

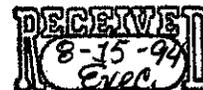
ORIGINAL

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

AUDIT AND APPROPRIATIONS COMMITTEE MEETING

OPEN SESSION

Friday, August 5, 1994



2:21 p.m.

The Fairmont Hotel
123 Baronne
BAYOU III
New Orleans, Louisiana 70140

BOARD MEMBERS PRESENT:

Maria Luisa Mercado, Chairman
Hulett "Bucky" Askew
LaVeeda Morgan Battle
F. William McCalpin
Thomas Smegal, Jr.

RETURN TO CORPORATION
SECRETARY ARCHIVES FILE

STAFF PRESENT:

Alexander D. Forger, President
Martha Bergmark, Executive Vice President
Patricia D. Batie, Secretary
David L. Richardson, Comptroller and Treasurer
Edouard Quatrevaux, Inspector General
Gerry Singser, Financial Consultant

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MOTIONS: 4, 6, 7, 9, 27

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LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS RESOLUTION
REALLOCATION OF FUNDS IN THE MANAGEMENT & ADMINISTRATION BUDGET
(Nine-Month Budget Review)

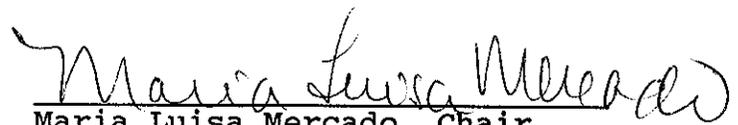
Whereas, the Legal Services Corporation has completed nine months of Fiscal Year 1994 with expenses under tight controls; and

Whereas, experience during these nine months has provided a basis for revising the Consolidated Operating Budget for Management and Administration to more accurately reflect the expected costs of the balance of the fiscal year pursuant to the current plans of the Board of Directors; and

Now, therefore, the Board of Directors of the Legal Services Corporation resolves that the internal budget adjustments and Consolidated Operating Budget reallocations recommended by the President pursuant to the Corporation's budget modification guidelines, as reported in the memorandum of David L. Richardson, Treasurer/Comptroller, to the Audit Appropriation Committee dated August 2, 1994, are hereby adopted.

1. \$80,600 is reallocated from Special Contingency Funds to the Board of Directors (\$10,000), Executive Office (\$20,000), Office of Human Resources (\$10,000) and Comptroller and Administration (\$41,600): and
2. the Inspector General budget is decreased \$1,000.
3. Internal Budgetary adjustments, as detailed in the above-mentioned memorandum of August 2, 1994 are accepted.

Adopted by the Audit and
Appropriations Committee August
5, 1994



Maria Luisa Mercado, Chair
Audit and Appropriations
Committee

Seal

Patricia D. Batie
Corporate Secretary

P R O C E E D I N G S

1
2 CHAIRPERSON MERCADO: Let me go ahead and
3 officially move the meeting of the Audit and Appropriations
4 Committee meeting to go ahead and start.

5 I want to welcome everyone here, especially the
6 members of the ABA that are here with us at their national
7 ABA conference. We've just spent the morning dialoguing with
8 the IOLTA section of the conference, and I know we'll spend
9 some time tomorrow with SCLAID. And hopefully we'll get a
10 lot of input and information on how we, as an Audit and
11 Appropriations Committee, can work towards getting a greater
12 budget and looking at new initiatives for programming.

A P P R O V A L O F A G E N D A

13
14 CHAIRPERSON MERCADO: I do want to note for the
15 committee that, due to some scheduling conflicts, I would
16 like to move some different items on the agenda. If anyone
17 has any problems on agenda item number 7, it should now read,
18 "Ratification of independent audit firm's contract for the
19 Corporation's financial audit for FY '94 through '96." And
20 that should be moved up, right after item 2 on the agenda,
21 where it's 2-b, closed session, so it would now become item 3
22 instead, and we would just change the other items in

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1 succession.

2 And I would also note for your information that now
3 item 6, which is now item 7, the consideration of and
4 possible action on the fiscal year '96 budget mark", that
5 presentation will occur tomorrow morning at 10:30.

6 So members of the community and ABA who want to
7 have some input in that --

8 MR. McCALPIN: Where, Maria?

9 CHAIRPERSON MERCADO: It'll be here, this very
10 room, Bayou III. We'll have that in the morning at 10:30.
11 The other items we hope to get through today and take care of
12 them.

13 If I might have approval of the change in the
14 agenda.

15 M O T I O N

16 MR. SMEGAL: So moved.

17 CHAIRPERSON MERCADO: I guess I'll second it.

18 MR. SMEGAL: Can you second it?

19 CHAIRPERSON MERCADO: Well, we can do it by
20 consensus, I'm sure. We'll go ahead and do that, and change
21 the agenda.

22 On item 2, approval of the minutes of July 15,

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1 1994.

2 APPROVAL OF MINUTES OF JULY 15, 1994 MEETING

3 MR. SMEGAL: I move the minutes be approved.

4 CHAIRPERSON MERCADO: Okay. And I'm not sure
5 whether the audience has the corrected minutes. I don't
6 think that we had them at press yet. Is that correct? But
7 basically, for just information of the audience, there was
8 just a correction on a quorum at the committee meeting not
9 being present on July 14th, but there was a quorum on the
10 15th, where action did take place.

11 And basically some changes on the presentations
12 dealing with formulas, funding formulas that the Board might
13 consider for the FY '95 appropriation, as well as some
14 funding principles to consider. And then the different
15 presentations by the IG and PAG regarding the FY '96 budget
16 mark.

17 I'm sure if anyone in the audience would like to
18 have access to these changes in the minutes, we can have them
19 available for you, or at least the copies that we've got on
20 them.

21 Are there any discussions on the minutes?

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M O T I O N

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MR. SMEGAL: I move they be approved as amended.

MR. SINGSEN: Madam Chairman, I'm Gerry Singesen,
for the record.

This morning you had a discussion in which you wanted to change one of the provisions of the revision. Do you want to do that as part of this motion?

CHAIRPERSON MERCADO: Yes. Basically it was the paragraph should read, on the very first paragraph of the July 15th minutes, "Ms. Mercado began by reporting that on July 14th, 1994 no quorum had been present and that she was briefed and received a report from Mr. Richardson on the Corporation's budget and expenses for periods ending May 31 and June 30th, '94, and on plans to utilize uncommitted funds." That's when the changes occur, because there was a briefing. We could not officially have a meeting since we didn't have a quorum.

We were just going to submit them for the record so that we can have you here for a quorum for the other items.

MR. SMEGAL: Oh.

CHAIRPERSON MERCADO: Is there are no other changes, is there approval? We'll do it by consensus again.

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1 We'll do this by consensus. Approval of the minutes, as
2 modified, both the draft of July 15th as well as the reading
3 of the changes for the first paragraph.

4 Now, the closed session, there was no changes on
5 that at all. It was just the same changes that we had.

6 MR. SMEGAL: We have to do that in closed session
7 anyway, don't we?

8 CHAIRPERSON MERCADO: Yes, we do have to close.

9 MR. SMEGAL: Do you want to move to close?

10 CHAIRPERSON MERCADO: Just to get rid of it.

11 MR. SMEGAL: We'd have to kick everybody out. Why
12 don't we do it later.

13 MR. FORGER: We can approve them in open session?

14 CHAIRPERSON MERCADO: Yes.

15 M O T I O N

16 MR. FORGER: All right, I move we approve the
17 closed session minutes of July 15th.

18 CHAIRPERSON MERCADO: We'll just go ahead and
19 approve them by consensus. So the minutes of July 15th open
20 session and closed session have been approved by consensus.

21 RATIFICATION OF INDEPENDENT AUDIT FIRM'S

22 CONTRACT FOR THE CORPORATION'S FINANCIAL AUDIT

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1 FOR FY '94 THROUGH '96

2 CHAIRPERSON MERCADO: The next item on the agenda
3 is formerly item 7, now item 3, the independent audit firm's
4 contract for the Corporation's financial audit for FY '94 and
5 '96. We just need to ratify the audit firm, if Mr.
6 Quatrevaux will just briefly tell us who the contract was
7 with and what we need to verify it, just so we can have it
8 for the record.

9 MR. QUATREVAUX: Thank you, Madam Chair. For the
10 record, we signed a contract with the firm Thompson, Curtis,
11 Bazilo, the firm identified to you previously in closed
12 session.

13 The negotiations were not on price, which remained
14 the same, at approximately \$24,000 per year for the three-
15 year period. We did successfully negotiate the conditions
16 that were articulated in the letter of engagement for the
17 audit, so we're quite pleased, satisfied. They've begun work
18 and everything seems fine.

19 CHAIRPERSON MERCADO: And I note that the committee
20 members -- I think the whole Board received a copy of the
21 contract, or just the committee members.

22 MR. QUATREVAUX: I think just the committee.

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1 submit a copy of that contract for the record, as well as the
2 certifications. I think we need to include those, as well,
3 on the record. Thank you, Mr. Quatrevaux.

