THE WHITE HOUSE

WASHINGTON

MEMORANDUM

April 5, 1993

TO: Hillary

FROM: Melanne Verveer, Vince Foster, Peter Edelman

SUBJECT: FY 1994 Budget and Appropriation for Legal Services Corporation — file

We have discovered that the FY 1994 budget, already at the printer, contains level funding for the Legal Services Corporation, at $357 million. This occurred because all the independent agencies were treated as similarly situated and received level funding. In the case of LSC, because this is a longstanding interest of yours, this will almost inevitably be misunderstood and viewed as meaningful in a negative way. Vociferous criticism and negative editorials are predictable, no matter what assurances are given about later attention to fix the problem. The outside advocates are already aware of the problem --it was they who brought it to our attention. The budget does take the constructive step of removing the appropriations riders that have interfered with the program in the past, but his will not come close to assuaging the advocates' sense of betrayal about the money.

The Reagan-Bush holdover board requested $526 million. Even that figure represents a substantial cuts, in real terms, from where the program was twelve years ago. (The LSC's official Project Advisory Group recommended $820 million.) To keep faith with our commitment to revitalize the program we may want to support for an increase of $100 to $150 million, or a total of somewhere between $460 and $500 million, approximately. Perhaps $482 million (a $125 million increase) would be an appropriate figure.

The Administration should make this commitment. We need to be clear up front that the Administration supports a funding level above what the budget contains. We need to tell advocates for the program, simultaneously with release of the budget, that the

number in the budget does not represent the actuality of the situation. This is obviously not a simple proposition, because institutional budget process concerns dictate that we not do this in a highly visible way and that we not create a precedent.

Fortunately, LSC is in a different institutional position from the vast majority of "pure" federal agencies. As a federally chartered corporation, LSC submits its budget request directly to Congress. The $357 million figure in our budget therefore does not have the same technical legal significance as the rest of the budget. Anything that we decide to do can be distinguished from other federal agencies on that basis.

We need to settle on a number, and we need to identify the offsets necessary to make the funds available. Our recommendation is that, in order to do this so as to minimize the institutional budgetary concerns mentioned above, we then communicate immediately with the key people on the Hill (Congressman Neil Smith, the House Appropriations Subcommittee chair, who is a strong supporter of the program, and Senator Hollings, the Senate Subcommittee chair, who tends to be supportive of Congressman Smith in this area). We should seek their agreement to issue statements on the day the budget comes out, to the effect that they are going to press for the higher number, that they have secured the Administration's agreement (or that the Administration does not object), and that the necessary offsets have been identified. Alternatively, they should be primed to respond to press or advocates' questions to the same effect.

The number of people who need to be specifically reassured is small: Alan Houseman of the Center for Law and Social Policy, Clint Lyons of the National Legal Aid and Defender Association, and editorial writers Jack McKenzie at the New York Times and Pat Shakow at the Washington Post. They are all friends and will believe us if we have something concrete to say. But none will have any hesitation about being critical if the budget comes out as currently configured and there is no accompanying scenario to explain what is really happening.

We need to be aware of two other things, one for immediate attention and the other for priority attention:

1. The LSC is going to ask Congress for permission to reprogram $1,254,000 of FY 1993 money that is designated for law school clinics. The purposes seem laudable -- $754,000 to go to the field programs, $200,000 for a loan forgiveness pilot program, and (perhaps more questionable) $300,000 for management and administration. NLADA doesn't care too much about this, because they think the decision in the early '80s to put some money out by way of law school clinics was in part an attack on the basic field program. However, a chunk of the clinic money goes to Drake Law School with Congressman Smith's strong support. If we are going to increase the overall funding substantially for

next year, it would be a good idea to avoid any attack on this point (the Association of American Law Schools most likely would be opposed to cutting the money for the clinics), so we should probably oppose the reprogramming.

