

LEGAL SERVICES
TASK FORCE
REPORT

2003



Legal Services Task Force Report

I. BACKGROUND

In 1995, Oregon faced a crisis in its delivery of civil legal services to low-income residents. Congress reduced federal funding for legal services by as much as 35% and imposed severe restrictions on the activities of all programs receiving Legal Service Corporation (LSC) funding. These restrictions have had a serious impact on the ability of LSC program attorneys to provide a full range of legal services to their clients. In 1996, in response to this crisis, the Oregon State Bar (OSB) convened a task force to develop a plan for civil legal services in Oregon which would provide a full range of legal services to low-income Oregonians using available resources. The 1996 task force had two main outcomes. The first was a creation of a parallel system of legal service providers, with one system receiving federal LSC funds and thus restricted in its legal practice, and the other nonfederally funded and not restricted. The second outcome was the merger of Oregon Legal Services with the Multnomah County program, creating Legal Aid Services of Oregon.

Since 1996, the primary source of civil legal assistance for low-income Oregonians is the Association of Oregon Legal Services Programs. The Association is made up of three federally (LSC) funded restricted programs and three nonfederally funded unrestricted programs. The federally funded programs are Legal Aid Services of Oregon (LASO), Marion/Polk Legal Aid Services (MPLAS), and Lane County Legal Aid Services (LCLAS). The nonfederally funded parallel programs are Oregon Law Center (OLC), Lane County Law and Advocacy Center (LCLAC), and Center for Non-Profit Legal Services (CNPLS). Columbia County Legal Aid (CCLA) has a pro bono program in Columbia County but is not part of the Association of Oregon Legal Services Programs. LASO and OLC provide legal services statewide except for Marion, Polk, Lane, Jackson, and Columbia counties, which are served by the other listed providers. A map illustrating the current configuration of programs and office locations is attached as Exhibit A to this report.

In 1995, LSC started its State Planning Initiative. Like the 1996 task force convened in Oregon, LSC's State Planning Initiative was started primarily in response to the programmatic changes and budget cuts that were threatening the survival of legal service delivery across the nation. LSC built its State Planning Initiative on the understanding that states and territories serve as the relevant geographic areas for planning and developing strategies to meet the civil legal needs of poor and vulnerable people. In 1998, state planning became a key LSC strategy to achieve access and to improve the quality of services. LSC issued a Program Letter asking all LSC recipients to participate in a state planning process to examine what steps should be taken to develop a comprehensive, integrated statewide delivery system. LSC emphasized that states with a number of LSC-funded programs or the presence of very small programs should examine whether the structure constituted the most effective and economical way to meet client needs throughout the state. LSC wanted states, in their state planning initiatives, to consider merging smaller LSC-funded programs into one large statewide-operated program. LSC reasoned that a single statewide program would eliminate duplicative administrative structures and allow

resources to be directed more effectively to client services, resource development, litigation support, or other functions that promote relative equity.

A. Triggering Events

In October 2001, the Association of Oregon Legal Services Programs sent LSC a State Planning Report updating LSC on the current statewide delivery system and the state planning efforts. In response LSC sent two letters. The first letter dated March 1, 2002 praised Oregon's solid history of key stakeholder cooperation in the planning process. However, the letter also expressed concern regarding "the existence of two smaller LSC-funded programs covering a total of three of Oregon's thirty-six counties raising questions about the need for such duplication in an era of statewide legal services delivery focus." LSC urged Oregon planners to undertake a serious reexamination of the current LSC program configuration. The second letter, dated March 12, specifically requested that Oregon engage in a planning effort to assess the present LSC program structure to determine whether the three-program structure was the best structure for clients to secure timely and consistent quality legal assistance regardless of where they live in the state. LSC asked that a configuration recommendation be submitted by December 31, 2002.

B. Task Force Development and Charge

Based on LSC's request, the OSB Board of Governors, through its Legal Services Committee, convened a stakeholders group to evaluate the model for the delivery of statewide legal services in Oregon and make a recommendation to LSC. The Board of Governors thought that the best legal services structure could not be determined without including all providers. The Chair of the OSB 1996 Task Force was asked and agreed to chair the newly developed Task Force. The Chair and the Chief Justice of Oregon selected and asked members to serve on the Task Force. Member selection was made with an eye toward geographical diversity and achieving the right balance of stakeholders. The OSB Board of Governors approved the Task Force membership and the following charge at its meeting in November 2003:

Short-Term Goal: To determine whether the current configuration of legal aid programs is the best structure for clients to secure relatively equal access to high-quality legal services regardless of where they live or their status. This goal would include looking at the configuration of both LSC and non-LSC legal aid programs.