4 MR. QUATREVAUX: Thank you, Madam Chair.

5 PRESENTATION OF THE JUNE 30, 1994 EXPENSES WITH
6 ADMINISTRATIVE EXPENSES ALLOCATED TO EACH COST CENTER

7 CHAIRPERSON MERCADO: Okay, next item, presentation
8 of the June 30th, '94 expenses with administrative expenses
9 allocated to each cost center. Mr. Richardson?

10 MR. RICHARDSON: Thank you. For the record, my
11 name is David Richardson, treasurer of the Corporation.

12 There is a report that I've provided to you and to
13 the public in regards to the administrative costs of the
14 Corporation, spreading the rent, telephone usage, Westlaw
15 usage and those easily identified expenses to the appropriate
16 areas out of administration.

17 Just as a real quick summary, for instance, the
18 expenses for the Board of Directors was \$234,000 to end of
19 June. They did not change with this administrative
20 allocating of expenses. However, with the executive office,
21 the expenses were \$596,000. They have increased to \$724,000
22 with the allocation of rent and telephone and those costs.

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1 The inspector general's budget -- expenses, at the
2 end of June, was \$773,000. They are now increased to
3 \$921,589. General counsel was \$541,000. It goes to
4 \$637,000. The Office of Human Resources, \$267,000, goes to
5 \$322,000.

6 Expenses from the comptroller and administration
7 was \$2.4 million and it's now decreased to \$1.484, with the
8 administrative costs from this area being spread to the
9 others.

10 Office of Program Monitoring and Evaluation was
11 \$1,877,000, goes to \$2,254,000. And the program services,
12 \$733,000, goes to \$898,000.

13 No change in the total, but this will more
14 accurately reflect the cost of each office within the
15 Corporation.

16 MR. FORGER: And you did this on square footage?

17 MR. RICHARDSON: Yes, sir. Square footage for
18 rent, and then telephone, we based it on the number of long
19 distance calls because each employee has an access code, so
20 we were able to allocate a percentage of both long distance
21 and local calls, based on that.

22 Westlaw usage is, of course, the Westlaw NEXUS, the

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1 legal research. Even though that's charged to the
2 administrative budget, 99 percent of that is work that's
3 being conducted by the General Counsel's Office, so that
4 money, the expenses were allocated to the General Counsel's
5 Office.

6 CHAIRPERSON MERCADO: Just a quick question that I
7 was asked up here by one of my co-Board members is that in
8 the allocation of the expenses, where did we include costs as
9 far as the search firm costs? Is that under the consulting
10 that we have?

11 MR. RICHARDSON: It is not included in this
12 particular budget. If you'll recall, we had the Board
13 initiatives, that there was \$85,000 set aside and therefore,
14 it's not in the management and administration budget.

15 When we look at the expenses and the projections,
16 I'll note that in the next report.

17 CHAIRPERSON MERCADO: Okay.

18 MR. McCALPIN: You're about to get some more
19 expenses.

20 MR. RICHARDSON: We actually got about \$8,500 after
21 the last Board meeting.

22 MR. McCALPIN: You're going to get some more.

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1 MR. RICHARDSON: We're going to get some more.

2 Okay.

3 MR. SMEGAL: Do you know that personally, Bill?

4 MR. McCALPIN: I do, a couple of thousand dollars.

5 MR. RICHARDSON: There's \$7,000 set aside as a
6 contingency for those expenses, anticipated more coming.

7 CHAIRPERSON MERCADO: Go ahead.

8 MR. RICHARDSON: That would conclude the report on
9 the allocation of the expenses.

10 CHAIRPERSON MERCADO: Does anyone have any
11 questions on that?

12 MR. SMEGAL: No.

13 CONSIDERATION AND REVIEW OF EXPENSE

14 PROJECTIONS FOR THE PERIOD OF

15 JULY 1, 1994 THROUGH SEPTEMBER 30, 1994

16 CHAIRPERSON MERCADO: We'll go ahead and consider
17 item 5, formerly 4 but 5 now, consideration and review of
18 expense projections for the period of July 1, '94 through
19 September 30th, '94.

20 MR. RICHARDSON: Ms. Mercado, there is a memo dated
21 August 2nd that I've placed with everybody. I have
22 additional ones.

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1 In the projections, we have not only projected the
2 cost for management and administration; we've also projected
3 the additional grant, contracts or expenses we anticipate for
4 the remainder of the year. So what I will do is basically
5 review that by line, within the budget.

6 Attached to the memo there is Attachment A, page 1
7 of 4. And if I can direct your attention there at this
8 point.

9 Within the area of the basic field component, if
10 you'll recall, last month we had reported that there was a
11 \$445,000 amount that was left from month to month funded, and
12 the contingency. \$372,000 for short-term funded, so that
13 money is allocated to a specific grantee.

14 There is \$73,479 that was a contingency. I've been
15 told by the Office of Program Services and the vice president
16 that we are working to get that money out to the grantees
17 prior to September 30th.

18 So when you look at this projection, you'll see
19 that that number is included as a budget plan, but I did want
20 to call your attention that the contingency funds, we do
21 expect to get into the hands of the field components.

22 Same thing with the Native American. We had an

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1 amount remaining at the end of June of \$94,378. Of that,
2 \$46,430 was for a short-term funded grant -- \$47,918. It was
3 the contingency fund that we are now showing in the budget
4 plan to be contracted and paid out prior to September 30th.

5 The migrant component, there was no funds available
6 at the end of June 30th. They were all allocated at that
7 point.

8 The special contingency or emergency fund, there's
9 \$32,150. Hate to plan on putting contingency emergency money
10 out the door, but we are aware of some problems of flooding
11 in Florida, and we did have some proposals on that recent
12 emergency and do anticipate getting that money out the door
13 before September 30.

14 U.S. Court of Veterans Appeal, there is \$76,000.
15 Most of that money is left for the administration of the
16 program for the next year, and we anticipate in the next
17 quarter spending \$5,000.

18 The reason that money is set in the Board
19 Corporation designated funds is that money is set aside, of
20 course, by the appropriation language, where it has to be --
21 that character of that money has to be maintained for that
22 program. So it's set aside for next year's administration of

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1 that program.

2 MR. SMEGAL: It's being carried forward?

3 MR. RICHARDSON: That's correct.

4 MR. SMEGAL: What does it do to the fiscal year '95
5 budget request for this particular line item? Is it added to
6 it or is it, in effect, deducted from it and substituted for
7 that part of it?

8 MR. RICHARDSON: This money is a transfer from the
9 U.S. Court of Veterans Appeals. We do not have money in our
10 request, nor the House or Senate appropriation bills that's
11 coming forward for this particular line. If there's any
12 additional money, it'll transfer from the court. I don't
13 believe there's any contemplated for next year.

14 MR. SMEGAL: Their budget didn't ask for additional
15 funding? This was two-year funding they got last year and
16 passed on to us to use over a two-year period?

17 MR. RICHARDSON: If I recall correctly, that's
18 true.

19 MR. SMEGAL: Okay.

20 MR. RICHARDSON: With the law school line, last
21 time the full amount, \$1.4 million, was set aside as a
22 contingency. We do anticipate spending all of that money for

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1 the law school program.

2 The supplemental field program, all the money was
3 allocated as of June 30.

4 On page 2 of 4, the \$795,000 in the regional
5 training center, all that money has been allocated and spent
6 as of June 30.

7 In the national support line, there was a balance
8 remaining of \$176,000. That money, all of that was a
9 contingency at the end of June. However, with OLSBUC, and
10 they are preparing requests for that money and we anticipate
11 getting all of that money out of the door before September
12 30th also.

13 With the National Support Center, we have \$100,000
14 at the end of June for the five new support centers. There
15 has been two of those approved at this point. There are
16 three additional ones in wait. That will make the \$100,000.
17 And then the contingency, \$79,825, we anticipate again
18 getting that money into the state support hands prior to
19 September 30th.

20 MR. SMEGAL: You said 79. Do you mean 49?

21 MR. RICHARDSON: 49? \$49,825, yes.

22 And then the Clearinghouse and CALR money were

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1 completely spent as of June 30th.

2 Of course, the main area of concern with these
3 projections is always the management and administration. The
4 memo that you have details how we need additional money in
5 certain areas of the management and administration.

6 I'll call your attention specifically to the human
7 resources area, which is projected to go over a small amount
8 of \$7,000. The reason for that, at the first of the year,
9 the budget administrator was budgeted for her position and
10 those expenses associated with her were allocated in the
11 executive office. Middle of January, first of February, that
12 position was detailed back to human resources.

13 With the salaries of two presidents, two vice
14 presidents, and other staff, I had not moved sufficient
15 personnel benefits line from the executive office into human
16 resources to, for instance, pay for the federal workers'
17 compensation. We get that once a year. That amount usually
18 comes in September, and last year it was \$33,000. We
19 anticipate it going down somewhat this year. We've allocated
20 \$25,000 for that in '94.

21 In a broad sense, I'm looking at additional money
22 for the Board of Directors budget. You'll see that they are

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1 not over budget. It looks to be a \$10,000 contingency there,
2 but there are some up-coming events that Board members may
3 attend. We have received some invitations, many of you are
4 aware of. This is one.

