

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
FINANCE COMMITTEE

Monday, September 18, 2006

1:05 p.m.

Legal Services Corporation
3333 K Street, N.W., Third Floor
Washington, D.C.

COMMITTEE MEMBERS PRESENT:

Michael McKay, Chairman
Lillian R. BeVier
Thomas A. Fuentes
Herbert S. Garten
Thomas R. Meites
Sarah Singleton
Frank Strickland, ex officio

BOARD MEMBERS PRESENT:

Jonann Chiles
David Hall (via telephone)
Bernice Phillips

STAFF AND PUBLIC PRESENT:

Helaine M. Barnett, LSC President
David L. Richardson, Treasurer and Comptroller
Patricia D. Batie, Manager of Board Operations
Karen M. Dozier, Executive Assistant to the President
Karen Sarjeant, Vice President for Programs and
Compliance
Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
Mattie Cohan, Senior Assistant General Counsel
Lynn A. Bulan, Senior Assistant General Counsel
Mark Freedman, Assistant General Counsel
Richard (Kirt) West, Inspector General
Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel
Joel Gallay, Special Assistant to the Inspector General
David Maddox, Assistant Inspector General for Resource
Management
Ronald (Dutch) Merryman, Office of the Inspector
General
Charles Jeffress, Chief Administrative Officer
Alice Dickerson, Director, Office of Human Resources
John Meyer, Director, Office of Information Management
Danilo A. Cardona, Director, Office of Compliance and
Enforcement
Michael A. Genz, Director, Office of Program
Performance
Thomas C. Polgar, Director, Office of Government
Relations and Public Affairs
Demille James, Legal Intern, Office of Legal Affairs
Deborah Hankinson, Chairman, SCLAID Committee, American
Bar Association (ABA)
Linda Perle, Center for Law & Social Policy (CLASP)
Don Saunders, National Legal Aid and Defenders
Association (NLADA)
Julie Clark, National Legal Aid and Defenders
Association (NLADA)
Jose Padilla, Director, California Rural Legal
Assistance (CRLA)
Adam Briddell, Senate HELP Committee
Jeannine Winch, law student

C O N T E N T S

| | PAGE |
|---|------|
| 1. Approval of Agenda | 4 |
| 2. Approval of the minutes of the Committee's meeting of July 29, 2006 | 6 |
| 3. Presentation of the financial report through July 31, 2006 | 8 |
| 4. Consider and act on memorandum of understanding with the State Justice Institute | 24 |
| 5. Consider and act on the LSC FY 2008 budget request | 33 |
| a. Presentation by ABA | 34 |
| b. Presentation by NLADA | 39 |
| c. Presentation by LSC management | 50 |
| d. Presentation by OIG | 73 |
| e. Other public comment | 78 |
| 6. Consider and act on other business | 104 |
| 7. Consider and act on adjournment of meeting | 104 |
| Motions: 4, 6, 8, 31, 79, 94, 104 | |

P R O C E E D I N G S

CHAIRMAN MCKAY: I call the meeting into session, that is, the finance committee of the Legal Services Corporation board.

The first item on the agenda is approval of the agenda. Mr. Fuentes?

MR. FUENTES: Mr. Chairman, we have one request for an additional item to be considered here from management, a memorandum of understanding with the State Justice Institute.

M O T I O N

MR. FUENTES: So I would move to approve the agenda as submitted, with the one addition of that item.

CHAIRMAN MCKAY: And would you propose adding that right after item 3, presentation of the finance report?

MR. FUENTES: That's certainly acceptable.

CHAIRMAN MCKAY: So the motion is to amend the agenda to add an item to consider and act on a reversed consolidated operating budget for fiscal year 2006.

Is there any second?

MS. BEVIER: Second.

CHAIRMAN MCKAY: Any comment?

(No response.)

CHAIRMAN MCKAY: All those in favor say aye.

(A chorus of ayes.)

CHAIRMAN MCKAY: Opposed?

(No response.)

CHAIRMAN MCKAY: The motion passes. Thank you.

MR. FUENTES: Mr. Chairman?

CHAIRMAN MCKAY: Yes?

MR. FUENTES: May I ask that we define the members of the committee? We have almost full board sitting, and for the conduct of the business, to keep it simple and to have just members of the finance committee voting and making motions, I think it's important.

CHAIRMAN MCKAY: Very good. I'm the chair, Mike McKay. Lillian BeVier. You, Mr. Fuentes. Herb Garten. Tom Meites. Sarah Singleton. And Frank Strickland is ex officio member of the committee.

MR. FUENTES: Thank you.

CHAIRMAN MCKAY: Thank you. Next item on the agenda is approval of the agenda as amended.

Do I hear a motion?

M O T I O N

MR. GARTEN: So move.

CHAIRMAN MCKAY: Second?

MR. FUENTES: Second.

CHAIRMAN MCKAY: Discussion?

(No response.)

CHAIRMAN MCKAY: All those in favor say aye.

(A chorus of ayes.)

CHAIRMAN MCKAY: Opposed?

(No response.)

CHAIRMAN MCKAY: The agenda is approved as amended.

Second item on the agenda is approval of the minutes of the committee's meeting on July 29, 2006 in Rhode Island. It was handed out to us approximately a half hour ago. Did everyone on the committee get a chance to look at the minutes, draft minutes?

MS. SINGLETON:

CHAIRMAN MCKAY: Any questions or comments?

MR. FUENTES: I'm curious, Mr. Chairman, why it is that we received those minutes minutes before the meeting.

MS. BARNETT: Because of the closeness in time between this meeting and the last meeting, they weren't prepared in time in which the board books were submitted. And so we indicated in the board book they would be

distributed at this meeting. That is not our normal practice.

MR. FUENTES: Thank you.

MR. MEITES: Mr. Chairman?

CHAIRMAN MCKAY: Yes, Tom.

MR. MEITES: Tom would like to defer this to our meeting in West Virginia. I would support that.

MR. FUENTES: No. I've had the opportunity, but I don't want that to be the practice. I don't think that's a healthy practice to have them so close to the conduct of business.

MS. BARNETT: If I would indicate that the minutes normally go out with the board book, which is two weeks ahead of time. And that is our normal practice.

CHAIRMAN MCKAY: Any other discussion concerning the minutes?

(No response.)

CHAIRMAN MCKAY: Do I hear a motion?

M O T I O N

MR. GARTEN: So move.

CHAIRMAN MCKAY: Second?

MR. FUENTES: Second.

CHAIRMAN MCKAY: All those in favor of approving the minutes as proposed, say aye.

(A chorus of ayes.)

CHAIRMAN MCKAY: Opposed?

(No response.)

CHAIRMAN MCKAY: The minutes are approved.

The third item is presentation of the financial report through July 31, 2006. I understand we're going to hear from Charles and David. Please identify yourselves for the record.

MR. JEFFRESS: Thank you, Mr. Chairman. Charles Jeffress, the chief administrative officer. And with me is David Richardson, the treasurer and controller for LSC.

I was not able to be with you at your last meeting. I apologize. David and I will return, though, to the practice we had prior to that in St. Louis, where I will give you an overview of the financial reports and David will add the details for them.

This is for the month of July. In Providence, you received the report through June, and this is through July. The August closeout is going on at the moment and they'll be ready shortly. And you will receive those -- as you

requested at the last meeting, you'll be receiving those monthly reports by mail. And we will do the report in October of the end of the fiscal year for September.

But this report before you is for July, and the July numbers are not terribly different than the same direction as what you got in June. If you looked -- had a chance to look at it ahead of time, you'll see that your variance in terms of overall spending for the different categories remains in the same nature as it was in June.

I'd refer you to attachment A of the financial reports is perhaps the place we should start in terms of looking at the numbers. It's page 5 of your book. There are four Roman numerals on that page with the different fund balances, and I'll speak to that general overview and then ask David to talk about the specifics.

Delivery of legal assistance is your first category. It has four sub-categories. In the basic field programs, as you know, we contract out at the beginning of the year officer that. It shows a variance of \$254,000 at this point in basic field programs. And as you will recall, there's one program where the audit is not yet finished. Some of this 248,000 is for that. And there's another

problem that's on month-to-month funding, and the balance of it will be for that program.

U.S. Court of Veterans Appeals funds: Most of that money has been contracted out now to our subcontractor. The balance of 37.9 is available for administrative needs should LSC need administrative funds this year. If we don't need those funds, they'll be carried forward into the grant for next year.

Grants from other funds: At your Providence meeting, you increased this as a result of a property settlement. And that remains available should there be an emergency or some need for us to assist with a disaster somewhere in the country.

The Technology Initiatives shows a balance of \$1.09 million. Those letters awarding the grants, the TIG grants for this year, have gone out this month. We expect the positive responses. I think those folks we've notified they're receiving a grant will be glad to get it. And I would expect that this balance will be spent by the end of the year. We may not get it all under contract by the end of the year, so there may be a small balance. But the entire amount has been awarded.

In addition, the agenda item which you just added to your agenda will affect this balance because we will be adding money to this line item should you and the board approve the spending of that additional money.

Go down to the second Roman numeral, management and administration. The variance there is we're running 16 percent under budget. We've continued to spend frugally and to not only live within our budget but keep expenses lower than anticipated.

At this point the variance is 1.9 million, or at the end of July the variance was \$1.9 million. We expect by the end of the year to be a little over \$2 million in terms of money for carry-forward.

I would mention to you what we have said before. The significant part of this variance of the under-spending is in compensation, where we have just transferred three positions from administrative units and compliance unit in order to more effectively carry out the duties of the Corporation. We're able to get along with less administrative folks. And our consulting and travel budgets have been less than what was anticipated. That's the three biggest components of the variance are in compensation,

consulting, and travel.

The Loan Repayment Assistance Program, Roman numeral III: Again, if you recall how this is done, we are only expensing those loans that we have forgiven. So although we have not quite a third of this at this point awarded in loans to individuals, we've only expenses \$2673. Only that much has been forgiven thus far.

And the inspector general, the numbers are there. And again, the variance there, 12.8 percent, a little lower than it was at the last time.

That's an overview of the financials for the Corporation. Attachment B, pages 1 and 2, give you the office-by-office numbers. Page 3 gives you the number by category. And then attachment C is the inspector general number.

Let me ask David to add anything.

MR. RICHARDSON: The first thing that I would add -- and by the way, for the record, my name is David Richardson. I'm the treasurer and controller of the Corporation.

