



Legal Services Corporation
America's Partner for Equal Justice

Semiannual Report to the Congress of the United States

From the
Legal Services Corporation
Board of Directors

For the Period
April 1, 2006-September 30, 2006

Preface

Congress entrusts the Legal Services Corporation with a dual mission: to promote equal access to justice and to provide high-quality civil legal assistance to low-income Americans. Our nation promises equal access to justice for all, not just for those who can afford to pay for it. Yet LSC-funded programs—the main source of civil legal aid—are meeting less than half the need as we mark the first anniversary of LSC’s groundbreaking report, *Documenting the Justice Gap: the Current Unmet Civil Legal Needs of Low-Income Americans*.

The 138 programs funded by LSC serve every Congressional district in the nation. One of LSC’s important duties is to ensure that they operate in the manner prescribed by Congress. We continue our efforts to detect violations of Congressional restrictions and to promptly eliminate these practices while encouraging the highest standards of quality. At the same time, LSC encourages programs to leverage limited resources by partnering and collaborating with other supporters of civil legal aid, including state and local government, the private bar, philanthropic foundations, and the business community.

We are pleased to transmit to Congress the Semiannual Reports of the LSC Board of Directors and Office of Inspector General for the period April 1 through September 30, 2006, as the Inspector General Act of 1988 requires.



Frank B. Strickland
Chairman of the Board
Legal Services Corporation

Washington, DC
November 30, 2006

Semiannual Report Of the Legal Services Corporation Board of Directors

The Board of Directors of the Legal Services Corporation welcomes this opportunity to share its accomplishments with Congress and to comment on the Office of Inspector General's report. The Board's report is divided into three parts: the current situation of LSC-funded programs, program oversight activities, and LSC's Quality Agenda—initiatives to ensure the delivery of high-quality service consistent with Congressional restrictions and the Legal Services Corporation's blueprint for the future, *Strategic Directions 2006-2010*.

Highlights

During the six-month period covered by this report, April 1 through September 30, 2006, the Legal Services Corporation:

- Assessed the performance of 23 programs—to ensure they are delivering high-quality service—in California, Delaware, Illinois, Kentucky, Louisiana, Michigan, Minnesota, Nevada, New Jersey, New York, Ohio, Puerto Rico, Tennessee, Texas, Virginia, and Wisconsin.
- Conducted on-site compliance reviews of 12 programs—to ensure they are complying with the Legal Services Act, LSC regulations, and Congressional restrictions—in Florida, Missouri, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, and Tennessee.
- Evaluated 48 proposals for 2007 grants, which will be awarded in December, for service areas in 22 states and American Samoa, including competing proposals for selected service areas in South Carolina and Florida, and the entire state of Wyoming.
- Issued revised Performance Criteria, the centerpiece of LSC's Quality Agenda, to serve as a basis for evaluating program performance and distributing grant awards.

- Awarded 31 new Technology Initiative Grants totaling nearly \$1.6 million, including approximately \$320,000 in matching funds provided by the State Justice Institute for 10 joint projects focused on *pro se* access.
- Encouraged recent graduates to make legal services a career by helping 45 more attorneys repay loans that financed their legal education, bringing the total number of participants in LSC’s Pilot Loan Repayment Assistance Program to 70 attorneys in 24 LSC-funded programs.
- Conducted a Leadership Pilot Mentoring Program activity in which mentors and protégés together explored—in pairs or larger groups—ways to encourage *pro bono* involvement with LSC-funded programs.
- Completed the information-gathering stage of a major Board initiative to enhance *pro bono* partnerships between LSC-funded programs and the private bar, based on the input—and varying perspectives—of large law firms and corporate counsels, small law firms and solo practitioners, and law schools.
- Held a fourth “conversation on quality,” which continues as a regular working group, for legal services leaders in the states comprising the Deep South region: Alabama, Arkansas, Louisiana, and Mississippi.
- Began updating the Case Service Reporting System to ensure that LSC-funded programs provide consistent data that accurately reflects the nature and scope of their work.
- Convened a “disaster response conversation” in New Orleans on June 1, the first day of the hurricane season, and formed a working group to ensure that the lessons learned from Hurricane Katrina inform the legal services community’s planning and response to future disasters.