5 I did not know, for instance, when I was doing the
6 budgeting, how many Board members would be attending, for
7 what time, or how much it would cost the Corporation, so I'm
8 asking that \$10,000 be added to the Board of Directors, sort
9 of as a contingency fund for any additional expenses that may
10 come up.

11 In the executive office, of course we're adding a
12 couple of staff members. We're looking. We're advertising
13 for a government relations -- director of government
14 relations, a public relations manager, and there is another
15 executive or presidential assistant that we're hoping to add
16 in this office. There is approximately \$20,000 needed there,
17 again, I've tried to build in.

18 In the projection, when you look at -- again, I'll
19 draw your attention back to page 3 of 4 -- the president's
20 office, executive office, is not shown over-budget, but
21 there's only like a \$2,000 contingency of remaining funds.
22 So the \$20,000 is just in case there's any additional

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1 expenses that I was not aware of or some events that come up
2 that the president or vice president needs to travel to, to
3 provide some money for that.

4 I told you about the human resources. I'm asking
5 that \$10,000 be added to that particular budget.

6 In the comptroller's office, I'm asking for
7 \$41,000. There are some expenses that quite honestly, even
8 though it's being charged to my particular area, that I'm not
9 in control of. For instance, the telephone bills,
10 communications, to get a lot of mail out or if there is
11 additional telephone calls, we need to have some additional
12 money there.

13 We did have, because of the renting of some space
14 at 400 Virginia Avenue, we had \$10,000 in consulting fees
15 that were paid for the real estate commissions. We also have
16 an issue with our accounting firm, so I've included \$5,000
17 that may not be spent, but to pay additional accounting fees.

18 There's also an issue with new staff moving to
19 Washington, there's a possibility of moving expenses.

20 So basically, this money would be there just for
21 those contingencies in case there is any need to pay for
22 additional expenses that I'm not aware of at this time.

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1 Those four transfers equal \$81,600. The inspector
2 general, reviewing his budget, asked that his budget be
3 reduced \$1,000.

4 What I have done is again, looking at the
5 attachments, I'll call your attention to D of the attachment.
6 It shows that the personnel compensation, as we're now
7 projecting, would be over without these internal budgetary
8 adjustments, would be over \$22,000.

9 Most of that is from the hope of hiring six new
10 program officers in the program evaluation -- the OPEAR group
11 -- program evaluation analysis and review. And when we did
12 the projections in March, or actually in April for the March
13 period, April 1 through September 30th, we had not projected
14 hiring the program officers at that time.

15 Those six program officers, in bringing them on, if
16 we do get them hired and into the office by September 1st,
17 will cost us approximately \$30,000.

18 That is the one area that we are over. Also, in
19 the capital expenditures, we were over about \$2,600. The
20 inspector general has moved some money, as I recall, to that
21 area, and I'm also moving a small amount just to purchase a
22 few supplies that would be classified as a capital in nature.

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1 Within the handout, you see that right behind
2 Schedule D there is the consolidated operating budget with
3 recommended reallocations. I did not reprint pages 1 and 2.
4 I only printed page 3 because there's where the reallocations
5 are needed and as you see, we still have the \$377,000 in
6 undesignated money that we're showing to be carried forward.
7 That does not change from the money that we show on the
8 original Schedule A, attachment 3 of 4. But it provides
9 money for additional contingencies in each of these areas,
10 for unanticipated expenses.

11 What I have done is shown, in addition to that,
12 Attachment B, a revised, which this would be how the budget
13 would end as of June 30th, with the revisions. And then,
14 Attachment D would show the revised, by providing money for
15 salaries and then the capital expenditures, that we would not
16 be over in any particular area.

17 I have tried to --

18 CHAIRPERSON MERCADO: Looking at the revised
19 Attachment A, page 3 of 4, in it, on the Board initiatives,
20 we hadn't included the search cost in that, have we?

21 MR. RICHARDSON: In the Board initiatives?

22 CHAIRPERSON MERCADO: Mm-hmm, on the revised

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1 consolidated operating budget work sheet, page 3 of 4,
2 Attachment A, the Board initiatives. We haven't included in
3 that the expenditures that have been made thus far in the
4 search; is that correct?

5 MR. RICHARDSON: Oh, yes, we have.

6 CHAIRPERSON MERCADO: Where are they at?

7 MR. RICHARDSON: When you look at the Board
8 initiatives, you'll see spent through June is \$155,000. And
9 then the plan -- and this is not only the presidential
10 search, but this is also the competition initiative, I'm
11 showing that there's a budget plan of approximately \$27,000
12 that'll be spent in the fourth quarter, basically, \$15,000 of
13 that being for the presidential search, and the additional
14 \$12,000 for the competition initiative.

15 Let me back up and explain just for a moment. When
16 I look at the \$360,000 in the Board initiatives, \$85,000 of
17 that were presidential search. We had spent, through the
18 June 30 time frame, \$69,000. So there's \$15,000 remaining
19 there. And what I have done is I've shown -- I knew that I
20 had a bill back at the office for \$9,000. I also am aware of
21 some travel expense reports that had to come in, so I've
22 basically shown in the plan that all that money is going to

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1 be spent.

2 Also in the Board initiatives, we had the NOCA
3 grant, the \$15,000. That has been spent and gone out the
4 door.

5 And then the competition initiative was \$260,000,
6 and we had expenses in this year so far of basically \$72,000,
7 so there's \$189,000 that was left as of June 30th. So the
8 \$177,000 that is shown remaining is basically the money
9 that's remaining for the competitive initiative.

10 If there's an overrun, as Mr. McCalpin is telling
11 me there's additional expenses coming, if it goes over the
12 \$15,000, then it would be charged to the Board's budget.

13 CHAIRPERSON MERCADO: Do any members of the Board
14 have any questions on any particular items?

15 MR. FORGER: David, the numbers you have on the
16 first page of your memo that are to be -- you're proposing
17 that we transfer in from various other parts, where is this
18 \$81,000 going to come from?

19 MR. RICHARDSON: I'm sorry, sir. We do have the
20 \$137,000 in the special contingency fund.

21 MR. FORGER: So you're taking it out of there?

22 MR. RICHARDSON: So I'm taking it out of there.

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1 MR. FORGER: So that's going to go down to \$56,000?

2 MR. RICHARDSON: \$57,000, yes, sir. The
3 contingency prior to this was \$137,626.

4 MR. FORGER: Oh, okay.

5 MR. FORGER: And if you subtract 57, there's 26
6 left. I've left that money there in case there is some
7 additional expenses that I'm not aware of that come up
8 because within our procedures for the modification of the
9 budget, we can ask the chair of the A&A Committee to make an
10 allocation of those funds. And of course, that would come
11 through the president to Ms. Mercado, to move those to an
12 area that may be needed.

13 Just to let you know, also this could go down
14 slightly because yesterday morning I had a conversation with
15 the computer consultant that the executive office has turned
16 to to seek some advice, and there's a possibility that there
17 will be a contract written with him to facilitate some
18 movement in our computer and information area, and that could
19 drive the \$377,000 down a little bit, based on the contract
20 that is written.

21 CHAIRPERSON MERCADO: I don't suppose we have any
22 additional income coming in from the Virginia Avenue

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1 headquarters? Is there any increase to any of that? I know
2 that we had leased some.

3 MR. RICHARDSON: It will be increasing some.
4 You'll see in the projection that I have shown that there
5 will be \$60,000 coming in for --

6 CHAIRPERSON MERCADO: Miscellaneous income?

7 MR. RICHARDSON: Miscellaneous income. After
8 getting some information earlier in the week, it will
9 probably be closer to \$65,000, \$66,000, but again, it's
10 conservative in nature. Even the interest income I've shown
11 at \$60,000; it should go up a little bit even from that.

12 MS. BATTLE: So we were successful in leasing some
13 space?

14 MR. RICHARDSON: Yes, we have leased two additional
15 areas. And in the last week, I was not going to mention it,
16 I keep mentioning it and I have a friend here in the
17 audience, Mr. Dana, who used to ask me this quite often. I
18 would be cautiously optimistic about my approach here.

19 General Services Administration looked at it again
20 two weeks ago. They were back in a week ago. So they're
21 looking at it for a short-term prospect, five or six months,
22 because they are, what they're calling a refurbishing,

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1 retooling an area, and they would possibly move into ours on
2 a very short-term basis.

3 We're also looking internally, because we have
4 excess space on the 10th floor and we actually have three
5 corporations, associations, looking at our space at 750 First
6 Street that may lease anywhere from 2,000 to 7,000 square
7 feet, but we're working with them. We do not have a proposal
8 for any of them as yet. All of them have shown a great deal
9 of interest, but I have learned to not speak very quickly.

10 CHAIRPERSON MERCADO: If there are not any other
11 questions --

12 M O T I O N

13 MR. FORGER: I move we approve the COB through June
14 30, '94.

15 CHAIRPERSON MERCADO: So moved. Since we don't
16 have a second person, we just do it by consensus.

17 CHAIRPERSON MERCADO: Members of the committee have
18 received the Legal Services resolution, as far as the
19 reallocation of funds in the management and administration
20 budget. And rather than reading all the whereas's and
21 whatever, I'm going to incorporate this into the record, but
22 the relevant part is for this committee to approve and

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1 recommend to the Board the reallocation of the \$80,600 from
2 the special contingency funds to \$10,000 to the Board of
3 Directors line, \$20,000 to the executive office line, \$10,000
4 to the office of human resources line and \$41,600 to the
5 comptroller and administration line.