At the last meeting, we had a question about the amount that was remaining for the basic field funding. The

one grantee that is on month-to-month funding is receiving 50,882 a month. There's five months or five payments remaining as of this report. So when you multiple that out, it will equal the amount of the variance that we have. So all of that money will be -- is dedicated to that one particular grantee at this point.

We mention in the report that there is an additional 24,000 in TIG grants that were awarded. We've actually received a few more this week, so it's more like in the neighborhood of 31,000 at this time additional grants. So it's just a little bit of a change because of additional update and additional information that's available.

As far as spending, let me draw your attention to page 7. And when you look at attachment B, the second of three pages there, I'll just call your attention to a couple of the more significant lines that we look at other than payroll.

Within the Legal Affairs budget, the net spending this year is \$139,744. Part of that is because we received --

MR. JEFFRESS: For the consulting category.

MR. RICHARDSON: I'm sorry, for the consulting

category. Part of that reason is we did receive a refund from the insurance company for some litigation costs that we had paid up front. And that money went against the expenses for this particular year. And we're spending less this year. So that's a good sign for us.

Under Program Performance, you'll see that travel and transportation is 153,894. That's in line with your budget, and that's the most significant line other than the personnel compensation at this point.

And under Compliance and Enforcement, you'll see that the consulting is 107,000 and the travel and transportation is 161,000, again in line with your budget. But those are the areas where our grantees -- or who are visiting our grantees from the program operations, and those were the key areas that I just wanted to bring to your attention at this point.

One additional thing is that we talked about additional capital spending. It's sort of the routine that we use if we need additional money. As we start preparing for 2007, you either purchase the items or if you need the money, you delay the spending to a future time.

We see at this point that we do have the funds, I

think, to begin operations in a comfortable manner next year.

So we're proceeding with purchasing about a third replacement of our computers. That's normally what we do this time of year, just so that we can continue updating and rolling our computer software forward so that we can stay as current as possible without spending a great deal of money at one time.

In addition to that, we just have received approval to upgrade a color copier. And you will receive information about that at the next meeting. But those are the main capital purchases that we've made during this time frame, and we'll be hopefully receiving all the goods before September 30th, so that it will affect this year's budget.

CHAIRMAN MCKAY: Thank you. You made reference to the grantee that's being paid on a month-to-month basis, and indicated that there are five more payments due. Is that correct?

MR. RICHARDSON: That's correct.

CHAIRMAN MCKAY: I'm wondering -- and this is, I'm sure, a product of my ignorance of the fiscal year setting -- but we're in the tenth month of a twelve-month fiscal year. Why is there five -- why are there five payments due as

opposed to two?

MR. RICHARDSON: Our grantees are paid on a calendar year basis. They're three months behind.

CHAIRMAN MCKAY: Got you.

MR. RICHARDSON: So that's one of the reasons -- I know we talked about at the last meeting when we operate on a continuing resolution, it doesn't create a problem for us because our grants are not funded for the next year until January 1st.

CHAIRMAN MCKAY: Very good. Thank you.

Any other questions? Comments? Sarah?

MS. SINGLETON: I have a question. It's on attachment A, page 5, Roman II, management and administration. Right now we're at a 16.09 under-budget variance for this year. Are you able at this point to predict what that percent might be at the end of the year, at the end of the fiscal year?

MR. RICHARDSON: Not 100 percent. But we feel that it will be in that range.

MS. SINGLETON: So about 15 percent?

MR. RICHARDSON: Yeah. Well, it will be 15 to 16 percent, yes. We anticipate about \$2.3 million in

carryover.

MS. SINGLETON: All right. And by the same -- it's the same type of question, but it goes to looking at board expenses, board of directors expenses, annual budget on page 6, variance of 35 percent under-budget. Are you able to predict with any kind of degree of confidence what the percent of variance will end up being at the end of the fiscal year in that category?

MR. RICHARDSON: Actually, I can't.

MS. SINGLETON: You could or could not?

MR. RICHARDSON: Could not at this time because I didn't know how many people were attending this particular meeting. There's enough money, certainly, in here to do that. There's some additional outside consulting costs that will be paid through this budget. But there's sufficient to handle all the needs for the budget at this point.

I will be able to give you a much closer -- of course, we will be 95 to 99 percent closed and all the expenses in at your October meeting, and I'll be able to answer those much more accurately at that time.

MS. SINGLETON: Thank you.

CHAIRMAN MCKAY: Thank you.

Bernice, you have a question or comment?

MS. PHILLIPS: Yes. At the last board meeting, management agreed to provide a financial report to the committee. I would like to also have one of those reports as the committee, if I could.

CHAIRMAN MCKAY: Of course. Are you sending it just to the finance committee, Charles, or the entire board?

MR. JEFFRESS: Whatever your pleasure is. I think the -- I was not there, but my understanding was it would be provided to the finance committee. But it's your pleasure.

CHAIRMAN MCKAY: Certainly if the board wants it, I think we should send it to everyone, unless I hear a screaming objection from members of the committee.

MS. PHILLIPS: I also have a question for David. David, is this report prepared by you? Is this your report?

MR. RICHARDSON: This is a condensed version. This is what Charles has prepared.

MS. PHILLIPS: Okay. So it's not your report.

MR. JEFFRESS: If I could modify that. All of the tables, all the charts, come directly from David and from OFAS. The cover memo is -- I take the information from David and other information and produce a summary, and the cover

memo is a shortened version of the full information. But all of the numbers before you are David's report.

MS. PHILLIPS: Okay. So you said you summarized David's report. David, do you have another report that we could have or the committee could have?

MR. RICHARDSON: Sure.

MS. PHILLIPS: Okay. Could I see it?

MR. RICHARDSON: Absolutely.

MS. PHILLIPS: Okay. Can I see it before we leave?

MR. RICHARDSON: Yes.

MS. PHILLIPS: Okay. Thank you.

CHAIRMAN MCKAY: I'm not entirely sure I understand what just happened here. What would -- what information are you trying to elicit from David that --

MS. PHILLIPS: No. I was just wondering was it David's report, the treasurer's report, or was it modified. Was it added, things added or taken away from the report.

CHAIRMAN MCKAY: The financial side or the written side?

MS. PHILLIPS: Any.

CHAIRMAN MCKAY: I'm just trying to find out what's being asked for. Is it -- because the -- as I understand

from Charles, David, the numbers that you put together go to Charles, and Charles prepares a memo.

MR. RICHARDSON: Actually, I prepare a memo summarizing the information to Charles, and then he further summarizes it and presents it to the board.

CHAIRMAN MCKAY: And so I think we'd all like to see a copy of your memo to Charles, then. That's great.

MR. GARTEN: I presume you're referring to more detailed reports that you are summarizing.

MR. RICHARDSON: Right. I prepare a two-page report, written report. And then it's further condensed.

MR. JEFFRESS: It is -- I agree with David. I have it here in front of me. I'd be happy to copy it for any of you who want it. It is more detailed, more numbers in the summary. And I have left the numbers for the most part in the table. But it's certainly not private information.

CHAIRMAN MCKAY: Tom.

MR. FUENTES: Mr. Chairman, I think that perhaps Bernice's question segues into what I was going to raise before she spoke. And that is that maybe I sound like a broken record to this committee, but I have raised the issue before that I think that this report ought to be a report

from the treasurer of the Corporation, as a line officer, to the board through this committee.

And I think Charles knows and David knows individually of my esteem for both of them, and that is not in any way at question. What is in question and of concern to me is the independent image and reality of the work of this committee.

And I think that the board has a treasurer/controller, and the board has a finance committee charged with handling the numbers. And we ought to have this report as a dialogue between this finance committee, as representative of the board, and our line officer, the treasurer. And I want to state that again for the record if I haven't made it clear before.

MR. GARTEN: I see this as a joint report. We are hearing from our treasurer/controller, and we're also hearing from a representative of management who's also summing up what the treasurer/controller has prepared. So I think the treasurer/controller is reporting directly to the board.

CHAIRMAN MCKAY: Tom?

MR. MEITES: I kind of am between both of you. And maybe Tom's point could be met quite simply. The standard is

that Charles gives a summary and then we hear from the treasurer. Maybe we should flip that so the treasurer gives his report first and then management comments on it. That would put the treasurer directly -- reporting directly to us.

And I would be interested in management's views on the treasurer's report because that goes towards what you're arguing about.

MR. FUENTES: I think that is a step in the right direction. I think that in board responsibilities, as independent a relationship as a board can have with its treasurer, it's very important if we might divide those matters as points on the agenda fully, that we consider and have presented to us the report of our line officer treasurer and subsequently a comment. I have no problem with that.

MR. GARTEN: I think that's fine.

CHAIRMAN MCKAY: How does that sound, Charles?

MR. JEFFRESS: Be happy to work that out.

CHAIRMAN MCKAY: Okay. Very good.

Any other questions or comments concerning the financial report?

(No response.)

CHAIRMAN MCKAY: Let's move on then to the third --

or the fourth item, the added item, the discussion relating to reversing the consolidated operating budget. We'll hear from David and Charles again. Thank you.

MR. JEFFRESS: Yes. Thank you, Mr. Chairman. The State Justice Institute, for those of you who are not familiar with it, is a private nonprofit corporation, like -- a similar structure to LSC. It is funded Congress. Its purpose is to achieve greater -- equal justice provisions by the courts. And their mission comes from Congress.

One of their areas that they have been funding solutions for the courts at the state and federal levels has been technology. Our TIG program has been coordinating and cooperating with the State Justice Institute over the past couple of years.

They have been sufficiently impressed by the work of our TIG program that they approached us and asked us to administer the funds which they otherwise would dedicate to the technology in the courts if we would in fact match those funds, or at least see to it that we would provide a similar amount of money for technology improvements in the courts in the interests of administration of equal justice.

So this year they approached us and asked us to

match \$318,000 and award technology grants for a total of twice that amount, and we agreed to do that. Last week we received a check from the State Justice Institute for \$318,000, which is their portion of these technology grants.

In order to actually spend that money, we need the board to authorize us to -- to authorize our receipt of that check, to authorize our putting it into the TIG grant category, and authorize the spending of that funds.

So we just got the check last week after the agenda for this meeting had already been advertised in the Federal Register. It was not on the earlier agenda. I appreciate your adding this to the agenda. And we recommend to you that you recommend to the board the revision to the consolidated operating budget. And you should have in your package a proposed resolution with a revised consolidated operating budget that adds this \$318,000 to the TIG line item, and authorizes the spending of that amount.