LSC is governed by a bipartisan, 11-member Board of Directors appointed by the President of the United States with the advice and consent of the Senate. The Board appoints LSC’s President, who serves as the chief executive officer. The Inspector General Act of 1988 established the Office of Inspector General within LSC. The Inspector General is appointed by and operates under the general supervision of the Board.

Current Situation

LSC funds 138 programs with more than 900 offices throughout the United States and its territories. Three out of four clients are women—for the most part, mothers with children. Many are elderly or disabled. Some are veterans. Most are at or below 125 percent of the federal poverty threshold, currently an income of approximately \$25,000 a year for a family of four. All of them turn to LSC-funded programs for help—to secure basic human needs such as safe and habitable housing, protection from domestic violence, child support, or essential health care.

The Legal Services Corporation Act of 1974 created LSC to promote equal access to justice and to provide high-quality civil legal aid to low-income Americans. As Supreme Court Justice Lewis Powell said, “Equal justice under law is not merely a caption on the façade of the Supreme Court building. It is perhaps the most inspiring ideal of our society . . . it is fundamental that justice should be the same, in substance and availability, without regard to economic status.”

Justice Gap Report documents unmet need

LSC-funded programs handle almost one million cases a year—a fraction of the need for civil legal aid among low-income Americans. The unmet need has been an issue throughout LSC’s history. It became a primary focus last year. In October 2005, LSC released a groundbreaking report, unanimously approved by the Board, entitled *Documenting the Justice Gap in America: The Current Unmet Civil Legal Needs of Low-Income Americans*.

The Justice Gap Report confirms that our nation falls far short of meeting the need for civil legal aid among low-income Americans. For two months, LSC-funded programs recorded the number of eligible people who came to their offices that they were unable to serve. On average, for every person served, one was turned away—only 50 percent of those who actually sought help received it. Other surveys indicate that 80 percent of the need is unmet. Even this may be an understatement—many people who are eligible for civil legal aid do not seek it. Moreover, the analysis for the Justice Gap Report was completed before last year’s catastrophic storms.

Hurricane Katrina simultaneously swelled the need for civil legal aid and the number of people without access to it. On average, LSC provides about half the budget of the programs it funds. In some parts of the country, LSC provides considerably more than half of the programs' budgets—among them, the Deep South region that includes four of the states hit hardest by Hurricane Katrina (Alabama, Arkansas, Florida, and Louisiana).

More resources needed

Based on the Justice Gap Report—which documents that for every person an LSC-funded program serves, another eligible person is turned away—the Board determined that LSC needs significantly more resources to carry out its mission and fulfill our nation's promise of equal justice under law. Just to meet the documented need, LSC's budget would have to double. In light of the fiscal constraints under which Congress operates, the Board opted to seek increased funding over a period of years.

For fiscal year 2007, LSC requested a 20 percent increase in basic field programs. This summer, by a vote of 237-185, the House of Representatives approved \$338.8 million and the Senate Appropriations Committee approved \$358.5 million. (Both would increase LSC's 2006 appropriation of \$326.6 million.)

For fiscal year 2008, the Board has voted to request \$429.7 million—to increase the amount the Senate Appropriations Committee provided for 2007 basic field programs by 20 percent while keeping LSC's management and administration budget the same.

Program Oversight

In fiscal year 2006, the Legal Services Corporation distributed more than \$310 million in grants to local civil legal aid programs for low-income Americans. LSC regularly visits grant recipients to assess their performance and ensure they are complying with the Legal Services Corporation Act, LSC regulations, and Congressional restrictions.