6 It will also include a decrease in the budget of
7 the inspector general in the amount of \$1,000.

8 MR. SMEGAL: So the net of those two is \$80,600?

9 CHAIRPERSON MERCADO: That is correct. And we will
10 go ahead and move this resolution, as written, into the
11 record, passed by consensus by the committee.

12 DISCUSSION OF THE MANAGEMENT AND ADMINISTRATION

13 BUDGET FOR FISCAL YEAR 1995

14 CHAIRPERSON MERCADO: We're ready to go ahead and
15 start the discussion of the management and administration
16 budget for fiscal year 1995.

17 MR. RICHARDSON: Madam Chair, we do have a joint
18 presentation. Mr. Singesen will be handling much of the
19 grants, and then I will handle management and administration.

20 You will see the flip chart in the corner.

21 MR. SINGSEN: Whenever the news is difficult, I
22 have to put it up on a flip chart. What I want to do, in the

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1 interest of time, because I know Mr. Smegal's time is quite
2 limited, is to preface this discussion to show its bottle
3 line problem so that as Mr. Richardson talks about more
4 specific elements of it and answers questions, the context
5 will be clear.

6 There is no necessity for a vote on this issue at
7 this meeting. The intention here is to present a look at the
8 1995 particularly management and administration budget, so
9 that when we come to September 30th and October 1, there will
10 have been a chance not only to have seen what the options
11 look like, but to have thought about them, to talk with your
12 staff about them, so that the staff's final proposal on
13 September 30 reflects where it is that this Board thinks it
14 best wants to go and the staff thinks it can best take the
15 Corporation. And so that's the backdrop for the whole
16 discussion.

17 Frankly, we can't do most of this budget today.
18 What I have here is something that was actually handed out
19 last time, and I'll give it out again in a second, which is a
20 showing of the budget lines in the House figure, of \$415
21 million, and how they distributed it, and a showing of the
22 1994 appropriation numbers, for \$400 million, and how that

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1 was distributed. And that's the Senate's figure.

2 So that you can see the entire COB in those two
3 columns here, and we don't have much discretion about the
4 line items except within the specific line items that either
5 the House or the Senate bill provides as they go through
6 conference, apparently next week, and produce a final
7 decision.

8 So that what I want to do is to focus on the
9 management and administration line, which in the House bill
10 is \$12,500,000, and in the Senate bill is \$10,928,000.

11 The other area of difference that will matter for
12 our discussion is that the House committee provided no money
13 for Board initiatives. The current year budget and the
14 Senate bill provide \$100,000 for Board initiatives in the
15 discretion of the Board. And as my discussion will make
16 clear in a moment, what you do with that \$100,000 may become
17 part of the management and administration discussion.

18 So let me give you another copy of this in case you
19 want to refresh your recollections on the House figures and
20 the current figures, which are the Senate figures.

21 Now, you have in this book a detailed presentation
22 of the \$12,500,000 budget that we are currently preparing and

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1 would propose if we got the House figures as our
2 appropriation. In a few minutes, David will take that and
3 have it and be glad to talk about its details with you.

4 You have, on the first page of that, under the
5 summary tab, the page that I suggest you look at and which
6 there are copies of for the audience, which shows how a
7 budget of \$12,500,000 might be distributed to accomplish the
8 purposes that your staff thinks need to be accomplished
9 during 1995.

10 And the only structural thing I want to point out
11 first is that you'll notice, down in the lower righthand
12 corner, the number \$745,000 as a first part of the \$12.5
13 million, although it looks like the last lower righthand
14 corner, that is the payment of rent at Virginia Avenue in
15 1995.

16 Now, we, of course, have already paid the rent, as
17 you know, under our accounting rules, because we took the
18 deficit hit at the 1993 financial report. This is the off-
19 the-budget consequence; that is, the outside of M&A, we have
20 to, in fact, pay this rent. And what it does is take money
21 from the accrual that we've got but haven't fully funded, to
22 pay that rent.

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1 So that's the one piece that's off. That's why we
2 don't have the full 12.5 to spend in our budget.

3 Now, what I want to do is spend a minute talking
4 about the funds we have available and a minute talking about
5 some things that aren't in the budget. And I'm going to set
6 it up like this. Can everybody see this?

7 CHAIRPERSON MERCADO: Yes.

8 MR. SINGSEN: I think that means, Ed, you are the
9 person in the room who can't see it.

10 The appropriations figures that we've been talking
11 about are down here, and I'll come back to those in a moment.
12 But there are some sources of funds which are not in our
13 appropriation that we can use in 1995, and they're critical
14 to our discussion here.

15 We look like we're going to have carryover funds
16 from management and administration at the end of 1994 of
17 about \$377,000 that in the other funds available, which isn't
18 within our budget -- that's the interest income that we get,
19 for example, it's grant recoveries to a smaller degree, it's
20 some money that we got back, quite pleasantly, because of an
21 agreement about a tax situation at Virginia Avenue, a variety
22 of sources -- have put our total receipts of other funds

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1 outside the budget, \$105,000 over where we thought we were in
2 Atlanta, when we did use some money also from this category.
3 We're actually almost \$200,000 over our initial estimate in
4 this category this year.

5 If we budget, as we did -- this technically doesn't
6 belong here; it belongs inside the budget, but I'm going to
7 put it here because of its effect -- if we budget attrition
8 within our budget -- that is, the plan that people will be
9 going and not replaced quickly -- at 2 percent, which is
10 probably about right, that's got a result of about \$134,000
11 of savings, money that we won't spend that it looks like we
12 would if everybody were on board 100 percent all year.

13 And finally, we have \$177,000 in the Board
14 initiative category that we haven't spent during 1994. Now,
15 that's money that was intended to be used at the comparative
16 demonstration project. However, we told Congress that even
17 at \$425 million appropriation, we didn't think we would be
18 sufficiently funded to complete the second half of the
19 comparative demonstration project.

20 At 415, and certainly at \$400 million, we would be
21 in a position, quite appropriately, to carry through with
22 that statement and not spend this money in '95 on a

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1 comparative demonstration project. And the projects involved
2 in the comparative demonstration project all are aware that
3 this is a possibility. The contracts with them make it clear
4 that if not funded, it won't be continued, so that we have
5 that money that we could conceivably bring into our budget.

6 Now, at this point I should say all of this
7 \$793,000 requires your decision. None of it automatically
8 becomes money that goes into the '95 budget. But it's there,
9 it's available, and you may choose to use some or all of it.

10 Now, there are two things in the 1995 plans that we
11 might change. Assuming that we get the Senate figure, \$400
12 million, and that's the figure that I'm worried about in this
13 discussion, there's \$100,000 in our current appropriation for
14 Board initiatives, there's \$100,000 in the Senate figure for
15 Board initiatives in '95. That's funds available for your
16 use. Could be used to solve basic problems in what we want
17 to do in '95.

18 There's \$455,000 scheduled to be used to complete
19 the funding of the rent accrual on First Street, the deficit
20 reduction plan. That's what we were going to put in along
21 with the \$745,000 for rent at Virginia Avenue to complete the
22 funding of that liability account, which, as we all remember,

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1 wasn't funded.

2 We could defer that for a year. That would get us
3 another \$455,000. If we did all of those things, it would
4 generate \$1,348,000 of funds available in 1995.

5 Now, we have these appropriation figures, and we
6 would have \$12,276,000, not \$10,928,000, if we made all of
7 these decisions in the \$400 million budget. And the
8 alternative budget, which David has prepared, looking at the
9 possibility that we'd only have a \$10,928,000 appropriation,
10 is an \$11,500,000 budget.

11 So if we went with precisely the budget that David
12 has presented today, we would actually have \$776,000 left
13 over, if we did every one of these things, which is a good
14 thing, because this is what we would not have. We wouldn't
15 have \$250,000 to put the Corporation's computers into the
16 1990s, as opposed to 1987, where they are now, a critical
17 thing to be able to do if we're going to manage with program
18 officers the large data base that we ought to have and be
19 able to work with programs.

20 We would not have \$900,000 worth of staffing that
21 is present in the budget at 12.5. And I can detail a little
22 bit more for you if you'd like what would be missing. And we

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1 would have no money for client involvement, because that 785,
2 which is provided in the Senate bill, is absent from our
3 current appropriation from the -- provided in the House bill,
4 sorry -- is absent from the Senate bill at \$400 million.

5 Now, if we had only the budget of 10.9, we would
6 have to decide which parts of these we couldn't afford,
7 because remember, we've only got \$776,000, if we make every
8 decision on that first page, available to fund this
9 \$1,000,900 worth of activity, if we go with the budget as
10 we've got it set forth at the \$10,928,000 level.

11 So that's the context. If we're at 12.5, without
12 bringing all of that fund into the management and
13 administration, Corporation operations budget, we can fund
14 the remaining part of the computer costs and we can do the
15 things that we want to do. We'll have the staff. We'll have
16 a separate item for client initiatives.