CHAIRMAN MCKAY: Okay. To summarize, then, we have received a check for just under \$319,000. And you're asking eventually the board to approve the receipt of that money and put it in our budget?

MR. JEFFRESS: Correct.

CHAIRMAN MCKAY: And that's reflected in the resolution that should have been handed out to everyone. Herb.

MR. GARTEN: I think that the resolution should also authorize entering into this formal memorandum of agreement, this two-page agreement that's been executed by State Justice Institute and Legal Services Corporation.

CHAIRMAN MCKAY: Could you work on -- figure out where you -- oh, I see, put it in the "Resolved" clause?

MR. GARTEN: Yes. Hereby approves entering into the memorandum of understanding dated August 1 and August 24, 2006.

MS. SINGLETON: Is there any requirement that the title would have to be changed also of the resolution, since it only refers to revising the operating budget?

CHAIRMAN MCKAY: Victor?

MR. GARTEN: It can't hurt.

MS. SINGLETON: Yeah. Just add "and approving the" --

MR. GARTEN: Yeah. Approving the agreement.

CHAIRMAN MCKAY: Any other comment?

MS. SINGLETON: I do have a question on the

substance of it, if that's appropriate.

CHAIRMAN MCKAY: Please go ahead. You get.

MS. SINGLETON: Because we've just received that money, does that mean none of these grants have been awarded yet or even solicited?

MR. JEFFRESS: The TIG folks, in anticipation that you all would approve this, have already solicited applications and have appropriate applications in hand to award the money.

MR. MEITES: The envelopes are addressed.

MS. SINGLETON: They have not only received applications, they've already made decisions as to who's going to get it? Is that what you just said?

MR. JEFFRESS: There is a priority list who will receive this grant money, yes.

MS. SINGLETON: All right. And were there any restrictions on to whom these grants could go that the State Justice Institute imposed? Because typically, their grants do have restrictions.

MR. JEFFRESS: Right. I'm going to have to ask for assistance here. Here comes Mike Genz, who perhaps knows more about it than me. The MOU has some of that information

in the MOU, but rather than read it to you, let me ask Mike if he could assist us.

MR. GENZ: Thank you. For the record, Michael Genz. The way in which this has proceeded is we got from our grantees a slate. We got the proposals for the grants that they wanted to submit to us. And that was their proposals for us.

We took these proposals when SJI indicated an interest in funding some them, we took those proposals and gave them to SJI and they picked out ones that they would be interested in funding half of the funds for, so above the amount that we had to allocate for it. So it's a savings for us, and allows us to fund more than we otherwise would have been able to.

MS. SINGLETON: And is there going to be a separate list maintained of these SJI/LSC grants if one wanted to look at how this money was actually being spent?

MR. GENZ: Sure. For each one of those grants that is combined, we put in half and they put in half. We completely administer them. But yes, we have the notation and everything that we list as to which of these grants are joint funded.

MS. SINGLETON: And if one wanted to look at that list, where would one find it? Like me. If I want to look at it, where do I go?

MR. GENZ: We would give it to you immediately. I assume, but I don't want to say for sure, that there's a clear website designation that would be available once this is resolved.

MS. BeVIER: Just sit tight.

MS. SINGLETON: I know.

CHAIRMAN MCKAY: any other questions or comments?

(No response.)

CHAIRMAN MCKAY: All right. You have in front of you, then, a resolution which, since there's not yet a motion, I think there's a proposed amendment here which I sense unanimous support for. So let me just put it out on the table this way.

Does everyone have in front of you this resolution regarding the revised consolidated operating budget? I propose, then, that it would read -- we'd interlineate for the board this afternoon -- it's in the package that was handed to us.

I propose, then, based on the conversation we've --

the discussion we've heard, the resolution: Revised Consolidated Operating Budget for Fiscal Year 2006 and Approving August 24, 2006 Memorandum of Understanding with the STI -- SJI, State Justice Institute.

And the other addition would be down at the "Whereas" clause, or the "be resolved" clause. "Now, therefore, be it resolved that the board hereby" -- and here's the interlineation -- "approves entering into the SJI MOU dated August 24, 2006, and adopts a consolidated operating budget."

That's the resolution in front of you. Is there any discussion or comment, or a motion?

M O T I O N

MR. GARTEN: Moved.

MR. MEITES: Second.

MS. SINGLETON: Second.

CHAIRMAN MCKAY: All those -- discussion or comment?

(No response.)

CHAIRMAN MCKAY: All those in favor say aye.

(A chorus of ayes.)

CHAIRMAN MCKAY: Opposed?

(No response.)

CHAIRMAN MCKAY: It passes unanimously. Thank you.

Now we're on to item 4, and the main reason for our presence here today is considering and acting on LSC fiscal year 2008 budget request. We do have a series of presentations, and we're going to start with the ABA. We understand that Deborah Hankinson is here to speak on behalf of the ABA.

MR. MEITES: Mike, before we start.

CHAIRMAN MCKAY: Yes?

MR. MEITES: I go through this confusion every year, so let me put my confusion on the table.

Congress has not yet appropriated funds for our 2007 year. Is that correct?

CHAIRMAN MCKAY: Correct, unless something has happened today.

MR. MEITES: And what we're doing is we are working on what will be submitted to Congress for the next year. And this will be submitted when?

MR. POLGAR: It will be submitted in late January or early February.

MR. MEITES: Of 2007? Okay. I'm fine.

MR. JEFFRESS: Could I just add, though, while it will be submitted to Congress in late January or early February, the White House through the Office of Management and Budget prepares the White House proposal to the Congress in the fall. And they will be asking LSC for what our request is for '08 some time later this month.

MR. MEITES: This month?

MR. JEFFRESS: This month.

MR. MEITES: Okay. Thank you very much.

CHAIRMAN MCKAY: Thank you. Are we ready to proceed?

All right. We're on the fourth item of the agenda. We have several presentations. The first one is from Deborah Hankinson, who's perfectly capable of identifying herself, and she will do so shortly.

But I will alert the committee that she has replaced our friend Mr. Whitehurst. She has large shoes to fill, but she certainly is qualified to fill them. She once served on the Texas Supreme Court. She has returned to private practice and is now the chair of the SCLAID committee. And we're privileged to have her here today.

MS. HANKINSON: Thank you, Mr. McKay. I appreciate

the opportunity to speak to the finance committee today on behalf of the ABA's Standing Committee on Legal Aid and Indigent Defendants.

LSC's own Justice Gap study showed that grantees are so resource-starved they are turning away over one-half of those people who apply for assistance, and many people in need don't even bother to apply because they know doing so is fruitless.

LSC should make it a top priority to at least serve all those who apply for services. The best estimates of the true level of need, of course, indicate that the system today serves only about one-fifth of the people in poverty with real, very serious legal problems. It should be our long-term goal to put together a system that brings justice to all.

We are not asking LSC or Congress to be the sole resource to ensure access to justice. As you know, the ABA has been working very hard to set up a stable access to justice infrastructure that will draw in bar leaders, judges, attorneys, and others in each state.

By the end of this year, we expect to have 25 states with up-and-running access to justice programs in

place, and the ABA this year has increased the funding substantially to support that effort. We are doing through those efforts our utmost to stimulate other sources of funding and to make sure that programs are in place to provide service to all types of cases and clients.

LSC is the central player in the access to justice system, the piece that catalyzes and knits together all the others. It should remain the cornerstone and have funding to at least be able to serve all eligible applicants.

The LSC board is to be commended for conducting the groundbreaking Justice Gap study, and for charting a course last year that used its findings as the basis for its fiscal year 2007 appropriation request. The LSC board adopted a very workable approach last year. Its rationale was that it should seek, as soon as practicable, to obtain sufficient resources to serve all eligible applicants.

But it sought to do that over the course of five years, with incremental increases to be sought in each of those years. We merely urge you to stay the course, to seek an appropriation that would this year close two-fifths of the gap between the current appropriation and the short-term goal of service to all eligible applicants.

Our calculation, using the formula we recommend, is that you should seek \$473 million for fiscal year 2008. To do this calculation, we had to make an assumption regarding the fiscal year 2007 appropriation since Congress has not yet finalized that appropriation. We assumed that LSC would obtain ultimately \$348 million, an amount midway between the figures adopted by the House and being considered by the Senate.

We also assumed that the amount needed to provide service to all eligible applicants was approximately double the amount available to LSC in fiscal year 2005. That would be approximately \$662 million.

Our calculation is that two-fifths of the gap between \$348 million and \$662 million would be approximately \$473 million. We realize that this is very inexact. It ignores the very real effects of inflation. It assumes a total need that is double the fiscal year 2005 appropriation, when in fact the precise amount needed is probably closer to 55 percent more than was available in 2005.

We do not mean to be cavalier in our approach, but merely to recognize that this is an inexact science, and to suggest that sometimes, for purposes of conveying a message,

simpler is better.

Because we do not have particular expertise in the allocation of resources within the LSC infrastructure, for the most part we do not offer recommendations in that regard.

We do urge that, as in the past, LSC continue its admirable record of devoting only very modest amounts to management and administrative costs, and to seeking an appropriation that is structured to devote as much as possible to funding field programs.

Whatever the final amount the LSC board seeks, we believe that it is important that the budget request convey a message to Congress that the need for legal aid to the poor is an immense and growing problem, and that more resources are needed each year. Therefore, we urge you to seek an appropriation that exceeds the level sought in fiscal year 2007.

Allegations of inappropriate spending by CRLA and at the national level have been recently made. But these are recently allegations. None have been tested in an objective forum, all have been contested, and some appear motivated by partisans long opposed to legal services to the poor.

While we recognize that this places this discussion

in a climate where tension exists, we do not believe that unproven attacks should affect the calculation of requested appropriation, and urge LSC to stay the course and seek an appropriation that exceeds the level sought in fiscal year 2007. Thank you.

CHAIRMAN MCKAY: Any questions or comments?

(No response.)

CHAIRMAN MCKAY: Thank you very much,
Ms. Hankinson.

NLADA. Mr. Saunders.

MR. SAUNDERS: Good afternoon. My name is Don Saunders. I'm the director of the civil division of the National Legal Aid and Defenders Association. Chairman McKay, members of the committee, and members of the board, it's our great privilege to have a few moments this afternoon to talk with you about the most important work that this board does, which is seeking aggressively support for the work of your grantees.

I've had the personal honor of following Mr. Whitehurst a number of years, and I want to agree with your assessment of Ms. Hankinson. We're very honored to be partners with the ABA, and it's really my privilege to follow

her. And I won't repeat a lot of what she said.