Assessing performance, ensuring compliance

Two units within LSC conduct program oversight activities: the Office of Program Performance (OPP) and the Office of Compliance and Enforcement (OCE). This reporting period:

- OPP assessed the performance of 23 programs in California, Delaware, Illinois, Kentucky, Louisiana, Michigan, Minnesota, Nevada, New Jersey, New York, Ohio, Puerto Rico, Tennessee, Texas, Virginia, and Wisconsin.
- OCE conducted on-site compliance reviews of 12 programs in Florida, Missouri, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, and Tennessee. OCE also provided compliance training for the executive director of the District of Columbia program.

With a focus on quality, OPP examines all aspects of program operations: setting priorities, intake systems, managing and supervising legal work, governance, private attorney involvement, resource development, and strategic planning. After program visits, OPP provides feedback that includes findings and recommendations, and follows up periodically.

To ensure compliance with the laws, regulations, and Congressional restrictions that govern the operations of LSC-funded programs, OCE conducts on-site compliance reviews, requires prior approval for certain expenditures and activities, and performs training. After reviewing a program, OCE provides a written report that details findings, required corrective actions, and

recommendations. OCE also addresses complaints, and investigates and responds to audit findings referred by the Office of Inspector General (OIG).¹

Investigating California Rural Legal Assistance

On September 14, 2006, LSC received the Inspector General's "Report to the Subcommittee on Commercial and Administrative Law of the House Committee on the Judiciary Regarding Activities of California Rural Legal Assistance, Inc." The Inspector General reported his findings that California Rural Legal Assistance (CRLA) violated federal law by soliciting clients, working on a fee-generating case, requesting attorney fees, and associating CRLA with political activities. The report also said that the Inspector General could not complete the investigation without access to the names and other identifying information about all of CRLA's clients for a three-year period—an estimated 35,000 to 39,000 people.

Following established procedures, LSC's Office of Compliance and Enforcement promptly requested the evidence that was the basis for the OIG's report and began its own investigation, which is ongoing.

Evaluating 2007 grant proposals

Recipients of LSC grants are chosen through a competitive process. This reporting period, LSC evaluated 48 proposals for 2007 grants in 22 states and American Samoa. LSC received multiple proposals for selected service areas in South Carolina and Florida, and the entire state of Wyoming. Grant awards for 2007 will be announced in December.

Revising regulations on discrimination, client grievance procedures

This reporting period, LSC continued to revise two regulations: on prohibiting discrimination on the basis of disability and on client grievance procedures. After

¹ Page 4 of the Office of Inspector General's Semiannual Report notes that 25 findings from independent accountants' audits of LSC grantees were significant, and have been referred to OCE for follow-up. They were referred on October 16, 2006. OCE will follow-up over the next few months.

the reporting period ended, the Board approved the final rule on prohibiting discrimination; it was published in the *Federal Register* on November 7, 2006. LSC expects to finish revising the client grievance rule during the next reporting period.

LSC regulations on Congressionally-mandated restrictions upheld

On September 8, 2006, the U.S. Court of Appeals for the Second Circuit upheld LSC's efforts to defend Congressionally-mandated restrictions in two cases: *Velazquez v. Legal Services Corporation* and *Dobbins v. Legal Services Corporation*. The decision dealt mainly with LSC's application of regulations emanating from the Omnibus Consolidated Rescissions and Appropriations Act of 1996—specifically, the requirement that programs separate themselves, physically and financially, from “affiliate” organizations that participate in class action suits, seek attorneys' fees, or solicit clients.

The Circuit Court consolidated and remanded the cases to the U.S. District Court for the Eastern District of New York, with instructions to determine whether the requirement leaves LSC-funded programs without “adequate alternative channels” to carry out otherwise constitutionally-protected activities.

Striving for operational efficiency

Ninety-six percent of the money Congress provides goes directly to local, LSC-funded programs, which furnish civil legal aid to low-income Americans nationwide. Administrative expenses are 4 percent of LSC's budget and Board expenses are one-tenth of one percent—extremely low by any standard. Recognizing that it is always possible to improve, LSC continually strives for greater efficiency. The Board concurs with the presentation of statistics in Tables I, II and III of the Office of Inspector General's report.