Long-Term Goal: To determine whether or not Oregon should create a statewide planning body or steering committee to coordinate/manage the different initiatives that are spearheaded by different interrelated groups affecting legal services in Oregon.

An extension of the December 31, 2002, deadline was requested and granted. The new deadline became June 30, 2003.

II. Task Force Process

The Task Force is made up of 12 members. They are judges, lawyers, and community members all of whom have knowledge of civil legal services to low-income Oregonians. A list of

the Task Force members is attached as Exhibit B. The Oregon legal service providers were asked to attend the full Task Force and subcommittee meetings for the purpose of providing information on past and current legal service structure and existing gaps. LSC was kept informed of Task Force activities and invited to attend the full Task Force meetings for the purpose of assuring the quality of the process.

A. Task Force Initial Meeting

1. Overview

The first Task Force meeting was on December 14, 2002. At the initial meeting an overview was given of the Task Force charge, the history, and the background of legal services in Oregon, LSC's State Planning and Reconfiguration Initiatives nationwide, and the current status of legal services.

Several important points were made at the first meeting regarding Task Force focus and legal services structure. They are as follows:

- The Task Force's main consideration is quality legal service to low-income clients. Therefore, the Task Force's key focus will be to examine the most effective legal service configuration to provide that service to clients.
- The legal service providers' primary goal is to increase service to clients by increasing resources. Funds currently come from a variety of sources, mainly federal, statewide funding (filing fees, CEJ, OLF), state grants, and local grants. The system is further complicated and resources further stretched by the need to maintain a parallel structure of legal services offices to accommodate both restricted and unrestricted legal needs.
- It is very important to the Oregon legal services community to have a personal presence in a community in order to provide effective legal services and effective local fundraising. A minimum presence is viewed as two attorneys and two support staff. Without that critical mass, the office tends to become overwhelmed and burnt out by local need. The lack of a personal presence in Klamath/Lake counties is considered a high priority.

2. Subcommittees Based on LSC Guidelines

At the end of the initial meeting, the Task Force organized itself into four subcommittees, each with a separate standard to address based on the LSC State Planning Configuration Standards. A legal service provider was assigned to each subcommittee for the purpose of helping to collect information and explain current structure. The four subcommittees looked at the following standards:

- **Subcommittee 1** How the configuration of legal service programs will maximize access for clients throughout the state.

- **Subcommittee 2** How the configuration of legal service programs will maximize effective legal services to clients throughout the state.
- **Subcommittee 3** How the delivery system will be designed and configured to make the highest and best use of available resources.
- **Subcommittee 4** How the delivery system will be designed and configured to respond effectively and efficiently to new and emerging client needs and other changes affecting the delivery of legal services to the poor.

B. Subcommittee Efforts

1. Data Gathering

The first step for the subcommittees was to gather relevant information so that it could be reviewed and assessed. Numerous and comparable types of information were collected by the subcommittees from the legal service providers and other sources. One category of documents reviewed concerned the existing legal services structure and how it operates. These documents included the 1996 Civil Legal Services Task Force Report, 2000 Legal Needs Study, the Association's September 2001 State Planning Report to LSC, and the Association's 2003 Grant Application to the Oregon Law Foundation. Also submitted in this category were documents reflecting individual provider operations. These documents were case priority policies, office intake and referral systems, 2002 Staffing Pattern Criteria and Staffing Pattern Data, a report of Oregon Poverty Rates and New Lawyer Training Agenda. The providers also completed questionnaires that asked in-depth questions about the providers' systems and operations.

A second category of information was the strengths and weaknesses of the current configuration. This information was presented in two ways: (1) an interim summary of strengths and weaknesses of the current configuration as perceived by the executive directors of the six legal aid programs in Oregon, and (2) a Memorandum outlining the current client access barriers found in the current configuration. Many of the barriers are caused by lack of sufficient resources and staffing to meet client demand.