I do want to, however, stress that your work in documenting the justice gap has succeeded beyond what I think I and my colleagues at NLADA and in the field would ever have imagined. It's had great resonance both in the general public and certainly in the halls of Congress. It's very commonly now cited by members of Congress during appropriation debates. And I think that was absolutely the right approach for this board to take.

And while we in the field and at NLADA very much want to stress that the underlying finding remains, as Deborah said, that the real need in this country to meet what other societies meet and certainly to meet the fundamental promise of justice would be in the range of \$1.6 billion, would be the federal component of that need.

My colleagues in the field certainly pushed to stress to this board that we make a clear statement of what the real need is. But we have -- we come to you today with a very similar approach to the one that the American Bar Association has taken. We do believe, even though we asked last year that you try to fill the gap of those you're unable to -- your grantees are unable to serve within a two-year

period, we recognize the wisdom, political wisdom in particular, of your approach to achieve that goal on a five-year basis.

And we would underscore the ABA's request. Our figure is a little different because we do speak for the field and they're very literal in terms of determining 55 percent is the finding. And that's the reason our numbers are slightly different.

But as Deborah suggested, simplicity, I think, is very important. So our message to you today and the message of the field is an urgent plea to stay the course, to stay -- to keep that five-year goal in mind, and to pursue it aggressively.

NLADA and, indeed, the entire civil legal aid field, greatly appreciates the leadership that this board has evidenced. And it's certainly recently come at some significant personal cost to members of this board, who have committed a great deal of your time to the cause of equal justice.

You've shown yourselves to be true both to your responsibilities to maximize the resources available for civil legal aid. But also, by continuing to immerse

yourselves in the business of your grantees through your regularly scheduled board meetings at field sites, you've also shown a commitment to learn about the realities and challenges that your grantees and their client communities face and the enormous need that exists in the field.

Certainly as you and representatives from NLADA and CLASP have seen in your visits to Providence in Rhode Island and to St. Louis, and I'm sure as you'll note in West Virginia next month, your grantees are committing Herculean efforts to meet an onslaught of serious client demand.

Too often these efforts have to be tempered through a triage that results, as evidenced by the Justice Gap, in your turning away 55 percent of the folks who reach your office with serious human legal needs. We and our country can do better, and you should remain a strong beacon for that message. And we would urge you to continue along the path that you developed last year.

I would just speak very briefly about some specific recommendations. We do have a few comments with regard to priorities. It has always been the position of the field that the great majority of your budget be dedicated to direct delivery, and that the primary decisions about how that

resource will be used should be made at the local level.

I agree with the ABA that you have been exemplary in meeting that goal. The management and administration of this appropriation is exemplary by any federal standard. And we would urge that primarily any increase be placed in the direct delivery of legal services, as evidenced on page 5 of our letter.

However, there are a few specific initiatives that we feel require such attention that you should seek, after a basic cost of living increase, the ability for the Corporation to promote several areas that we think are of primary interest to the field.

The first is the continuation, indeed the expansion, of the Technology Initiatives Grant. I think it's safe to say that the field believes that the 1.2 million allocated for this year is completely insufficient to really maintain any new aggressive outreach in terms of technology and technology programs. It's certainly very good to hear about the State Justice Institute initiative. But we would ask at any level of funding that you seek, at a minimum, \$3 million, and that as any increase were to come forward, that the technology initiative grant program increase

proportionately to that increase.

We again urge you to seek additional funding for the continuation of your Loan Repayment Assistance Program. We look to the lessons, the important lessons, that you will learn from that first million dollars.

I had the opportunity to speak to a statewide meeting in Missouri last week, and the major subject of that meeting really was the next generation of advocates. How do we make it possible for people to pursue a career in legal services? And the future of this organization and the work that your grantees do is very dependent upon finding answers to some very difficult questions. So we would ask that you seek to continue that program.

We also ask again that you seek money for training and substantive assistance to your grantees. This is particularly important in a year in which the quality agenda of your senior management staff and of the field come together with wonderful opportunities to pursue new strategies, to achieve quality with the performance criteria that you've recently adopted, with the new standards for civil providers of the ABA.

There's some wonderful opportunities there, and we

would urge that as you go forward, you seek some supplemental funding to make training and technical assistance in that area a possibility.

Finally, we would once again urge you to seek supplemental funding in terms of creating a permanent disaster capacity in the Corporation. We asked you, and you indeed included a request last year for a million dollars for emergency assistance. And we think that's a good idea. We continue to urge you to seek that money.

In a final note, if I might, I have had the opportunity working with your staff, as have many of my colleagues, to see the enormous continuing need that's being created by the disaster in the Gulf Coast last year.

We have seen what I think is inevitable in any tragedy, a gap between the times where people were trying to get their kids in school, figure out where they're going to live. The first thing in their mind was not the legal need that would arise from the disaster. I think it's safe to say that as we've noticed the enormity of the need, as it's become evident what the problems were, that these are problems that will be with this society for a generation.

While the ABA and others have really stepped up and

the volunteer response has been significant, from my conversations with people in the Gulf area, what's needed most are boots on the ground, as I would say, people who can be there to bridge the gap between the need of clients and the available volunteer resources. And that can only be met by significant funding.

I applaud you and your staff for being aggressive in terms of whatever supplemental funding has come from the Congress to address the needs in the Gulf. I think it's a sad statement of our society that little if any of that money has been dedicated to the legal needs that arose from the disaster.

But I'm here to suggest to you that those needs remain significant, and one important part of any relief effort will be a commitment of resources at the federal level to address the needs that arose from that. And to the extent you and/or your staff are able to continue to talk with members of Congress about that need, to articulate it to the Congress, we would urge you to do so, Mr. Chairman. Thank you, and I'll be happy to address any questions you might have.

CHAIRMAN MCKAY: Thank you. Questions? Sarah?

MS. SINGLETON: As I understand NLADA's recommendation, it's for a dollar mark of 482.4 million. Right?

MR. SAUNDERS: That's correct.

MS. SINGLETON: Now, are you suggesting that a specific amount ought to be asked for in addition on account of Katrina and other hurricane-related needs?

MR. SAUNDERS: Not in the context of the LSC FY 2008 request. What has typically happened to this point -- and Tom would know better than I about the current status -- Congress has been appropriating regular supplemental appropriations to cover a whole range of hurricane-related needs, none of which have been legal needs.

So we would urge you not to try to earmark the FY 2008 budget in any form or fashion. But we would urge, as future supplemental bills come up, that the conversations take place either with OMB or with Congress about the particular need for legal assistance. And the hope would be that some of that money in the future could be earmarked to provide help.

MS. SINGLETON: Thanks. That helped me understand your position better.

CHAIRMAN MCKAY: Thank you. Herb?

MR. GARTEN: You asked the question.

CHAIRMAN MCKAY: Good. Any other questions or comments? Tom?

MR. MEITES: I was thinking about your boots on the ground. Let's say that Congress gives us \$473 million next year, or \$482 million, and we pass on a proportionate increase to the grantees, all the increase. We don't need any more for administration and IG, you know; we're satisfactory. What would they do with it?

MR. SAUNDERS: What would grantees do with it?

MR. MEITES: Yeah. To meet this need. Would they hire more lawyers? Get better offices? Pay higher salaries? Get better computers?

MR. SAUNDERS: I hope they would do a bit of all of that, Mr. Meites. I certainly think that the very numbers that we're talking about today about the people who are being turned away, obviously there's a need for more offices, for more staff, for better-trained staff. Their training budgets have been really lowered to almost nonexistence in some programs.

But also, we need to take a look as a community at

the terribly low salaries that we're paying our professionals, something that really contributes again to the problem that younger law school graduates are facing in terms of debt. If salaries were to increase, it would be a significant help in that regard.

So I would hope that the programs would have the flexibility to do a bit of all you're talking about.

MR. MEITES: Thank you.

CHAIRMAN MCKAY: Any other questions or comments?

(No response.)

CHAIRMAN MCKAY: Thank you very much, Don.

We're now going to hear from LSC management.

Charles and Tom, I think.

MR. JEFFRESS: Thank you, Mr. Chairman. Before we start, I might point out in addition to the two public comments from ABA and NLADA which we received in advance, we received comments from the Washington State Access to Justice Commission and from the Washington State Office of Legal Aid.

And those are in your books behind the public comments section. Those are in addition to the two we received from --

CHAIRMAN MCKAY: And Charles, it's fair to say that

the most active state participating in this process is the state of Washington?

(Laughter.)

MR. JEFFRESS: Two Washington, zero anybody else.

CHAIRMAN MCKAY: Thank you.

MR. JEFFRESS: Although I think several others with state NLADA may be represented.

In terms of the presentation of the management recommendation for FY '08, it is divided of course into the categories that we presented to you in our financial reports -- the basic field, the technology initiatives, loan repayment, management and administration, and inspector general.

The biggest, of course, and the biggest decision facing you is on the basic field request. Management looked at your request last year where you requested a 20 percent increase for basic field, looked at what the Senate Appropriations Committee has recommended thus far, which is a 10 percent increase, essentially, in basic field, and reflected on the discussion this committee had and the board, to some extent, had last year about the need to close the justice gap that was documented in that report.

As you will recall, last year after listening to the need, considering the needs, this committee and the board decided to ask for a 20 percent increase in the basic field amount to start to close that gap and to close it over a five-year period.

In voting for that, several members of the board acknowledged that this was -- that was the vote for last year. That was not necessarily a commitment to doing 20 percent every year. But you did say that you felt that the closing the justice gap was important, and last year you made the first step at making a down-payment on that.

As Don Saunders and Deborah Hankinson reflected to you, that leadership by this board was very important in terms of the public perception of the need and in terms of the congressional reaction to the need. This is the first time in four years that the House and Senate recommended increases for Legal Services Corporation. And that is a tribute to the aggressive stance you took and the educational stance you took on the need to close this justice gap and the need for more money to do that.

In considering where to go for '08, based on what we know so far about '07, management believes it's very

important that the board continue its leadership; that the flag you raised in terms of the justice gap in this country, the flag you raised in terms of the need to close that gap is going to be best served if the board will continue holding that flag high and going forward with a recommendation for a significant increase in the money dedicated to equal justice in this country.

So management has recommended to you, and it's in the papers prepared for you, that we seek -- that the board seek --

OPERATOR: David Hall is now joining.