LSC has already implemented—or is in the process of implementing—the 11 recommendations in the Office of Inspector General's September 25, 2006, report on fiscal practices at LSC. For example, the Board's January 2007 meeting in Washington, DC, will be held at LSC headquarters, instead of a hotel. LSC is

reviewing spending policies to determine where they differ from federal policies and will consider additional changes, where appropriate.²

LSC Board opposes H.R. 6101

At a Congressional hearing on September 26, 2006, Frank B. Strickland, Chairman of the Board of Directors, testified against H.R. 6101, a bill “to provide appropriate removal procedures for the Inspector General.” The LSC Board of Directors opposes H.R. 6101 because it singles out the Inspector General for special treatment that is inconsistent with how the Board operates with regard to other matters.

Board decisions are based on a majority vote. If enacted, H.R. 6101 would require the concurrence of 9 of the 11 members of the Board to remove the Inspector General. The Board believes there is no reason to require a different standard of decision-making for removal of the Inspector General; the standard should be the same as the standard for other personnel and policy decisions taken by the Board.

² For further details, see pages 9-13 of the Office of Inspector General’s Semiannual Report.

Quality Agenda

To help programs increase efficiency and enhance effectiveness, LSC provides technical assistance and training, identifies and shares innovative practices that can be used more widely, and serves as a clearinghouse for “best practices.” LSC also develops strategies for improving the legal services delivery system as a whole.

Performance Criteria revised

LSC issued revised Performance Criteria in April. First developed in 1993, the Performance Criteria are the basis for evaluating programs and grant applications, and the centerpiece of LSC’s Quality Agenda. Much has changed in the last 13 years—in how LSC operates as well as the wider world. The Performance Criteria’s three major themes reflect the changes:

- LSC-funded programs work with limited resources, so they must make strategic choices about allocating resources—and continually evaluate their consequences.
- LSC-funded programs have grown in size and complexity, necessitating an expanded focus on governance and management.
- LSC-funded programs operate as part of integrated, statewide systems for delivering civil legal aid to low-income Americans.

Early next year, LSC will publish the next edition of the Performance Criteria. They will, where appropriate, reference the American Bar Association’s Standards for the Provision of Civil Legal Aid, which were developed with LSC’s input and adopted in August. While the ABA’s standards are designed for broader use than LSC’s Performance Criteria, both are based on values and perspectives shared throughout the civil legal aid community.

Greater productivity through growing use of technology

To make the most of limited resources, LSC encourages programs to use technology as a tool to increase efficiency and effectiveness in all aspects of their

work: practicing law, managing resources, and delivering services. These tools take many forms. For example:

- Centralized intake, advice and referral systems—a marriage of computer and telecommunications technology—can simplify application procedures, expedite responses, and allow experienced staff to concentrate on cases that require extensive representation.
- The Web’s unique properties—making information more easily available and widely accessible—can increase productivity while enhancing service. The amount of legal information disseminated by LSC-funded programs rose substantially last year, largely thanks to Web sites developed or expanded with LSC Technology Initiative Grants.

LSC awards \$1.6 million in new technology grants

During this reporting period, LSC awarded 31 Technology Initiative Grants totaling nearly \$1.6 million, including approximately \$320,000 in matching funds provided by the State Justice Institute for 10 joint projects. Nearly 50 percent of the funds are going to *pro se* initiatives and 40 percent to Web sites; the remaining 10 percent will be used for training, technical assistance, and intake systems. For example, this year’s grants will be used to:

- Expand the use of HotDocs® in five states: Arkansas, Idaho, Montana, Oklahoma, and Vermont. Similar to the popular TurboTax® software, HotDocs® allows *pro se* litigants to use the Internet to access, complete, and print legal documents.
- Create an interactive CD/DVD to help rural *pro se* litigants in Alaska prepare for hearings and trials in divorce and custody cases. Developed at the request of the courts, it will include materials furnished by the Alaska Network on Domestic Violence and Sexual Assault.
- Develop a Web portal for Spanish-speaking *pro se* litigants in Indiana, which will allow users to answer questions in Spanish and print completed forms in English.