17 MS. BATTLE: I probably have just a basic question
18 because I don't get to make all of your meetings. The funds
19 that are carryover funds from 1994 are within our discretion
20 to fund within management and administration, or however?
21 How wide, I guess, is the question?

22 MR. SINGSEN: This is just management and

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1 administration carryover. There's not a lot of other
2 carryover. This is the Board initiative carryover, within
3 your discretion completely. And I've carried nothing on this
4 page which is from any of the grant lines in the first two
5 categories of the budget.

6 MS. BATTLE: And you're saying there's not a lot of
7 there's no carryover from '94 in any of those other
8 categories that we need to be concerned about?

9 MR. SINGSEN: David, you were just reviewing that.
10 What's the --

11 MR. RICHARDSON: There is, for instance, \$73,000 in
12 the basic field line. If that money is not spent, it will
13 remain in the basic field for use in '95. We're showing
14 right now that we're trying every effort to get it into the
15 field's hands now.

16 Same thing with the Native American money, the
17 national support and state support money. If the money does
18 not go out in '94, it will remain in this particular budget
19 available in '95 in those lines. We're not proposing to
20 allocate them to M&A.

21 MR. SINGSEN: And it's not our proposal to take
22 that money and bring it into this discussion.

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1 Now, a couple of things -- one thing I should
2 mention here. A couple of the items on here, we would have
3 to conceivably do a reprogramming notice before we could
4 carry out. The carryover money from -- well, it depends how
5 we use it. It probably wouldn't be a problem here. But the
6 other funds available, remember, we've had that question
7 before. A notice wouldn't be a problem, but we would
8 certainly want to notify the Congress that we were going to
9 go forward with it.

10 I think there's another very technical issue, which
11 we don't need to occupy ourselves with now. We asked for
12 client initiative money. If the Senate figure were to
13 prevail and we got no client initiative money, then we'd have
14 to get around a provision in the reprogramming statute which
15 says if you ask for it and don't get it, you can't spend
16 money on it. But I don't think that's the intent of the
17 Senate figure, and I think we can get report language
18 probably that will express that intent, so that it won't be a
19 bar to us doing client initiative work in '95.

20 So that's the context. Now, we don't come with a
21 set of precise answers. It's clear we've got to deal with
22 some of these things. And the choices that if we get the

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1 \$400 million we face are, of course, much more painful and
2 involve not doing some things we care about, than they are at
3 12.5.

4 MR. ASKEW: Gerry, on our next to the bottom line
5 of the budget, you said David's prepared a budget for next
6 year of 11.5, under the Senate plan, but why have you got
7 12.5 at the House plan? Wouldn't that still be 11.5 at the
8 House?

9 MR. SINGSEN: No. We've taken a million dollars
10 worth of expenses, basically salaries, out of this budget to
11 create this budget. This budget is our first cut at how we
12 would live with 10.928.

13 MR. ASKEW: Okay.

14 MR. SINGSEN: So that's -- remember I had on this
15 page the missing \$900,000 worth of salaries?

16 MR. ASKEW: Right.

17 MR. SINGSEN: That's where they're coming from.
18 It's a dozen people, 15 people, some assistant to directors
19 in OPS, it's half a dozen program officers, it's a budget
20 officer, it's a director of administration, it's a
21 replacement of a staff person, Arcelia, who has just retired.
22 Those are the things that we would not have in the current

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1 version of this budget.

2 CHAIRPERSON MERCADO: Gerry, how does -- I heard
3 you mention the program officers. How does that affect the
4 reorganizing that John is trying to do with that office, as
5 far as the program officers that you need to do the kind of
6 peer review and analysis and so forth, if you were talking
7 about not having those positions?

8 MR. SINGSEN: A couple of them are in OPS, not just
9 all in OPEAR, either. John, do you want to speak to that?

10 MR. TULL: Well, there's several questions involved
11 in --

12 CHAIRPERSON MERCADO: John Tull, for the record.

13 MR. TULL: There's several questions involved in
14 the program officer structure and what's the way that we need
15 to structure OPEAR and what the relationship between the
16 functions of OPS and OPEAR ought to be that are in the very
17 early drawing stages.

18 So these figures come out of some preliminary
19 discussions that we've had and I've had with David about what
20 looks to be some of the outside lines, given what we know to
21 be the money available and what we see that needs to be done,
22 and what we see to be the past that we're trying to sort

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1 through without a handle.

2 So I guess the short answer is it obviously will
3 affect it, and what will, as we go through a process of
4 deciding what the staffing ought to be and how best to do it,
5 one of the things which will drive some of our decisions will
6 be the amount of money available and the fact that we're not
7 going to be able to be all things to all people and we're
8 going to have to make some hard choices among some competing
9 interests in terms of how much we can staff them.

10 CHAIRPERSON MERCADO: Would that include in part of
11 it, and I guess I'm sort of looking at some questions that
12 might come up in the future, if, in the reorganizing and
13 restructuring of OPEAR and OPS, and part of this piece was
14 dealing with the program officers, in order to deal with the
15 services that that particular division has to deal with
16 effectively, if we can't get those program officers, does
17 that mean maybe a review of the staff you have on board, of
18 whether or not they can program officers or getting somebody
19 else who might be able to --

20 MR. TULL: Well, certainly one question that we
21 need an answer to is how much we can use current staff for
22 what, and that's a question of how we use current staff --

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1 the answer starts with, does the role of the program officer
2 include the compliance piece of our efforts? And one of
3 the -- certainly haven't come close to making decisions about
4 this yet, but I think the notion now is to separate out some
5 of the compliance functions and some of the logistical issues
6 related to peer review from the program officer function,
7 because those are activities that current staff have skill
8 in, have experience in, have ability in, and it allows us to,
9 particularly if they work in concert with program officers,
10 it allows us to use their skills the best way possible, and
11 do it in a way where they can also be exposed to the kind of
12 experience they need to grow themselves professionally,
13 perhaps to take on more responsibility and perhaps become
14 program officers.

15 So I think the answer to your question, in terms of
16 the degree to which we're sort of pushed to deal with current
17 resources, I think there's a natural answer to that in terms
18 of both the tasks we've got to do and the skills that we have
19 on board.

20 Did that answer your entire question? I'm not
21 sure. You might have had another piece of it that I might
22 have missed.

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1 CHAIRPERSON MERCADO: No. Obviously, it's going to
2 affect our ability to carry out a lot of the stuff that we
3 were planning to do as far as the peer review and program
4 officer pieces that we were trying to work with earlier this
5 morning with some of the IOLTA groups, doing that kind of
6 coalition work with them on the monitoring and evaluating
7 aspect of it.

8 MR. TULL: And one of the other factors which will
9 affect this, as well, in terms of money if we have available
10 to hire staff as program officers will be the actual cost of
11 peer review, which is a function of numbers, number of peer
12 reviewers and what the cost turns out to be.

13 The experience so far, the first five visits, the
14 cost was about half of what it was for the monitoring of each
15 of those same programs.

16 So in terms of a projection -- to the degree to
17 which this budget reflects a projection of costs that's based
18 on past experience with on-site visits, there may be some
19 savings there, as well.

20 CHAIRPERSON MERCADO: Thanks, John.

21 MR. SINGSEN: Madam Chair, I have just one more
22 thing that I think needs to be said. Obviously, at 10.928

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1 there's one more process that your staff would have to engage
2 in, which would be one that you're very familiar with from
3 last December, which is the arduous, careful examination of
4 the expense patterns in our current operations.

5 And we should know shortly whether the
6 appropriation is going to be the 10.928, and obviously, if it
7 is, particularly, we will be going into that process very
8 carefully to assure that not a penny of the money being spent
9 today would be spent tomorrow without maximum benefit to the
10 Corporation.

11 Now, that's the context of this discussion, and I'm
12 glad we were able to get it in before Mr. Smegal had to
13 leave.

14 MR. SMEGAL: Thank you.

15 MR. SINGSEN: I'd like to turn it over to Mr.
16 Richardson now to tell you a little bit more about what's in
17 the 12.5 budget. And I suppose the way to say it is not in
18 the 11.5 budget.

19 MR. RICHARDSON: Within the 12.5 budget, and Gerry
20 has mentioned in his presentation that there's an 11.5 budget
21 prepared, also. While I don't have a book for that, I have a
22 summary of it here, and so as not to confuse the issue, I

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1 will present -- let me present this first, and then I'll
2 direct your attention to the 11.5, highlighting the changes.

3 The way I will go about this is to tell you or show
4 you how we would propose changing the operations from current
5 staffing levels and current expenditures. Right now, of
6 course, our budget is 11.3. If we would go to 12.5, some of
7 the things that we would include in this particular budget,
8 we would go back to.

9 Some of the assumptions that have been made is that
10 this presentation presents the same salary structure, and
11 going back to the raise level that we had in '92, which was a
12 6.2 percent increase in the base of an employee they were
13 eligible for, plus a one-time payment of 2 percent. The 6.2
14 would be weighted to the date of each employee's evaluation,
15 and then the 2 percent merit, which would be a one-time
16 payment, would be totally paid out on the date of their
17 evaluation.