CHAIRMAN MCKAY: David, welcome. We're still in the finance committee meeting. This is Mike McKay. And we're in the middle of the presentation concerning the fiscal year 2008 budget request. You're welcome, and we're hearing from LSC management right now.

MR. HALL: Okay. Thank you.

CHAIRMAN MCKAY: You bet. Thank you.

MR. JEFFRESS: So management recommends, then, to continue that kind of leadership. And to continue to raise the need to close the justice gap, that you seek an increase in basic field 20 percent above what the Senate

Appropriations Committee has recommended for LSC for next year.

So the figure that you see on page 11 for basic field, \$407 million, is a 20 percent increase over the Senate appropriation level for this year. And that's the Senate level. The Senate breaks out the census adjustment separate from the basic field, but they both go to basic field. So it's 20 percent above the combined basic field plus census adjustment in the Senate appropriation.

One of the considerations, as Don Saunders indicated, was how do we deal with the significant increase in demand for civil legal assistance brought on by Hurricane Katrina and the disaster in the Gulf Coast. Rather than ask for a separate appropriation, we recommended that there be one appropriation, one request for basic field, and that covered the additional need.

But we do recognize that that is a substantial component of additional need that was not included in the analysis provided at the Justice Gap. But we are not recommending an additional emergency relief fund. We are simply suggesting that that need be incorporated into the basic field services provided by our grantees.

In addition to the basic field increase of 20 percent above the Senate level, we recommend that you repeat your increase of last year for \$5 million for the Technology Initiative Grant program. That grant program has been very successful, as you've heard from others. State Justice Institute likes it so much they want to help us with that.

The focus for '08 for TIG grants we would expect to be on pro se court forms, on earned income tax credit forms, and on innovation, replication, and infrastructure grants to continue the work that has started.

We also are recommending to you that the board repeat its request for a million-dollar expansion of the Loan Repayment Assistance Program. That would expand the number of people in the pilot program, that we would be able to have a broader range of folks, particularly reaching attorneys who have been with our grantees in their fourth and fifth years.

As you know, the first round of LRAP grants focused on lawyers who've been hired who had worked for the programs for one, two, or three years. We would propose, if additional money is available, that we expand that to fourth and fifth year attorneys.

Management and administration request: We're recommending that you request the same as last year, which is 14.5 million. As you saw in the financial reports we discussed a few minutes ago, with the appropriation from Congress of 12.6 million, the interest that we earned, and the carry-forward, our budget for this year was \$14.7 million.

The FY '08 request of 14.5 is of course less than what our current budget is, but with what we expect to be some carry-forward and continue to be some interest, we would expect our budget to keep pace. But 14.5 million is the same request that you made last year.

Again, we do not recommend -- we have not recommended anything for the emergency relief fund, which the board asked for a million dollars last year. And we have forwarded for information a paragraph on the Office of Inspector General, and included the amount that he requested, \$3.041 million. But he's on the agenda to speak to you separately about his request.

CHAIRMAN MCKAY: Okay. Thank you.

Tom, do you have anything to add?

MR. POLGAR: No. Just here to answer questions.

CHAIRMAN MCKAY: Questions or comments from the committee.

MR. GARTEN: Tom, what about this legislation we just heard of from Don? Is there anything pending that we could seek additional funding for legal services?

MR. POLGAR: I don't believe there's any supplemental going through for the rest of this calendar year. So the answer, short answer, would be no.

MR. MEITES: Mike?

CHAIRMAN MCKAY: Yes, Tom. I'm sorry.

MR. MEITES: At our last meeting, we discussed briefly legislation that was working its way through Congress to give loan relief to assistant U.S. attorneys and similar lawyers. Can you tell us, if you know, the status of that legislation, whether there has been any progress to getting lawyers who work for our grantees included?

MR. POLGAR: The answer is that nothing has happened with respect to that legislation since I reported to you, since we discussed it in July. The sponsor of the bill in the Senate, which is version of the bill which does not include legal services workers, is adamantly opposed to adding them. He's made a political judgment in his mind as

to what's the best way to move the bill.

The House has moved legislation which does have a public service component for the relief of loans, and that does include legal services workers. I should add in all these cases, the legislation in question is subject to appropriations. It's not creating an entitlement program. So the amount of money that will actually be for loan relief, if in fact the legislation is enacted then, would be subject to the normal appropriations process.

MR. MEITES: I'm going to get in over my head. If you're forgiving a loan, why do you need an appropriation?

MR. POLGAR: Because somebody has got to pay off the bank.

MR. MEITES: Well, if the debt is to the United States of America, why do you need an appropriation to forgive that debt?

MR. POLGAR: You could construct it in a way that you wouldn't need an appropriation and it would become, in effect, an entitlement program. But that is not how the sponsors have chosen to do it because if they made it an open-ended entitlement program, they'd probably have an even harder time getting it enacted.

MR. MEITES: I'm in over my head. I'll stop.

(Laughter.)

CHAIRMAN MCKAY: Lillian.

MS. BeVIER: Forgive me if I'm just really as clueless as I think I am. Would you just refresh our recollection or bring us up to date on where the appropriation process is for FY 2007? Because I notice that this chart says the Senate appropriation. What's the House? When are they going to get together? What can we expect? I mean, what do you think that number is going to be for FY 2007, and what is it that leads you to think that?

MR. POLGAR: Okay. The House enacted a bill in late June appropriating 338 million and change for the Corporation. The Senate Appropriations Committee took it up in July and passed -- appropriated the number you see there, 358-1/2 million.

The reason we chose to work off of the \$358-1/2 million number was, one, it was higher; and two, we didn't want to give away any of our legislative position or any of our position unnecessarily. I don't think our Senate sponsors, who have been pushing hard -- the Senate supporters, who've been pushing hard for the 358-1/2 million,

would not be terribly happy if we were running around saying, well, we think there's going to be a compromise at 348 million or something like that. So we're sort of in a position where we don't want to give away their position.

In any event, the Senate has not taken up the appropriations bill. It is not expected to take it up until a lame duck session, which will occur after the election. And so it is -- the most likely outcome is there's going to be some sort of big omnibus appropriations bill towards the end of the session.

There's a possibility, and I've seen this happen before, if the House or the Senate or both switch party control, then things tend to go into complete gridlock and they might not even finish the appropriations process until some time in the first part of 2007.

MS. BeVIER: Can I just have a follow-up? I understand you to be saying that for tactical or strategic reasons, it is not possible -- wholly apart from the potential of the election to just throw everything into chaos, it's not possible for you to make what you would describe as here's my best guess as to what is going to happen.

MR. POLGAR: Well, I mean, normally what they do -- they didn't do this last year, unfortunately, but normally what happens in conference when you have the House and the Senate \$20 million apart on something, they'll split the difference. That's the most common way they resolve funding disputes, in which case you end up with the \$348 million number that Don Saunders mentioned.

But last year, of course, that's not what happened. Last year -- the Senate had a \$25.7 million higher appropriation last year for the current fiscal year, and then the Senate completely receded and we ended up with the lower House number. So I don't want to sound too confident here. We're working very hard to make sure that we get the number as close to the 358 as possible.

MS. BeVIER: I understand that. But it is the figure off of which we're saying we're asking for a 20 percent increase. That makes a difference to me. So thank you.

CHAIRMAN MCKAY: Tom.

MR. FUENTES: Mr. Chairman, I'm -- a follow-up to Lillian's concern because your thought path there was exactly where I was going. My concern is that this page 11 chart

which is presented to us, we need to deal with the reality. We need to look intelligent and reflective in what we convey.

And I appreciate the political strategy that is being suggested here. But I think I'd rather deal with reality, reality of the past five years, reality of the fact that it is the same Congress and it is the same administration of the past five years that's going to look at this.

And we don't even have those numbers presented to us as a board so that it's our prerogative to build from those numbers. We have this out of whole cloth, for lack of a better term, would-be high Senate number, and I think if you went back and looked at the past five years, you'd find that in the final resolution of number that we received, it's always been closer to the House number than it has been to the Senate number.

The big jump that we've talked about at the last meeting or two, I believe, from Senator Harkin, was it?

MR. POLGAR: Yes, sir.

MR. FUENTES: And how much was that? Was that -- help me with that.

MR. POLGAR: The numbers offered by Senator Harkin

are actually -- and Senator Domenici are the ones that the Senate Appropriations Committee adopted. So it's reflected in the third column.

MR. FUENTES: In the 358. And of course that was, you know, startling big news, and how realistic we're yet to see. I would rather have us have the opportunity to review these numbers, that we could deal with a review of House numbers and a five-year track record, than reaching from this limited information that I don't think is realistic.

I think also that in every suggestion made for the increase of numbers, the Justice Gap document is referred to. And yes, we all share a heartfelt concern of the conclusions of the Justice Gap. But I think that there was a variety of opinion expressed by this board as to how we get there, and especially with concern for increased volunteerism as a priority above and beyond just the addition of dollars.

And so this board, for two meetings, focused on big firms and small firms, attempting to learn as much as we can as to how we might stimulate voluntary responses. We haven't yet come to other creative ideas to think out of the box, like faith-based initiatives, that could be considered here. Catholic Charities does a magnificent job in some

communities, et cetera. How we get the job done.

So I'm not comfortable buying into this as a basis.

MR. HALL: Could I respond?

CHAIRMAN MCKAY: Please.

MR. HALL: And I guess as chair of provisions, which has certainly been spearheading the exploration of pro bono involvement, and I think that has been a very helpful and enlightening process, I don't think anyone should read into that effort that there is a belief that through increased volunteerism or increased pro bono from large firms, from law schools, or whatever, that that alone is going to correct this problem.

And there have been numerous studies that have indicated that, that that is a critical part and we have to still leverage that resource. And it is a resource that needs to be leveraged. But we should not go down that road assuming that that's the answer.

And when I think historically about the discussions that we have had in the finance committee as it relates to the Justice Gap report, I mean, that report was done in part because we felt that we didn't have a strong basis for making our request, that our arguments in the past have been made on

what the budget was years ago, and that we needed some systematic analysis of what the need was now, and especially as it related to our grantees and not the whole field of legal services.

And though we did have a very rigorous discussion of the report when it came out, and board members and others raised some methodological concerns, et cetera, I think unanimously we embraced that report as being reflective of the reality out there. And I think that's sufficient evidence that we are not advocating for dollars that are not needed or dollars that could be easily replaced by pro bono activities.