The third category of information gathered and reviewed concerned what other states had experienced regarding the merger of LSC-funded programs. Included in this category was information on the CLEAR system in Washington state (CLEAR is Washington's hotline system that provides intake and brief service statewide), a Hotline Outcomes Assessment Study, and information from telephone interviews of program directors who had been involved in LSC-mandated mergers. The states included in this survey were Colorado, Oklahoma, North Carolina and Nebraska.

During the course of the Task Force process LSC made clear that it expects to consolidate the three federally-funded programs in Oregon, probably as early as the next grant cycle. The process and timetable are that LSC will consider the Task Force recommendation after it is received on June 30, 2003, and then issue a decision which may be appealed within LSC. When LSC's decision is final, it will define a service territory for which it will accept

applications after April 1, 2004. The grants to serve that territory will be made effective January 1, 2005.

3. Analyses and Conclusions

a. Current Configuration

As stated in the first part of this report, there are currently six main legal service programs that make up the Association of Oregon Legal Services Programs. There are three that receive LSC funds and are restricted in the types of legal services provided and three that do not receive LSC funds and are not restricted. These are:

LSC Funded (restricted)

Marion/Polk Legal Aid Services (Marion/Polk counties)
Legal Aid Services of Oregon (Portland metro area and statewide)
Lane County Legal Aid Services (Lane County)

Non-LSC Funded (unrestricted)

Oregon Law Center (Portland metro area and statewide)
Lane County Advocacy Center (Lane County)
Center for Non-Profit Legal Services (Jackson County)

Columbia County has a pro bono program that serves only Columbia County. It does not receive LSC funds and is not part of the Association of Oregon Legal Services Programs.

b. Quality of Current Programs

The programs that make up the Association of Legal Service Providers have a history of providing high-quality legal services to low-income Oregonians. The Association also has a history of involvement and cooperation in statewide planning, assuring sufficient access by clients given the resources available. These strengths are reflected in statements made by LSC and in the peer reviews conducted by the OSB Legal Services Program.

The OSB Legal Services Program conducts an extensive review of all programs in the Association of Legal Service Providers except Lane County Legal Aid Service (LCLAS) because that program does not receive filing fee dollars from OSB. However, LCLAS works so closely with Lane County Law and Advocacy Center (LCLAC) that the LCLAC peer review report is probably quite indicative of how LCLAS functions.

The peer review reports concluded that the programs are doing good work and serving their communities well. All programs received high marks for staff commitment and service to clients. Relationships with the local legal community and other service organizations were also seen as strong. In sum, it appears from the peer review reports that the legal services programs in Oregon are well respected in their community and provide high-quality services to eligible clients. The only exception to this is Columbia County Legal Aid (CCLA), which was reviewed in April of 2003. It was found from the statistics that the number of clients served was very low

and the program was extremely underspent. The OSB Legal Services Program Committee is addressing the issues with CCLA.

In addition, in its response to the Association's State Planning Reports, LSC has praised the high degree of coordination among the various legal services programs and the broad-based involvement of stakeholders such as the Campaign for Equal Justice and OSB in the planning process. LSC acknowledges that Oregon has demonstrated a commitment to ensure that legal services to disadvantaged residents are focused on meeting critical client need.

c. Barriers in Current System

Oregon's legal service providers have a number of strengths such as strong leadership, shared values, the ability to communicate and cooperate, and the ability to creatively fundraise. However, several client access issues are affected by the current configuration of programs. An agreed goal of the programs is that a low-income person in Oregon, regardless of location or status, ought to have relatively equal access to services from a legal aid office. To achieve that goal, there must be periodic assessments of current inequities in access and changing client needs, and then a decision-making process to shift discretionary resources or prioritize fundraising to fill known gaps. Barriers to achieving this goal in the current configuration include the following:

- There is no uniform statewide process or standards shared by all programs to assess and compare accessibility of services or to address changing client needs.
- There is no uniform process or standards for determining statewide fundraising priorities.
- The decisions to shift resources to fill gaps are negotiated among program directors. Success depends on personal relationships among and the good will of the directors.
- There is no process to resolve difficult resource allocation issues among programs if there is no consensus.
- There is a lack of adequately funded and uniformly available litigation support and training.
- There is a wide disparity in the salaries and benefits paid by the programs which could create a barrier to recruiting quality lawyers for the lower-paying programs in the future.