18 With the Board of Directors budget, the budget that
19 is included before you is for \$425,000. That includes 11
20 Board meetings. It also includes attendance at meetings for
21 House and Senate subcommittee appropriation hearings and
22 reauthorization hearings.

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1 It also includes about 20 trips for Board members
2 to attend ABA functions, project director meetings, meetings
3 with NLADA and PAG. So we've tried to set enough money
4 there, plus provision for travel to the Hill and discussions
5 with those particular members. And it's basically based on
6 what has occurred in this particular year.

7 For instance, this year's budget is \$362,000, with
8 the amendments that have just been approved, with the
9 reallocations just approved. So we've increased it \$63,000,
10 up to the \$425,000 figure.

11 Included in this particular budget is money for, of
12 course, advertising the meeting, the meeting room, telephone
13 expense, conference room facilities when the meetings are
14 held out of town. When you look at the printing, there's
15 \$12,000 there that would go to charging some of the office
16 costs that you have in your offices, where you can be
17 reimbursed for those. Rental of audio equipment and your
18 other operating.

19 Advertising, advertising the meetings. Every time
20 we have a meeting, it costs of \$125 per column in the Federal
21 Register for advertising.

22 So those are some of the type of things that we've

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1 included in this particular budget, to get it to the \$425,000
2 figure.

3 CHAIRPERSON MERCADO: Does that include even when
4 we amend the Federal Register, they charge us every time we
5 amend?

6 MR. RICHARDSON: That's correct.

7 CHAIRPERSON MERCADO: We'd better get those
8 amendments done quickly. Yes, go ahead.

9 MR. McCALPIN: Have you included the cost of
10 publishing the changes in the regulations?

11 MR. RICHARDSON: That has been done through my
12 budget. Yes, sir, it has.

13 MR. McCALPIN: It's in your budget?

14 MR. RICHARDSON: That's correct.

15 Within the executive office, let me move to that at
16 this point. We have shown an increase in this particular
17 budget from \$819,000, the current budget, to \$948,000. The
18 reason that there's an increase in this particular budget is
19 we have included positions such as a director of government
20 relations, public relations manager, special assistant to the
21 president. There's an executive or presidential assistant
22 for administrative help, and then there's two current staff

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1 members that were budgeted last year in the office of program
2 services that are being moved to the executive office, to
3 help with the legislative and communication objectives of the
4 Corporation.

5 We've also included additional money for travel and
6 transportation for the president and vice president. In this
7 particular budget we have allocated four Board meetings out
8 of town. So in your particular budget for the Board of
9 Directors, 11 meetings scheduled, four of them being out of
10 Washington in locations around the country when we do go out
11 to, such as this one, to meet with the Board, conduct
12 business, and to visit the grantees and have them come speak
13 to the Board.

14 In the office of the inspector general, it's
15 basically a status quo budget. This year its budget was, as
16 amended now, is \$1,024,000, and the budget that is proposed
17 is \$1,069,000. That mainly goes to the allocation of salary
18 increases.

19 MS. BATTLE: I just have a question. You have, for
20 the positions to be filled, annual salary amount, are those
21 the maximums for those positions or is that an estimated
22 average?

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1 MR. RICHARDSON: It's an estimate. And you'll also
2 see that some of them are weighted. For instance, the
3 special assistant to the president is 75 percent of a wage
4 that is annual salary \$75,000. That means that that person,
5 in this particular scenario, would not be hired before
6 Janaury 1st.

7 Within the area of general counsel, we have a
8 budget this year of \$786,000 with a budget next year of
9 \$824,000. One of the increases in this line is, as I spoke
10 to you before when I did the presentation about allocating
11 expenses, I have, within this budget, moved the Westlaw cost
12 to the general counsel's budget.

13 At this point, he is the only office using it. It
14 doesn't make real sense to charge it to administration when
15 his office is the only one using it, so I've increased the
16 expense there for Westlaw. The rest of it basically is for
17 increases in salaries.

18 Within the --

19 MS. BATTLE: This is the 1995 -- there was no
20 carryover? Okay, no question.

21 MR. RICHARDSON: And I'm going through this
22 quickly. If you'd like to stop at any point --

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1 MR. McCALPIN: I can't believe you can hire a
2 paralegal in Washington for \$18,000 a year. We can't hire
3 one at that level in St. Louis.

4 MR. TULL: In field programs, the starting salary
5 for paralegals is between \$14,000 and \$16,000.

6 MR. McCALPIN: I understand, but you're in
7 Washington.

8 MR. FORGER: They've got to hire one from the
9 field.

10 MR. McCALPIN: And move them to Washington.

11 CHAIRPERSON MERCADO: And put them into public
12 housing in Washington.

13 MR. ASKEW: That position has been eliminated,
14 hasn't it?

15 MR. RICHARDSON: It has been. There is no funding
16 for that position.

17 MR. McCALPIN: I understand, but you've got it in
18 there as a potential, a possibility.

19 MR. RICHARDSON: Actually, that's true. What we've
20 used for paralegal in the past, which is not in this budget,
21 is law school students. And we would bring them in at
22 anywhere from \$10 to \$14 an hour, and they would work two or

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1 three hours a day. So that's something that we will talk
2 with Mr. Fortuno about if needed, but it is not in this
3 budget at this point.

4 MR. McCALPIN: I would think that would be do-able.

5 CHAIRPERSON MERCADO: Well, we had also asked at
6 the beginning, I know when we first started these Board
7 meetings, since we've got so many law schools in Washington,
8 D.C., what the capability of getting some interns at Legal
9 Services, for free, not necessarily to pay them salaries, but
10 as part of their internship, to do some of this work.

11 I know we're able to use it in my area, for them to
12 do internships, and that might be something we may look at.
13 Or even in different fields.

14 MR. RICHARDSON: I am aware that Mr. Fortuno looked
15 into that, but we've had none this summer, so the only thing
16 I can assume at this point, he was not successful in
17 procuring some pro bono assistance from the law schools at
18 that point.

19 CHAIRPERSON MERCADO: We might have to get
20 President Forger to go and visit the deans and get some pro
21 bono work from the schools. I'm sorry. Go ahead.

22 MR. RICHARDSON: Within the office of human

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1 resources, this year's budget is \$389,000. This is
2 basically a status quo budget. The increase that is here is
3 for salary increases. Also, additional advertising has been
4 included. And then, of course, as I had spoken before, we
5 did have an employee that was allocated for four months in
6 the president's office that is now allocated throughout the
7 year in the office of human resources. So that's mainly the
8 increase in this particular budget.

9 Within the office of comptroller administration,
10 this year's budget is \$3,297,000, showing an increase to
11 \$3,425,000. The main area here is the three additional staff
12 members that we're projecting in, which is the budget
13 officer, a director or a manager of administration, and then
14 a replacement for the assistant director, travel coordinator,
15 who retired this year.

16 Just to let you know also, that I'm looking at the
17 possibility of reviewing the printing operations a bit
18 further and the possibility that we can have some cost
19 savings there. And I hope to have an analysis of that done
20 in the next few weeks, to where, when we do present a final
21 budget for you, we can show a reduced figure there.

22 But that's something that we're looking at with GPO

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1 and doing it in conjunction with the inspector general's
2 office in a review that they had going on at this point.

3 There's also an increase in this particular budget
4 within the communications and other operating expenses
5 because when we do bring additional employees in, we have
6 additional telephone costs and additional supplies and
7 insurance costs that will have to be incorporated, also. So
8 there's an increase in the estimate there.

9 Within the office of PEAR, the program evaluation
10 analysis and review, the main increase here is salaries. The
11 budget at this point this year is \$2,585,000. So we would
12 propose to increase the budget to \$3.793 million.

13 The main increase comes here with 11 new staff
14 members. We have a program operations manager, a compliance
15 manager and nine new program officers.

16 Travel -- we're showing an increase here from the
17 '94 budget, where it's \$220,000 to \$475,000 and the
18 consulting increase from \$225,000 to \$350,000. And, as Mr.
19 Tull has reported to you, we'll be looking at those figures
20 further because we feel that there may be some savings there
21 and ways to cut. And certainly, if we do that, money can be
22 spent elsewhere, whether it be for additional computers or

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1 additional staff, but that's something that we'll have to
2 weigh out and prioritize the needs of the Corporation at that
3 point.

4 Within the office of program services, you were
5 discussing before about the reorganization. From the last
6 meeting, I think you will recall that we're now showing that
7 the two offices, while they may be reorganized, there will be
8 two separate offices. We will continue to have the office of
9 program services. It may emerge with a new name -- same
10 thing with the PEAR -- but they will have like functions.

11 Within this office we've now included a director
12 and four new staff members. The budget for the OPS at this
13 point, program services, is \$982,000. We're showing in this
14 budget a decrease, but it's \$776,425. Again, it has a
15 director, four new staff members.

16 These are labels that basically I have put on
17 these. Since we do not have a director in place at this
18 point, in discussions with Mr. Tull, I have included a
19 special projects coordinator. Outside of that, I have what
20 we would term assistant to the director, 3. There's two of
21 those, and one assistant director 2.