Encouraging attorneys to make legal services a career

To encourage recent graduates to enter legal services work and make it a career—and help programs recruit and retain attorneys—LSC launched a Pilot Loan Repayment Assistance Program in October 2005. This reporting period, LSC provided loans to an additional 45 attorneys, bringing the total number of participants to 70 attorneys in 24 LSC-funded programs.

Each attorney can receive up to \$5,000 per year, which can be renewed for up to three years, for a total of \$15,000, provided the attorney stays with the program. Participants range from new recruits to attorneys with up to three years of service when the program began.

Developing a well-trained, diverse group of future leaders

Participants in LSC's Leadership Mentoring Pilot Program, launched in November 2005, gathered for a training activity this reporting period. Working in pairs or larger groups, mentors and protégés together explored ways to encourage private attorney involvement with LSC-funded programs, using hypothetical, but true to life, scenarios. With this program, LSC aims to identify, nurture, and support a well-trained and diverse group of future leaders for the legal services community as a whole—and to create leadership mentoring models LSC-funded programs can replicate.

Enhancing *pro bono* partnerships with the private bar

In January of this year, at the Board's request, LSC launched a major initiative to enhance *pro bono* partnerships between LSC-funded programs and the private bar. The information-gathering stage, which was completed this reporting period, included presentations from three distinct perspectives: large law firms and corporate counsels, small law firms and solo practitioners, and law schools.

Addressing problems, celebrating successes

This reporting period, LSC held a fourth "conversation on quality" with legal services leaders from Alabama, Arkansas, Louisiana, and Mississippi. The group discussed problems shared by all four states and celebrated recent successes such

as increases in IOLTA and state funding, and the establishment of Access to Justice Commissions in all four states. After the meeting, participants asked LSC to facilitate ongoing meetings to provide a forum for continued discussion. Members confer about opportunities as well as problems endemic to the region: a highly disadvantaged poverty population, relatively few sources of funding, growing demand for services, and high turnover among staff.

Updating case reporting system to ensure good data

This reporting period, LSC began updating the Case Service Reporting System, last revised in 2001, and an accompanying handbook that defines data elements—for example, what programs may count as a “case.” The goal is to ensure that LSC-funded programs provide consistent data that accurately reflects the nature and scope of their work.

Lessons learned from Hurricane Katrina

On June 1, the first day of the hurricane season, LSC convened a “disaster response conversation” in New Orleans for legal services leaders from seven states: Alabama, Arkansas, Florida, Louisiana, Mississippi, Tennessee, and Texas. Major themes included planning, coordinating, and partnering at the program, state, and regional level; improving relationships with the Federal Emergency Management Agency and the American Red Cross; and involving the legal services community in evacuation and post-disaster planning for low-income areas.

To ensure that the conversation continues, at the participants’ request, LSC hosts biweekly conference calls. The group is planning to create a permanent disaster Web site modeled after www.katrinalegalaid.org, the site established after last year’s storms. Thus, the lessons learned from Hurricane Katrina will enhance the legal services community’s planning and response to future disasters.

The Road Ahead

Earlier this year, the Board of Directors of the Legal Services Corporation adopted a five-year plan with three strategic goals:

- To increase public awareness of—and support for—programs providing civil legal aid to low-income Americans in order that more of their needs can be appropriately addressed.
- To enhance the quality and compliance of legal services programs.
- To ensure that LSC operates efficiently and effectively.

This report details the actions and activities of LSC over the last six months to achieve those goals. Much progress has been made, but much still remains to be done. Our nation's promise of equal justice under law is not yet fulfilled.

America is the richest nation on earth, yet poverty persists—and with it, the civil legal problems associated with poverty. Those problems can determine whether a child is fed, a mother is protected from violence, an elderly couple has a home, or a veteran gets needed medical care.

Fifty million Americans are eligible for civil legal aid and too many of them do not have access to it. This clearly does not comport with the principles our nation holds dear: fairness, equality, and equal justice under law. It is fundamental to the American way of life that justice must be available to all, not just to those who can afford to pay for it.

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