The most glaring example of the effect of these barriers is in the Klamath Falls/Lake County area, where the legal services office was closed several years ago. Oregon Legal Services (the predecessor to LASO/OLC) and now LASO and OLC have attempted to provide some service in Klamath Falls from other offices. Those efforts, however, have not been very successful due to the lack of a physical presence.

d. Program Consolidation/Merger Experiences in Other States

An informal survey was conducted of states that have undergone the merger process to research the benefit of merger with an eye toward cost savings, program quality, and impact on local funding. The overall message was that merger costs outweigh any cost savings for at least the first couple of years. Though a saving might be recognized a few years later, there has not been a cost-benefit analysis so there is no hard data to substantiate any cost savings. Merged programs agreed that, while it is true that there is an initial savings with having one board, one organization to insure, one accounting department, one executive director, etc., these savings are initially taken up with unifying the systems of different programs.

The states surveyed had common themes that program merger was supposed to fix. The states had problems with weak programs, inequitable distribution of legal services across the state, or poor state planning. The executive directors of the statewide programs thought that merger for their state had been a good thing. It increased coordination, quality, and efficiency for legal services across their state. One executive director stated that although merger had been good for his state it should not be viewed as a model for every state; statewide program merger depends on the circumstances of each state. It was also noted that program mergers did not have an impact on a region's ability to raise money locally. The key was whether or not there was a local legal aid presence in the community, not whether the corporate structure was located locally or in some other part of the state.

e. Cost of Merger, Present Service Gaps and Insufficient Resources

It is evident that undertaking merger, consolidation, or reconfiguration of the current legal services structure will be costly. Although much of the cost is currently unknown, one of the major potential costs of reconfiguring is salary and benefit equalization. The LASO and OLC salary and benefits scales are higher than the other programs. A rough estimate of the total annual cost to equalize all other programs to the LASO/OLC salary scale is about \$543,000, which does not include equalizing benefits. Concurrently, the programs need to maintain current effort (they are facing a \$2 million shortfall) and fill a variety of high-priority client service gaps

A lack of resources and Oregon's vast geographic isolation of many of its communities create service gaps that go unfilled. Some of the most evident gaps in service are the lack of a local presence in Klamath and Lake counties, the need for more staff to serve undocumented Oregonians, and trying to serve small populations of low income people east of the Cascades. In addition to the high-priority client service gaps, there is growing pressure on legal services from emerging legal needs because of the current economic climate. More people are eligible for services and more legal needs have arisen due to the severe cuts made by the Oregon legislature to essential programs serving low-income and vulnerable Oregonians.

The legal service providers' primary goal is to increase service to clients by increasing resources. Legal services programs in Oregon are facing a \$2 million shortfall in resources just to maintain services and are currently planning for possible staff layoffs and office closure. Additionally, high-priority client service gaps in Oregon exist because of a lack of resources. Consolidation or reconfiguration of programs is costly at least for the short term. For now, to

prevent further erosion of client services it is important to focus resources on maintaining services and filling existing service gaps before taking on the cost of reconfiguring the current system of legal service providers.

B. Program Directors' Proposal

The Association of Oregon Legal Services Programs met during 2002 and 2003 to plan how best to approach the issue of program reconfiguration in Oregon. After much meeting and planning the Association drafted its recommendation regarding program reconfiguration and submitted it to the Task Force for its consideration. The proposal is attached as Exhibit C to this report. A brief summary is as follows:

- Form three or four non-LSC programs covering a geographic region of the state, each with an administrative headquarters. The precise boundaries of each region would be decided by what makes sense for client service and accessibility. A preliminary outline of a four-region model is attached as Exhibit C.
- Have one statewide LSC program.
- Have two statewide boards, one for the LSC program and the other for the non-LSC program. The two boards will be comprised of the same individuals.

This model protects the local interests of regional programs (especially local fundraising and community support, local priorities, and local presence) while establishing a structure to coordinate statewide issues.

The Association stated that it would take time and new resources to develop and implement this reconfiguration plan. For the short term it was recommended that the programs maintain the status quo in order to devote existing resources to filling the existing service gaps.