You know, we are in a situation where there is a major gap and we've documented that. And I say over and over again, I do believe that the goal of this board is to be reasonable and to be thoughtful in our requests. But we should not limit ourselves to what has happened in the past.

If that's the approach we take, the our request should always be to have the same budget.

Our goal is to analyze a legitimate need and make legitimate requests to address those needs. And our other activities around pro bono, et cetera, should not make us

think that the need is going to easily disappear or change over time.

CHAIRMAN MCKAY: Thank you. Any other questions? Comments? Herb.

MR. GARTEN: This volunteerism is important, and I've had a lot of experience in that area. But it's not practical or possible to expect that there will be a material change in the gap even if we're very, very successful in that area.

And it's something that isn't going to take pace today or next year. It's a long-range situation. And we have an obligation to come up with a figure now as to what the mark should be.

And I'd like to just refresh myself and others as to where we were last year. We had a debate. My recollection is that the ABA and NLADA asked us to close the gap in a two-year period. And we started with the five-year.

And I recall suggesting that we compromise at three years, and that was turned down by the board.

So that's where we came up with this five-year, based upon what I recall now. And if anybody disagrees with my recollection, I'd like you to refresh me.

We have a deadline here. And I think staff has done an excellent job in coming up with a figure that is reasonable. We heard from the ABA and NLADA that it's the starting point -- I think that's bothering you, Tom -- the starting point using the Senate figure. Some discussion ensued about taking a figure in between the two, starting off with that.

But other suggestions have been that we were short in our first year and we should make up the difference so that it would just not be a 20 percent increase over the prior year. But the staff has disregarded that catch-up and is now saying, give us the 20 percent increase over what you gave us the past year. And I think, Mike, the figures reflect that. I just worked them out.

But we're going a 20 percent increase over what we had in the past. Forget about the catch-up that's been suggested here today. So I think, looking at this, the budget -- rather, the mark request -- takes care of the tech initiatives. We've put that on that last year by Congress. It takes care of the loan repayment.

And I think it's a good figure to come up with, the 431 million figure. And I would be very supportive of it.

And I'd ask the board to follow through on it.

CHAIRMAN MCKAY: Sarah.

MS. SINGLETON: I think the point of the board setting a budget mark is not to accurately predict what Congress is going to do, but rather it's to try to lead Congress to give LSC as much money as it can, given all the fiscal constraints that Congress faces.

And I know that in talking about the fiscal year 2007 budget mark with people from Senator Domenici's office, that he always said that, well, at least in 2007, we should have what the Senate had wanted Legal Services to have for the 2006 amount, the one that got compromised in the --

CHAIRMAN MCKAY: Conference?

MS. SINGLETON: In the conference. Right. And so I think it's important for us to be out ahead of that amount because I think he, if he could have gotten other support, particularly within his party, would have proposed that the Senate number should be even higher because LSC had come in with the Justice Gap report and had given a good justification for more than even the 358.

So I think that the way the staff is approaching it or management is approaching it is a good way to go, to

continue with the 20 percent, trying to get us somewhat closer to that, and to give the people who do support us numbers to use to get as much as possible.

I have one question that I just want to throw out.

I don't think it would be untoward to not ask for an increase in the management and administration line item. And I think that that might actually make political gains for us if we were to do that. And I'm going to suggest that we consider that when we do our budget mark.

CHAIRMAN MCKAY: Consider reducing our management and administration?

MS. SINGLETON: Yes. Instead of -- yes.

CHAIRMAN MCKAY: Very good.

MS. BeVIER: You mean just leaving it at 12.825?
Or wait.

MS. SINGLETON: Either leave it at 12.825 --

MS. BeVIER: 12.661.

MS. SINGLETON: Yes.

MS. BeVIER: Okay. FY '06.

CHAIRMAN MCKAY: Tom.

MR. MEITES: I want to pick up something that Tom said. When I negotiate, I like to have a rationale for the

numbers I'm putting on the table. And there are kind of two variables here. One is we don't know what the appropriation this year is going to be, and second, we don't know what the Congress is going to look like that's actually going to approve our appropriation.

So prudence tells me that you need a story that suits all weather, regardless of the outcome on both those variables. And so I think that using the 348 figure is a reasonable place because there's a rationale for it. We just split the difference and we added 20 percent. It's a simple story, and it is a reasonable place for us to start our story.

I also agree with Sarah that we can make up some of that money by rolling back our administrative request. So I guess that's where I would come out. I would in fact try to do the numbers, and I do not trust my multiplication. But I would use the 348 --

MS. BeVIER: 348 or -- 348?

MR. MEITES: 348. Use the -- increase it by 20 percent, and then re-juggle our figures to keep our management and administration what it was in '06, which will leave a little more money on the basic field side.

CHAIRMAN MCKAY: Very good. Thank you. I don't want us to go too far down the line till we hear from everybody. But this is all helpful conversation.

Any other questions or comments with regard to the presentation by management? Lillian?

MS. BEVIER: Oh, never mind. I guess I'll wait till we have a general discussion. I'll hold it, yeah.

CHAIRMAN MCKAY: All right. That's what we envision.

Anything else?

(No response.)

CHAIRMAN MCKAY: Thank you gentlemen very much. We'll now hear from Mr. West.

MR. WEST: Good afternoon, Mr. McKay and members of the committee. I'm Kirt West. I'm the inspector general. And I'll have a relatively brief presentation.

From my perspective, a couple things. One is our budget request is -- will be less than 1 percent of LSC's total request. And I guess, depending upon how you end up, at the moment it's about 21 percent of the management and administration line.

Based on both the House and the Senate and I think

in looking at the actions, the only number that's consistent in the House and the Senate is the OIG budget number, which is 2.97 million. That was both the House and the Senate, less than I requested but significantly more than I received the prior year. And I'd like to think that's because the Congress has recognized the work of my office on both the House and Senate side.

With deference to financial frugality, the expectations on available carryover and the fiscal realities of Washington and LSC, I'm only asking for an increase of \$71,000 from what I expect my budget to be this year. I would assume that given the House and the Senate both have the same number, that it would be reasonable that I would expect that number. And the money that I'm asking for is just simply to pay for annual salary increases.

It's a reduction from what I asked for last year, and we had a lot of discussion about the 3.5 million. And I told the committee I would come back and look at what my needs are. I've come up and worked with Mr. Maddox, who does my budget, of a request that I would have 23 positions. And from my perspective, I think that would be sufficient to fund my mission and the additional duties I have in the area of

compliance.

I'd also like to talk to -- there may be some concern, you know, why my office is as large as it is. If you could just give me a couple minutes, I'd kind of like to explain something about our methodology of working that will perhaps explain, you know, why we need some of the staffing we do.

Last night -- and I actually have to apologize; it wasn't put together in the best order -- you received a draft report from me. It was probably not the shape I would want it to have been in, but I wanted to get it to you. But I can tell you, going through the individual sentences in there, take away some of the proofreading issues and others, that we go through a process or referencing. It's called independent referencing.

So when we do that, we go through our reports line by line and look to see if there's evidence for that. And we have somebody that goes through the section of the report who has not worked on it, so they have not worked on it. They have to go through our documentation and look and say, do we have support for this statement? And if not, you need to change it.

We do that as we put out a report. We still do it while we have a report in draft, until it goes final. And then there's a final check on our report to make sure that if you were to come up to me and ask me, where's your support for this statement in your report, I can go to a document and say, this is the document.

Well, as you can guess, it's a pretty time-consuming practice. And actually, I've talked to a couple people on the board. I think they do that in litigation. You know, when you're doing things you go through and you make sure you've got everything lined up. There are no gaps in it. If you can't support something, you go back and you either find more evidence or you don't say it.

Well, this process is very time-consuming and the result is I need experienced staff to do it. When we finish that process of the independent referencer, then a supervisor looks at it to clear the comments. We go to legal if we need to do that, if there's a legal question.

So I just -- you know, that's sort of -- and let me just give you a real world example and then I'll stop. Yesterday, as we were compiling the report, we were going to make a statement there were four instances where we did not

find the lowest bidder got a bid.

And then our referencer, who wasn't working on it, looked at it and said, well, wait a minute. Your fourth -- you've got four, but your fourth one is something where, well, it wasn't the lowest bid. The only -- you know, they happened to do a trip in Puerto Rico. The only hotel that had the favorable dates was this one, and we chose it.

It wasn't the highest -- it wasn't the lower bidder, but it was somebody who had a better date. And so we knocked out that being an instance of not taking the lowest bid, and dropped it down to three. That's the kind of rigor we try to do with our work.

And so I just wanted -- because sometimes you might wonder, what are we doing? Why do we need all this staff? And we do this with our investigative products as well as our audit products and our reports.

So I just wanted to sort of pass that on and sort of an explanation because I think sometimes the work of my office can be a mystery to people on the board as well as management or, you know, what some of our methodologies are.

So anyway, I'd just like to, you know, conclude that our budget request is just simply for a -- to deal with

employees' cost of living allowances on a budget mark that I think is realistic based on where both the Senate and the House are right now.

CHAIRMAN MCKAY: Thank you. Questions or comments for our inspector general?

(No response.)

Thank you very much.

Is there any public comment on this topic?

(No response.)

CHAIRMAN MCKAY: We'll now move to consider and act on this subject. We've had some discussion. I'll tell you it's now 2:31, and our agenda is that we were to have ended one minute ago. Obviously, this is very important, and I will attend to this as needed. But I would let you know that we should do this with whatever speed we can.

MR. FUENTES: Mr. Chairman, I'd just like to mention that your last meeting, though, was very short. So when you average the two, you're doing all right.

(Laughter.)

CHAIRMAN MCKAY: Thank you very much.

MR. MEITES: Can I turn my musings into a formal proposal?

CHAIRMAN MCKAY: Please.

M O T I O N

MR. MEITES: That we take the midpoint of the House and Senate, we increase it as per our discussions last year by 20 percent, and to mitigate some of the impact, that we rearrange the figures so that the management and administration part remains at the 12.66 figure, and whatever is left goes to basic field.

MR. GARTEN: Question.

CHAIRMAN MCKAY: Yes?

MR. GARTEN: I couldn't follow you on how you came up with the base figure.

MR. MEITES: Oh, I gathered from the discussions that the House was roughly at 338 million, the Senate was roughly at 358 million, and I decided the midpoint was 348, which may or may not be correct. But let's use 348 unless someone says I'm wrong.

And I simply apply a 20 percent increase to that, with some -- with the juggling I indicated to keep our management and administration what it is this year. And whatever that would -- and move the change, which is roughly \$2 million, to basic field.