2. The LSC's basic legislation needs reauthorization. It has not been reauthorized since 1980. The House enacted a reauthorization bill last year, but the full Senate did not act. This should be a priority item for attention.

cc: Carol Rasco

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

April 28, 1993

file

MEMORANDUM FOR BOB RUBIN

FROM: LEON PANETTA

SUBJECT: Recommendation that the President's Investment Package Increase Funding for Legal Services Corp.

I recommend that the President's "short list" investment package increase funding for the Legal Services Corporation (LSC) in FY 1994 by $75 million. This represents a 21% increase over the $357 million recommended in the President's Budget.

Why increase funding for LSC?

The LSC is a private, non-profit corporation created in 1974 to fund legal assistance to the poor. LSC primarily grants funds to relatively autonomous local offices of staff attorneys (usually recent law school graduates). It also finances national and State support centers which specialize in certain areas of poverty-related law. These centers pursue broader "law reform" and "class action" lawsuits, sponsor law school fellowships, run special offices for migrants and Native Americans, and provide back-up training and expertise for the local offices.

As with other small agencies, LSC was funded in the 1994 Budget at its 1993 appropriated level. Given the Administration's interest in LSC (Hillary Rodham Clinton is a former President of the Board) and legal services for the poor more generally, it is not apparent that anyone in the Administration considered specific appropriations/authorization strategies for the LSC in the 1994 Budget process. *The legal services community and advocates for the poor expected the Administration to redress Reagan-Bush actions that reduced LSC real spending by about 30 percent from its 1981 level and attached severe restrictions on the activities the LSC could finance with its funds.* An increase of $75 million would return LSC to 80 percent of its 1981 real level and would reassure the legal services community of the President's deep commitment to these issues.

Expanding LSC's ability to meet the critical legal needs of the poor fits well with the purposes of the President's investment package. LSC's activities (preventing evictions, ensuring access to benefit programs, fighting for child support payments) improve family stability and economic security for needy families -- in essence, using the legal system to leverage other resources. LSC merits recognition in an investment strategy that puts people first.

Paying for the Increase

The attachment identifies offsets for an increase of $75 million in budget authority and $62 million in outlays for the LSC. These funds would come from the Departments of Commerce, Justice, and Transportation (i.e. accounts in the Commerce/Justice/State Appropriations bill). Note that the proposed offsets do not reduce funding in any of the programs in the President's investment package. It thereby avoids the political problem of explaining why we're paying for this increase with cuts in programs also considered high priority for the Administration. Moreover, by identifying offsets from the base, we avoid exacerbating the problem of fitting the investment program under the caps. Of course, the larger challenge of ranking our investment priorities remains.

The proposal requires significantly greater cuts in budget authority than outlays to meet the $62 million increase in outlays caused by increasing LSC budget authority by $75 million, because the LSC spend out is relatively fast.

cc: Alice Rivlin, Martha Foley, John Angell, Gene Sperling, Melanne Verveer

SUMMARY OF OFFSETS FOR LEGAL SERVICES CORPORATION FUNDING

(dollars in millions)

PROGRAM	*BA*	*OL*	
Transportation: Maritime Admin Ready Reserve Force	66	21	The Ready Reserve Force is in good condition after being activated for Desert Storm. The reduction could be taken from acquisitions without harming the readiness of RRF ships for military emergencies.
Additional Asset Forfeiture Fund Receipts	10	10	Does not reduce an existing program but rather uses additional revenues that are probably underestimated. Requires enactment of appropriations language to transfer amounts for other than law enforcement purposes.
Justice: DEA Marijuana Eradication Program	10	7	This is not high priority for DEA, which targets high-level drug traffickers. In the past, DEA has reprogrammed funds from this program to other areas. Other agencies fund similar activities.
Justice: Anti-Drug Abuse Grant	50	11	Funds could be reduced with little appreciable impact on programs. Program is slow to spend out and has very large unexpended balances (equal to more than one year's appropriation).
Commerce: Eliminate Trade and Tourism Administration	18	13	There is no evidence the USTTA grants increase the amount of tourism in the United States. The greatest attraction, other than a desire on the part of others to visit the U.S., is the weakness of the dollar.
	154	62	