriate to get involved, so just let us know.

18 MR. RICHARDSON: Okay. We will do that.

19 MR. MCKAY: Madam Chair, if I may just comment on  
20 that, that is certainly what we seek because in the past, as  
21 David pointed out, this has involved sort of a last minute,

1 fairly quick consideration with the involvement of the board  
2 chair because it's been between board meetings and so the  
3 hope was to advance this discussion at an earlier point to  
4 the board so that all board members would have some input.  
5 So we will do that.

6 MS. MORGAN BATTLE: Very good.

7 MS. ROGERS: One other item from this morning is  
8 the item that is a prospective agenda item, I guess, and  
9 that's the reallocation of field expenditures to Native  
10 American programs. And I guess the question is the issue  
11 will be different depending on whether that's a part of the  
12 increase in allocation or whether it has to be found within a  
13 continuing budget that resembles the one we have now.

14 What's the best time for that to be an agenda item?

15 MR. MCKAY: Well, it can be an agenda item any time  
16 you wish it to be an agenda item, either the committee or the  
17 full board, but actually as Victor has pointed out in an  
18 opinion from the Office of Legal Counsel, that is a decision  
19 that I can make as the president, to transfer those funds.  
20 In essence, it is a shift within the same line that relates  
21 to a very anachronistic system of allocating funds to the

1 existing Native American programs and so our purpose today  
2 was to alert the board to my intention to make that  
3 reallocation and certainly any comments that any board  
4 members have on that I would certainly welcome them, so  
5 whatever your wishes are, we would be glad to either provide  
6 additional information or an additional forum.

7 MS. MORGAN BATTLE: I think that a forum would be  
8 appropriate. I guess the concern that I have about that  
9 particular issue, if there are additional funds, then I think  
10 that's a great opportunity for us, but we're not always in a  
11 situation where there are additional funds and any  
12 reallocation of whatever the formula is for how funds go to  
13 the field, I have not seen the legal opinion as to how that's  
14 done, but I know that in the past that information has come  
15 before the board before it's been implemented. So I'd just  
16 like to be apprised of it and certainly if we have additional  
17 funds we'll be in a position and I know that there's a  
18 critical need for those programs to receive increased  
19 funding, but if we're not in a situation where we have  
20 additional funds and it will have an effect across the board  
21 to all of our grantees, I certainly would hope that the board

1 would have an opportunity to deliberate on that.

2 MS. ROGERS: Is that an expression of interest of  
3 having that put on the agenda for information purposes when  
4 it's a little clearer where we are in terms of what that  
5 means for the overall allocation?

6 MR. McKAY: Yes. I mean, if there is additional  
7 board interest, I would say that that's something that could  
8 be added to the agenda. The appropriate committee -- I don't  
9 know whether it's here in finance, perhaps in provisions, or  
10 certainly if the board were to wish it in front of the board  
11 and we could do that, I believe, at the next meeting of the  
12 board, which would be September, and there would still be  
13 time.

14 And I'd just remind you that this is not -- the  
15 entire proposal as outlined by Mike Genz this morning, only a  
16 portion of that is something that any of us have the  
17 authority to act on now. There would be a portion, a fairly  
18 significant portion, that will require legislative authority  
19 before we can act. It is, as Mike indicated, our intention  
20 to seek that legislative authority.

21 So I'm taking some interest here and perhaps we can

1 add it to the board agenda in September and we can provide  
2 you with some additional detail. And what you're missing, I  
3 think, from this is the sense of the discussion that was had  
4 by our Native American programs at the national conference in  
5 Estes Park, as well as the follow-on meeting at NLADA in Long  
6 Beach and I would be glad -- I know Randi and Mike and I and  
7 Carolyn Worl, who is directing this, would be glad to provide  
8 additional information and detail. I think that would be  
9 helpful if the board would like to hear that.

10 MS. ROGERS: It sounds like the board would. I  
11 don't hear any leaning one way or the other, just a desire to  
12 understand a little bit better what's going on.

13 Any public comment?

14 (No response.)

15 MS. ROGERS: Do I hear a motion to adjourn?

16 M O T I O N

17 MS. MORGAN BATTLE: I would so move, that we  
18 adjourn.

19 MS. WATLINGTON: Second.

20 MS. ROGERS: All in favor?

21 (Chorus of ayes.)

1 MS. ROGERS: All right. We stand in adjournment.

2 (Whereupon, at 2:01 p.m., the committee was

3 adjourned.)

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