MR. GARTEN: So your 20 percent is being applied to what figure?

MR. MEITES: To the bottom line, to the 348 figure.

CHAIRMAN MCKAY: So it would be 348 minus --

MR. GARTEN: Plus 20 percent.

MR. MEITES: No, no.

CHAIRMAN MCKAY: No, 348 plus 20 percent.

MS. SINGLETON: I think it's 427.6.

MR. MEITES: Well, I got 417.6, so I don't --

MR. GARTEN: I have 447.6.

(Laughter.)

CHAIRMAN MCKAY: And we're the finance committee.

MS. SINGLETON: It can't be more than 431, Herb.

MR. GARTEN: I agree with you on the 348.

CHAIRMAN MCKAY: Why don't we designate someone to actually do the math, and let's just discuss this topic.

MR. GARTEN: Okay. 348.

CHAIRMAN MCKAY: Let's have our treasurer/controller -- yeah. I mean, do you understand what we're doing, David?

MR. RICHARDSON: I do, but I do have a little clarification.

CHAIRMAN MCKAY: Then you don't understand it.

(Laughter.)

MR. RICHARDSON: The figure that we're showing here is 358, which is the highest of the Senate mark. The 348 was the average of House and Senate. That also includes basic field, technology, and so forth.

What we had done originally was to take 20 percent of the Senate appropriation mark for basic field, and that's how we come up with our 407 --

CHAIRMAN MCKAY: Oh, I see.

MR. RICHARDSON: -- and then added the others to it.

MR. MEITES: Okay. Well, then, with that understanding, yes. Calculate basic field by -- well, 1.2 times 348. Okay? And then reduce management and administration from the 14.5 million down to the 12.661 million.

MS. BeVIER: Are you keeping the TIG at 5 million?

MR. MEITES: Yeah. Keeping everything else the same. Okay. And then the roughly \$2 million difference that that produces add back into basic field.

MR. GARTEN: Running down a request by categories,

what do you get?

MR. MEITES: Well, you'll tell us what we get by that?

MR. FUENTES: Mr. Chairman?

CHAIRMAN MCKAY: Yes, Tom?

MR. FUENTES: There's an anticipated \$2 million carryover at the end of the current fiscal year to 2007. Would the maker of this motion accommodate that as a further reduction?

MR. MEITES: No, no. What I would do is I understood what they said, which may be wrong, is that the 2 million allowed the administration to be roughly what our real costs are, so that I would use the carryover for 2008, as it anticipates being used in 2007 and 2006.

MR. FUENTES: You've already taken that into consideration?

MR. MEITES: I hope I'm not counting it twice.

MR. FUENTES: Pardon me?

MR. MEITES: I hope I'm not counting that twice.

MR. FUENTES: Well, it's close enough for government work.

(Laughter.)

MR. MEITES: My idea of going -- I want management and administration to be the same as it is now in all respects.

MR. RICHARDSON: I will check my figures once we leave here to make sure. But the way that you've asked me to figure it is actually an increase over what is here. Because that would figure to 432.

CHAIRMAN MCKAY: For basic field?

MR. RICHARDSON: For the whole budget.

CHAIRMAN MCKAY: For the whole thing?

MR. RICHARDSON: Because that would figure, as Mr. Meites suggested, 348 times 20 percent, which would be the basic field amount. And then add to that --

MS. SINGLETON: I think you understood.

MS. BEVIER: It was 337.

MS. SINGLETON: What you need to take is take the House basic field and the Senate basic field, find the average of that multiplied by 20 percent, and come up with what that number is.

MR. RICHARDSON: That's what I was suggesting. But I understood that he said --

MR. MEITES: No, no. I misunderstood.

MR. RICHARDSON: Okay.

MR. MEITES: Do what Sarah said. That's what I --

MR. RICHARDSON: Actually, I don't have the House basic field number. Let me get that, and as you continue discussions, I can figure --

MR. GARTEN: But you got the 348 figure, the average of the two.

MR. MEITES: Yeah. But I was averaging the wrong two figures. I was averaging the total appropriation rather than the basic field appropriation.

MS. SINGLETON: I think both Tom and I were laboring under a misunderstanding as to how these numbers were arrived at.

MR. GARTEN: That's why I asked the question.

MR. MEITES: Lillian and I understand the picture. I couldn't express it very clearly.

MR. GARTEN: Well, why don't you state it in -- what you're proposing.

MR. MEITES: Okay. You take the midpoint between the House and Senate suggested appropriation for basic field. You increase that by 20 percent. Okay? Step two --

CHAIRMAN MCKAY: And you're talking about that's

coming out of fiscal year '07?

MR. MEITES: Yes. That's correct. Step two: In the proposal here, you reduce our request for 2008 from 14.5 million to 12.6 million. And then you total it up. And then step three, I'm sorry, you add to basic field the roughly \$2 million that you have gained by reducing management and administration from 14.6 to 12.6. It's 1.9 million.

MS. BeVIER: And the rationale for the TIG increase is the same as just, well, that's what management asked for and it's really useful? I mean, that's practically a \$2 million increase.

MR. MEITES: I hadn't focused on that.

CHAIRMAN MCKAY: Yes, Sarah?

MS. SINGLETON: My question deals with the census adjustment that is in the Senate appropriation. I can't recollect whether or not there was a census adjustment in the House appropriation.

MR. JEFFRESS: There is not. That's a Senate device.

MS. SINGLETON: Okay. So basically, then, the Senate is appropriating almost 39 million for basic field, as I would look at that. Is that correct?

MR. JEFFRESS: And that's not what we used as our base. That's correct.

MS. SINGLETON: Okay. So what we should be averaging is the 39 million and the House number. Is that correct?

MR. JEFFRESS: I would suggest that the Senate and House negotiators, when they get together, don't really look at the sub-items. They're going to be looking at the 358 and the 338, I think.

MS. SINGLETON: The 358? Oh, they're just going to be looking at the bottom line?

MR. JEFFRESS: Yeah. They look at the bottom line.

MS. BeVIER: They look at totals, in other words. So we do this fiddling. But they do do a separate appropriation for the IG.

MR. JEFFRESS: The appropriation will be broken out by these line items. But I'm saying in determining what to appropriate, they usually decide based on the bottom line number and then distribute it according to the past practice.

Occasionally they have some interest in changing the line items.

CHAIRMAN MCKAY: So, Tom, to understand your

suggestion, with regard to the M&A reduction, that 2 million will go up into basic field. It doesn't just go away?

MR. MEITES: No. It goes up.

CHAIRMAN MCKAY: Up to basic field. All right.

MS. SINGLETON: And that would sort of take care, then, of the census adjustment, which is in the Senate figure.

CHAIRMAN MCKAY: Correct. Sure. Sure. Herb?

MR. GARTEN: I'd like to hear from management on the effect of reducing their budget by that amount. Charles?

MR. JEFFRESS: Thank you, Mr. Garten. In the presentation, I mentioned earlier that the LSC management and administration budget for this year -- it was in the financial reports which you all considered earlier -- was \$14.7 million.

That will increase in '07 and again in '08, if everything stays the same; assuming that there's some inflation factors and some salary increases, those will increase some amount. So our projection for, and David's projection -- David worked this up -- his projection for '07, which you all saw last year, was a \$15.2 million budget; and his projection for '08 is a \$15.5 million budget.

If we request and only receive a \$12.6 million appropriation, the carry-forward is about 2 million. The it is going to be between 3- and \$400,000. So there would be a shortfall in the LSC management and administration operations compared to current year. We'd have to reduce the difference out of the operations.

The other thing we did this year after several years of the president not feeling administrative positions, trying to operate more frugally and more efficiently at the administrative level, we transferred those positions to program positions. So the vacant positions which have been generating carry-forward the past few years will be filled at a program level now, doing program and compliance work, and will not be generating carry-forward.

So I do not expect the \$2 million carry-forward figure to continue in future years. I think a 12.6 appropriation from Congress in '08, two years out, with less carry-forward, will mean a reduction in the management and administration for the Corporation.

CHAIRMAN MCKAY: Sarah.

MS. SINGLETON: I'd like to follow up on that because I guess I'm not following how you're getting your

numbers. You've got -- for this year, you have a 12.6 budget or appropriation. Correct?

MR. JEFFRESS: Correct. Appropriation.

MS. SINGLETON: Appropriation. And you are operating at a 16 percent under-budget amount that's estimated --

MR. JEFFRESS: Correct.

MS. SINGLETON: -- for that year. And you have a carryover. So I don't understand how, two years out, if you ask for the same number, you're going to have a shortfall when you're under budget by 16 percent and you have a \$2 million carryover.

MR. JEFFRESS: If we assume that the \$2 million carryover continues every year, then we'll be closer to that number. But as I just mentioned, as these positions are filled, that \$2 million carryover is in fact not going to be available in future years.

MS. SINGLETON: Well, it's going to be available next year, you said.

MR. JEFFRESS: Right. But this is for '08.

MS. SINGLETON: I understand. So we're talking about at the end of fiscal year '07.

MR. JEFFRESS: Yes.

MS. SINGLETON: So you will have -- you're estimating you will have no carryover by the end of '07?

MR. JEFFRESS: No. I'm certain there will be carryover at the end of '07. And I don't -- just like it didn't get up to 2 million all at once, I don't think it will decline all at once. We've been increasing carryover as a result of the efficient operations at the rate of about 400,000 a year the last few years, and I think we'll probably decline at that rate over the next few years.

CHAIRMAN MCKAY: Any other questions or comments?

MR. HALL: Well, I don't know that there's a -- whether Tom's motion has even been seconded. But I guess I just raise one major concern, and maybe a minor one.

You know, I take somewhat seriously Tom Polgar's point that if we now in our own deliberation conclude that what we're going to get for '07 is less than what our strongest advocates in the Senate are trying to get for us, because I assume our analysis here is to say we are building our budget based on what we think we are going to have in '07, then we've already sent the message to them, you know, don't argue for what you have already appropriated, and that

in conference, compromise.

And when we have so much data indicating how great the need is, and we have some advocates who are trying to address that need, it seems to me a little ironic that we would say, you're wrong in doing that.

Now yes, there is the reality that usually some compromise comes about. But we shouldn't be doing the compromising. We are the advocates for the poor. We are not here to compromise. If the Senate and the House has to compromise because there are other demands that they have to deal with, that's their job. We don't do their job for them.