22 The titles of those certainly will change once

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1 those job descriptions are drawn up and we get more
2 definitive as to what they will be doing, what duties and
3 assignments, responsibilities they'll be carrying out.

4 The travel has been increased from \$3,000 to
5 \$25,000.

6 That is the main highlights and that is the
7 highlights from where we're operating now to where we would
8 operate if we had a 12.5 budget.

9 Gerry has shown you the different carryovers that
10 we've had -- the management administration, the excess of the
11 other funds available, that being the grant recoveries and
12 interest income. The 2 percent attrition is not in this
13 budget. And then the Board initiatives.

14 MS. BATTLE: I'd got a question, and it goes way
15 back, but you move real fast, David, and it's hard for me to
16 keep up.

17 Going back to the general counsel's budget, I'm
18 looking at a position for deputy general counsel, which is
19 zeroed out. Is that because in looking, on a prospective
20 basis, at reorganization, we're not talking about filling
21 that position in the next year?

22 MR. RICHARDSON: That is correct. The positions

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1 you'll see at the bottom, the deputy general counsel,
2 assistant general counsel and the paralegal, we're not asking
3 for funding in the next year for any of those positions.

4 MR. SINGSEN: Just to clarify, we haven't had
5 anybody in those positions this year, either.

6 MS. BATTLE: I understand that. I'm looking at, I
7 know, the heavy weight that my committee's going to have to
8 carry over the next year, and we're looking at basically, in
9 the general counsel's office, continuing to fund existing
10 attorney positions, and no increase in the number of
11 positions. Is that where things are?

12 MR. RICHARDSON: That is correct.

13 MS. BATTLE: Thank you, David.

14 CHAIRPERSON MERCADO: David, before we proceed with
15 this particular item, I think, and it's just a general
16 comment more than anything else, that the Board is obviously
17 having to grapple with a lot of different issues, both
18 between reorganization and reauthorization, budgets and so
19 forth, and being more public, communicating, and doing all
20 those kinds of things.

21 There are some priorities that this Board is going
22 to have to deal and grapple with as far as where we need

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1 maybe some additional staff. I hope in Ops & Regs, having
2 sat through a couple of days of those meetings, and just not
3 only the regulatory aspect of it but also the reauthorization
4 that we're going to have to deal with, that we need to have
5 our own staff on board that are working with the Board in
6 getting as much of that legislation prepared and done with.

7 MS. BATTLE: And I have some concern. I just am
8 looking through the budget and seeing that we don't have
9 envisioned for 1995 any additional help coming in the general
10 counsel's office. I see that as presenting a problem for our
11 committee. We have had to -- we're in the process right now
12 of looking at some real complex regulations and, as well,
13 we've had some heavy lifting in just litigation issues to
14 come up.

15 And I would think that given the prospect that
16 we're going to be dealing with reauthorization and continuing
17 to go through the regulations next year, that we're going to
18 need additional staff in the general counsel's office to get
19 that done.

20 And I know that we weren't looking directly at
21 reorganization in my committee, but however the staff is
22 reorganized, I think that's going to be very critical for us

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1 to do an effective job of what we've got to do, to have some
2 additional staff.

3 MR. RICHARDSON: If I may speak to that, these
4 budgets were prepared basically for my office, in conjunction
5 with each director. So in talking with Mr. Fortuno, he had
6 originally felt that he did not need additional staff to be
7 able to support the efforts of the regulations. But
8 certainly, I will go back and he will have the record of the
9 transcript and make him aware that there is a concern there,
10 and we will certainly discuss that with him.

11 MR. SINGSEN: Just one side note. One of the
12 things that the transition period has made clear is that the
13 organization, particularly in the transition, but I think
14 before the transition, as well, has not been budgeting to
15 function in a particularly effective way. There has not been
16 a process that involved the planning end of the Corporation
17 in thinking about cost questions early enough in the process.

18 With so much change taking place, that hasn't been
19 the top priority in terms of the management functions of the
20 organization. And obviously, we've come a long way from
21 developing our management and administration budget in
22 December, which is what happened for the year '94, but I do

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1 think a year from now, the Corporation needs to have a budget
2 function.

3 And you remember, there's a budget officer added to
4 the budget for that purpose, at 12.5 but not at 10.928,
5 simply so that the Corporation can anticipate, be prepared
6 and respond effectively on exactly the kind of question that
7 you're raising in a more effective way. Obviously, your
8 raising the question here means that it will definitely be
9 dealt with as an issue in the budget process.

10 MS. BATTLE: Well, I'd like to also give some
11 thought to and be able to speak to the specifics. I know
12 that reauthorization and dealing with regulations are two
13 almost mutually distinct processes that we're going to need
14 some real dedicated help to get done effectively from the
15 Corporation's end.

16 MR. FORGER: Can I say a word? I think the -- Alex
17 Forger. What I witness here is figures driving the
18 organization, whereas, in fact, I think the figures ought to
19 fit what the organization's needs are. And it's simply the
20 time and circumstance that we have not yet been able to focus
21 on all of the staffing we need.

22 But as you know, we are going through a process of

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1 reviewing everybody in the organization, and we will have
2 some suggestions soon with respect to additional staff,
3 change of staff. And I think within the confines of this
4 budget, we'll be able to achieve that.

5 What's happened here, as David says, he talks to
6 each director of a given area, and that's the response and
7 that goes into budget. It isn't the management now deciding
8 whether you need X, Y or Z.

9 So it seems as if there is a lack of direction from
10 management, and I assure you, management has this in mind but
11 has not yet completed the task, and therefore, the budget
12 process must go on, and the budget process makes certain
13 assumptions built on what's been traditionally there and who
14 has traditionally responded.

15 CHAIRPERSON MERCADO: And in all fairness to the
16 budgetary process, we have included in there, as part of the
17 recommendation from the Board, to have a congressional
18 affairs office, as well as a communications office. And just
19 this morning again we were told once more, by another huge
20 segment of our supporters in the IOLTA group, that there
21 needs to be more communication about what Legal Services is
22 doing and how we can get their input and support in a variety

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1 of ways.

2 So that in that aspect, I know personally, from
3 having worked with Mr. Richardson on the budgets, that he has
4 incorporated that into that budget. And I think that we
5 definitely need to hear from other committees, LaVeeda's as
6 well as Bucky's, if you feel that there are areas in the work
7 and priorities that the Board is setting that we need to
8 refocus some staff, that we need to do that, because I know
9 that we have been a little short.

10 And again, because even the transition team itself,
11 it seems like they're working 24 hours a day just trying to
12 get the work done. So we by no means are saying that you're
13 not looking at it, but we're looking at it prospectively, to
14 the next budget, that we need to incorporate those numbers in
15 there. Bill?

16 MR. McCALPIN: I must say that I feel somewhat
17 challenged by this whole thing, having been reminded this
18 morning, and it's too bad that I have to be reminded, of the
19 principles that we established early on in the search
20 process.

21 And until Alex pointed out quite rightly that we
22 have here figures driving the Corporation instead of the

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1 other way around, it wasn't until then that I began to think
2 about, what have we got in here that serves the messenger for
3 justice concept that we thought -- that was mentioned this
4 morning? What do we have in here that supports the support
5 for advocacy, that we talked about? What do we have in here
6 that supports the value of diversity?

7 And I'm sure you're looking at those things, and
8 with all that you have to do, but I'm sorry that I had to be
9 reminded by what you said and thinking back to this morning,
10 that we really think of these and look at these in terms of
11 numbers instead of looking at them in terms of principles,
12 and how do we put the numbers in support of the principles?

13 MR. FORGER: More to come.

14 MR. McCALPIN: Yeah, I'm sure. And unfortunately,
15 I think we need to be reminded of that more often than we
16 have been.

17 CHAIRPERSON MERCADO: Now, Mr. Richardson, to your
18 next segment.

19 MR. RICHARDSON: Okay. Let me go back to what I
20 was starting to put forth before. Within the budget that you
21 have now is only the 12.5, which is the House appropriation
22 side of it. If we would get the full \$450 million, which

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1 includes this 12.5 element, all of these elements are
2 outside, and the Board could allocate those however they
3 choose, to add to this budget or to the deficit, or however
4 you would want to spend that money.

5 What I have done is tried to show only the 12.5
6 figure at this point. Within the budget at \$400 million, a
7 freeze budget, which is 10.928, I have allocated, for this
8 presentation, for the carryover for management and
9 administration, which was the \$377,000, the extra funds
10 available of -- Gerry has 105; I had rounded mine to 110.
11 And we then have the Board initiatives. So that's how I get
12 to the basically 11.5 figure.

13 Now, Gerry had mentioned that there are some hard
14 decisions that would have to be made if we get at that level.
15 And what I have done is to make those decisions, in
16 consultation with many of the directors, to get it down to
17 the 11.5 figure. And it does mainly include decreases in
18 projected new hirings.

19 Within the executive office, for instance, we're
20 projecting in this final quarter to hire your government
21 relations person, your public relations manager and your
22 presidential or executive assistant.

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1 We do not show the hiring of a special assistant to
2 the president. In the budget that was prepared, that hiring
3 would be taking place some time after January 1st. In the
4 10.5 budget, it would not take place at all, unless there's a
5 reevaluation somewhere to make money available for it,
6 whether it be reduced travel or reduced consulting costs or
7 so forth.

8 That's some of the decisions we have to make. The
9 IG's office, again, was a status quo. It was no change in
10 that. The general counsel's office, as we just pointed out,
11 there is no additional staff projected to be hired there. In
12 the 10.5 certainly there was not, also.

13 Within the comptroller's office, there was no
14 budget officer projected to be hired, no director or manager
15 of administration, and no assistant director or travel
16 coordinator.

17 Within the PEAR group, we are showing or we're
18 projecting five program officers to be hired in your final
19 quarter. If we have an 11.5 budget, that's all the program
20 officers we'll be able to hire unless we decrease the amount
21 of money shown for consulting and travel.

22 In the 11.5 budget, the travel for monitoring was

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1 reduced \$50,000. Certainly, if you don't have all the
2 program officers, you're not going to be having all the
3 travel that would be associated with that. And while I did
4 not decrease the consulting costs, certainly that may go down
5 also, if you don't have the program officers and the
6 capability of going out and doing the monitoring and the peer
7 review that you'd originally contemplated.

8 Within the office of program services, we have, of
9 course, included the director's salary, but the other four
10 positions were deleted -- special assistant, the two
11 assistant to the director 3s and then the one assistant to
12 the director 2.

13 Again, in looking at these, we've got to go back
14 and again, now sit down and prioritize some of these areas.
15 We have to look at the mission and the purpose of the
16 Corporation and reverse the role of the numbers, to have
17 those goals and those objectives start driving the budget.
18 And then you will see some additional changes in the budgets
19 that will be presented to you in final form, hopefully, at
20 the September meeting.

21 If we do not have an appropriation at that time,
22 our guidelines call for us to have a temporary consolidated

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1 operating budget to you so that we will at least have an
2 operating authority and a temporary budget to operate with in
3 the next year.

4 I know this has been very quick to go through. You
5 do have a lot of information that I've given you today.
6 Again, we are going to have to go back and review some of
7 this again, and we'll get you another package of information
8 as soon as possible.

9 But again, we are five months ahead of where we
10 were last year. Last year, of course, we put the budget in
11 place in January, and here August. And basically we have a
12 budget that we could begin operations with next year. So
13 we've come light years away from that. So again, we'll be
14 getting additional information to you.

15 I think this type of meeting is excellent. I know
16 Mr. Askew met with John the other day to review what was put
17 forward for PEAR and OPS. Ms. Battle's comments about
18 general counsel, certainly we'll go back and look at those.

19 And as other Board members get this transcript and
20 look at it, if there's additional concerns, different areas
21 that you see that we need to focus on, please let us know so
22 that we can, as management, can bring it forward, look at it.

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1 If you call me, certainly I'll get it to Mr. Forger and Ms.
2 Bergmark. We will review it, look at it. We will get back
3 with you, or we will incorporate a change within our
4 budgeting process. But we need your input also.

5 CHAIRPERSON MERCADO: One of the things that you
6 mentioned in passing, a while ago, was that if we were
7 maintained at the \$400 million budget, or maybe Gerry I think
8 may have mentioned this, on the client initiative or client
9 involvement, because that was a piece that not only the field
10 but I think that even people on the Hill were very
11 interesting in making sure that it happens, even though we
12 may not have any funding for it, where would you see that
13 some of that funding might be available?

14 MR. RICHARDSON: Within the 11.5 budget it would
15 certainly be with the reduction in the consulting and travel
16 of the PEAR group. The amount that is budgeted at 11.5 for
17 the PEAR is 350 for a consulting and \$425,000 for the travel.
18 And, as Mr. Tull had reported to you, with the -- he does see
19 some savings there, so that can possibly be moved down as we
20 review those travel costs even further, whether it be 12.5 or
21 in the 11.5 budget.

22 MR. SINGSEN: If I might add just one thought, at

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1 the 10.928 budget in the \$400 million appropriation, that
2 column of figures represents our best shot at where we can
3 squeeze some money, without discontinuing some current
4 function. It leaves, if we make every decision in that
5 column, and some of those are not easy decisions, that would
6 produce \$776,000.

7 You could put all of that to client involvement, at
8 the expense of not having those program officers, not having
9 the Corporation's technology up to the task and not having
10 some of the other functions.

11 It's clear we've got to think the whole thing
12 through if we're going to have a \$400 million appropriation,
13 and make decisions about the most important functions.

14 MR. FORGER: New man on the block, point of
15 information. I had understood that if Congress does not fund
16 a requested line, that then, notwithstanding that you can
17 find some money in another line, you can't just automatically
18 have client engagement or involvement unless you go back on a
19 reprogramming.

20 MR. SINGSEN: There's about three pieces to it, and
21 I think that is a correct conclusion to one of the three
22 pieces. The second piece says reprogramming isn't even

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1 enough, that we'd have to have a new piece of legislation.

2 MR. FORGER: So it's worse.

3 MR. SINGSEN: Yes, it's worse.

4 MR. FORGER: So it's not getting better.

5 MR. SINGSEN: But the third is better.

6 MR. FORGER: Does that out-do the other two?

7 MR. SINGSEN: If it happens, and it happens first,
8 which is if the conference report says we don't bar you from
9 doing it, even though you asked for the money, we didn't have
10 any to give, but it's not because we wanted to discourage you
11 from doing it, so you shouldn't read it as a bar. Then we
12 would be free to do it.

13 MR. FORGER: And if they're silent and simply erase
14 the line?

15 MR. SINGSEN: Then we have the problem.

16 MR. FORGER: I'm still confused.

17 MR. RICHARDSON: The one element in the figures up
18 there that need to bring to your attention, and Gerry did it
19 before and I want to bring it to your attention again, if we
20 would make every decision in that righthand column, and we do
21 have the \$776,000 that we could use for some of these other
22 initiatives, what we're doing is delaying the deficit

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1 reduction one year.

2 CHAIRPERSON MERCADO: It would be a three-year
3 rather than a two-year deficit reduction.

4 MS. BATTLE: Is that deferral a full deferral of
5 the deficit reduction or some portion of it? Is that just a
6 portion?

7 MR. RICHARDSON: Only a portion.

8 MS. BATTLE: So that you're spreading it over a
9 longer period of time.

10 MR. RICHARDSON: That's correct.

11 MR. ASKEW: The conference is scheduled for next
12 week?

13 MR. SINGSEN: I'm only relying on something that
14 Martha told me, but I believe that's correct. It's not
15 scheduled yet.

16 MS. CLARKE: No, I just talked to John Osthaus.
17 It's not been scheduled.

18 MR. ASKEW: So we may be into September before we
19 know the final amount? We could be into September?

20 MS. CLARKE: They will certainly do it before the
21 end of the congressional recess, but they're not going to
22 start the health care debate in the House until the 15th of

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1 August, and Senator Simpson told his staff this week that the
2 Senate probably will not get out until the 25th of August.

3 So we should have a decision by the 25th of August.
4 And we should know three or four days ahead of time.

5 CHAIRPERSON MERCADO: Any other items? So
6 basically, what we're going to need to do is just Board
7 members and I guess budget -- or directors of different
8 programs need to get input to us and to you, to incorporate
9 any changes that you might see, maybe some refocussing in
10 different areas for either additional staff or reduction of
11 staff or however it is that we need to do to get the work
12 done.

13 We just have a lot of work up ahead in this next
14 coming year and we want to make sure that the few transition
15 members that we've got, that we're not totally working them
16 to death. I know that they need some assistance and they've
17 needed some for a fairly long time. So we are going to have
18 to make those decisions. Hopefully, we won't have to make
19 the very hard ones.

20 David, what is the latest that you would want to
21 get information to input into a report that would be given
22 back up to us on the committee so that you could incorporate

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1 that?

2 MR. RICHARDSON: Well, certainly we are scheduled
3 now to have a meeting October 1. I would like to have any
4 input from the directors by September 10th, and I don't have
5 a calendar to know if that's a weekend, but around that time,
6 so that I can incorporate any changes into the budget
7 document that may need to be completed, so that I can get it
8 to you in enough time, not like we've had to do today,
9 present it to you and walk through it, but where you'll have
10 at least a week to review it and go through it prior to the
11 meeting.

12 CHAIRPERSON MERCADO: I would prefer that. Any
13 other questions that anyone else has?

14 (No response.)

15 CHAIRPERSON MERCADO: The other item on our agenda
16 that we have left is really the consideration and possible
17 action on the fiscal year '96 budget mark. However, we had
18 announced at the beginning of the meeting that we would take
19 this matter up in the morning at 10:30, here in the same
20 room.

21 So I would, at this time, just go ahead and recess
22 the meeting until 10:30, unless somebody else had anything

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1 else to add. If not, we'll stand in recess until 10:30 in
2 the morning tomorrow.

3 (Whereupon, at 4:00 p.m., the meeting of the Audit
4 and Appropriations Committee recessed, to reconvene at 10:30
5 a.m. the following day.)

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