And we seem to be developing a proposal based on us doing their work.

So that's my major concern with the proposal. The minor one is that I think certainly politically, with all of the stuff that's now being said about waste, et cetera, with management and administration, it is something that we have to look at and we should be politically sensitive to it. And that's Sarah's point, and I think it's a wise point.

But I also would think that we kind of owe it to management to at least reach some conclusion as to whether we think there's some waste and over-spending there before

saying, we're going to reduce you as a way of responding to a political reality.

And maybe -- and again, I wasn't here for the earlier discussion, so maybe, you know, management has agreed that there is some waste or there are dollars that they don't need. And I certainly support more funds going to the field.

But I don't know if we are reaching a conclusion about management's spending based on an analysis or just based on political fear.

MS. SINGLETON: Tom, I would like you to consider a substitute for what you were proposing as a motion, if I may, Mr. Chairman.

CHAIRMAN MCKAY: Yes.

M O T I O N

MS. SINGLETON: I would propose that the fiscal year '08 request have the 407.715 figure in it for basic field, that that be left as it is; that the technology initiative be left as it is; that the loan repayment assistance be left as it is; that the management and administration be reduced to 12.825; that emergency fund be left as it is; that the inspector general be left as it is; and I haven't added all that up for a grand total. But the

big difference would be substituting 12.825 for 14.5.

MR. MEITES: Well, I will not ask for a second for my motion because it turned out that it was based on false assumptions about how -- my false assumption about how it was calculated. So if Sarah -- I think if Sarah wants to proceed with hers and use that as a discussion point --

CHAIRMAN MCKAY: So just so I understand, what Sarah is suggesting is that the only change, Sarah, would be in the M&A line; that the 14,500,000 would be replaced by the number in the previous column, which is 12,825,000.

MS. SINGLETON: Yes.

CHAIRMAN MCKAY: That's the only change. Herb?

MR. GARTEN: Sarah, but your total figure would be the same?

MS. SINGLETON: No. My total figure would be reduced by the difference between 12.825 and 14.500, whatever that number is.

MR. GARTEN: And how did you get -- arrive at that difference of a million --

MS. SINGLETON: I took the Senate '07 appropriation for management and did not ask for an increase over that because I think it looks unseemly to ask for an increase over

that number this year.

MR. GARTEN: Why wouldn't you add what you're taking away from there to basic field and come up with --

MS. SINGLETON: Because I think that the basic field number was arrived at separately using our 20 percent theory, and that it's consistent with our -- our theory generated our basic field number. It didn't generate either our technology initiatives or the management and administration.

MR. GARTEN: Well, let me give you another slant on it. We've been told by the experts that Congress looks at the total figures in working out the compromise. Okay? It would seem to me that you could justify the increase of basic services using the theory that part of it is a catch-up for what we didn't get last year when we set upon the five-year 20 percent increase with the base that was last year.

So I would like to see the total column remain the same, and increasing basic field.

CHAIRMAN MCKAY: Don't you agree, though, Herb, that it makes it a little harder for us to explain how we arrived at our number? I understand the theory, where we get an extra million or so in our request for basic field. But

don't you agree that in a certain way, it undermines our argument on the 20 percent because this way we say it's 20 percent plus the amount of savings from M&A.

MR. GARTEN: Well, we were short -- we went on a program of doing it over a five-year period notwithstanding having suggests from the NLADA and ABA that it be a shorter period.

CHAIRMAN MCKAY: Yes.

MR. GARTEN: We were shortchanged.

CHAIRMAN MCKAY: Yeah.

MR. GARTEN: We're catching up.

CHAIRMAN MCKAY: We were shortchanged by Congress?

MR. GARTEN: Well, I can use a different term. We received less.

(Laughter.)

MR. GARTEN: We received less than what we had asked for.

CHAIRMAN MCKAY: Right.

MR. GARTEN: And this gives us an opportunity to catch up, and at the same time, looking at the total figures, it just looks it to me. And we're also sending more money to field services.

CHAIRMAN MCKAY: Sarah, I'm wondering if you could put that in the form of a motion.

MS. BEVIER: She did.

CHAIRMAN MCKAY: Okay. So this is -- it's on the floor for discussion. Any other comments or questions?

MR. GARTEN: What's on the floor?

CHAIRMAN MCKAY: The motion by Sarah to essentially set our mark at the amount that she described. Going to page 11 of the memorandum from staff, that the request should be as set forth except for the item for M&A. That should read -- instead of 14,500,000, it should read 12,825,000.

Any other questions or comments on that motion? All those in favor -- time for a vote. All those in favor say aye.

(A chorus of ayes.)

CHAIRMAN MCKAY: Opposed?

MR. FUENTES: No.

MR. GARTEN: No.

CHAIRMAN MCKAY: Two noes. The motion passes.

MS. SINGLETON: And I think the motion should have said we recommended that the board do --

CHAIRMAN MCKAY: Indeed. Indeed, it would now be

in the form of the resolution. And I suppose I should have done that. We would then have the resolution -- could someone do the math?

MS. BeVIER: It's arithmetic.

MR. JEFFRESS: 429.6.

CHAIRMAN MCKAY: Could someone do the arithmetic?

(Laughter.)

MS. SINGLETON: What is it?

MR. JEFFRESS: 429.6 million.

CHAIRMAN MCKAY: We are on page 16. Page 16. It's Resolution 2006-011. And what is the number again, please?

MS. BeVIER: The number, please?

MR. JEFFRESS: 429.6. There's some change in there. Just a minute.

MR. FUENTES: Mr. Chairman?

CHAIRMAN MCKAY: Mr. Fuentes?

MR. FUENTES: I wonder if we could re-tally the vote so that you could record abstentions --

CHAIRMAN MCKAY: Of course.

MR. FUENTES: -- prior to the report.

CHAIRMAN MCKAY: Are there any abstentions?

MS. BeVIER: I did not actually vote. And I'm not

prepared to vote at this time. I apologize to my colleagues.

I'm really torn between the rationale for what we did last year and being very persuaded by the fact that there are a lot of unmet needs out there, and that it's our board's obligation to make the case to Congress, on the one hand; and just a variety of countervailing impulses on the other hand that I have.

One is the fact that on this board, I believe I am a citizen as well as a member of this board, and that I see so many unmet needs out there. And the notion that Congress is going to fulfill all of them, and therefore they should fulfill LSC's, is just -- I just have trouble with it.

At the same time, I voted last year to increase for 20 percent, and I just need some more time to reflect and to think about this. We'll consider it again in October, and I promise that I will let my vote be counted at that time.

CHAIRMAN MCKAY: I'm wondering, Charles, if you could explain why we can't consider it in October.

MS. BeVIER: Oh, we can't consider it in October? The board can, surely.

MR. JEFFRESS: Well, let me say that the board, of course, until it goes to Congress, you can do whatever you

want. You can change your mind between now and it goes to Congress. The difficulty will be we will expect to tell the White House some time this month what our expectation will be for '08.

MS. BeVIER: I see. Okay. So I have an hour and a half or so?

CHAIRMAN MCKAY: Well, I don't know. How much time do we have, Mr. Chairman?

MR. STRICKLAND: Well, I don't know. We're going to probably start around 3:00 and --

CHAIRMAN MCKAY: Well, it's up to the committee. I sense we're pretty close to a resolution here.

MS. BeVIER: Well, for the time being, I'm abstaining.

CHAIRMAN MCKAY: So you are abstaining. Well, then, I guess we'd better take a -- let's do a roll call vote just so we can do a count.

Ms. BeVier. Abstain.

Mr. Fuentes.

MR. FUENTES: No.

CHAIRMAN MCKAY: Mr. Garten.

MR. GARTEN: Upon reflection, yes.

CHAIRMAN MCKAY: Mr. Meites.

MR. MEITES: Yes.

CHAIRMAN MCKAY: Ms. Singleton.

MS. SINGLETON: Well, upon reflection, yes.

CHAIRMAN MCKAY: Mr. McKay votes yes. Do
ex officio members vote?

MS. BEVIER: Yes.

CHAIRMAN MCKAY: Mr. Strickland.

MR. STRICKLAND: Yes.

CHAIRMAN MCKAY: The vote is --

MS. BEVIER: Wait a second. Oh, just the
committee. Sorry.

CHAIRMAN MCKAY: Just the committee.

MS. BEVIER: Just the committee right now.

CHAIRMAN MCKAY: All right. The vote is five yes,
one no, one abstention. The motion passes.

MR. RICHARDSON: Just to give you the number, when
you subtract 1,675,000 from the line for the management and
administration, the new figure will be \$429,681,000.

MS. SINGLETON: 681?

MR. RICHARDSON: 681.

CHAIRMAN MCKAY: And I want to clarify that the

motion related to this resolution -- I think I was bumbling along, but I want to make sure the record is clear. At page 16, Resolution No. 2006-011, would read as proposed, but then the number that was just read, \$429,681,000, would be inserted in the amount section.

MS. BeVIER: But we haven't adopted the resolution. We're just --

CHAIRMAN MCKAY: We're recommending it to the board for its adoption. Is that correct? All right. Thank you.

MR. FUENTES: Mr. Chairman?

CHAIRMAN MCKAY: Mr. Fuentes.

MR. FUENTES: We voted on that resolution, did we not, earlier at the beginning of the meeting?

MS. SINGLETON: No. That was a different one, to change the State Justice grant.

MR. FUENTES: That was the only one that we took a vote on?

CHAIRMAN MCKAY: That was the first one and now this is the second one, both of which are recommendations to the full board.

MR. FUENTES: Okay. So this is the only time we have cast a vote on where you're filling in the blank?

CHAIRMAN MCKAY: Correct.

MR. FUENTES: Okay. Thank you.

CHAIRMAN MCKAY: Well, we did an interlineation on the previous one, but no blanks were filled in. Yes.

MR. FUENTES: Okay.

CHAIRMAN MCKAY: All right. Time to consider and act on other business. Is there any other business for the committee?

(No response.)

CHAIRMAN MCKAY: Consider and act on a motion for adjournment.

M O T I O N

MR. FUENTES: So moved.

CHAIRMAN MCKAY: Second?

MR. GARTEN: Second.

CHAIRMAN MCKAY: All those in favor say aye.

(A chorus of ayes.)

CHAIRMAN MCKAY: Opposed?

(No response.)

CHAIRMAN MCKAY: We are adjourned. Thank you very much.

(Whereupon, at 2:58 p.m., the finance committee

meeting was adjourned.)

* * * * *