The Association further recommended that the Legal Aid programs engage in a detailed analysis of the proposed regional model reconfiguration by signing a letter of intent. The OSB Legal Services Task Force would provide oversight for the process. A copy of the letter of intent is attached as Exhibit D.

III. Task Force findings

The Task Force makes the following findings based on the process described above:

A. The Driving Factor Always Must Be the Best Interests of Clients.

This reality almost goes without saying, but it bears repeating and emphasis: Regardless of the source of funding, any decision regarding the configuration of legal services programs in Oregon must be driven by the needs and the best interests of the clients whom those programs exist to serve. If reconfiguration will better serve clients by increasing the quality of service or access to justice for unserved or underserved client communities, it must occur regardless of political or historical concerns or the preferences of existing groups. Conversely, if reconfiguration will not produce benefits to clients in terms of quality or access to service—or will result in further significant cuts in service in this time of economic crises—it should not occur simply because of political or historical concerns or the preferences of existing groups.

B. There Are No Glaring Weaknesses in the Current Programs.

For the most part, the legal services programs in Oregon have worked exceptionally well within the constraints of limited resources and the restrictions imposed by Congress on recipients of federal funds. The key findings on this point are:

1. Oregon has no weak programs, which has been an important factor for consolidations in other states. The one exception is CCLA, but that situation is being addressed by the OSB Legal Services Committee. Otherwise, all of Oregon's programs—both those that receive federal funds and those that do not—provide high quality service to their clients and make efficient use of their limited resources.

2. Oregon's legal services programs have a history of cooperation and coordination of services, which again has been identified as an important factor for consolidations in other states. This history has increased the quality and efficiency of service to clients in Oregon and has not been dependent on particular personalities or friendships; rather, it has continued for a long period of time despite changes in program directors, boards, and circumstances.

3. There appear to be no areas of administrative fat which are obvious candidates for achieving savings. Legal services programs in Oregon are thinly-staffed on the administrative side in order to devote as many resources as possible to direct service to clients.

C. There Are Considerable Costs to Reconfiguring Now.

There is no question that consolidating the existing legal services programs in Oregon would result in significant near-term costs. The key findings on this point are:

1. As observed above, there are no obvious areas in which cost savings could be achieved simply by consolidating the existing programs. This has been the experience in

other states as well. One knowledgeable program director observed that it is “universally true” that any savings are more than offset by the costs of effecting a consolidation.

2. A large amount of money may be required simply to equalize the salaries and benefits of the existing programs. That was the experience when Multnomah County Legal Aid Services merged with Oregon Legal Services to form LASO, and appears to have been the case with mergers in other states. The program directors estimate that the cost to equalize salaries will exceed \$500,000 and that equalizing benefits will increase the cost to \$1 million or more. The costs to equalize the salaries and benefits of only the LSC-funded programs (LASO, MPLAS, LCLAS) would be slightly less than half of the amount for all programs. In addition, considerable program resources will be required to accomplish any reconfiguration. These costs will include a diversion of staff and management time to merge offices and systems, provide common training to employees, and the like.

3. While there is no “good” time to incur the costs necessary to consolidate programs, this is a particularly bad time for clients in Oregon. The State has been in economic crisis for some time. Job opportunities have diminished, which creates even more persons who are eligible for and need legal services, and benefits and services for the most vulnerable members of society have been slashed. To compound the problem, the resources available to legal services programs have been cut as well. The result is that the programs are facing an increased demand for their services at a time when they are contemplating closing offices and laying off staff.

4. Some legal services program leaders have expressed a concern that a program configuration which is dominated by offices in and around Portland could erode the political and community support that the smaller programs have built up over the years. If that were to occur, the result could be a loss of some local resources, thereby exacerbating the problems discussed above.

D. There Are Potential Benefits from Reconfiguration.

There are potential long-term benefits to clients if there were a reconfiguration of programs in Oregon. The key findings on this point are:

1. Although the existing programs have a history of cooperation and coordination, those practices depend entirely on goodwill and voluntary efforts by legally-distinct entities. The quality and efficiency of service to clients would suffer greatly if that system were to break down for any reason.

2. The fact that there are seven distinct programs providing legal services in separate geographical areas of Oregon creates artificial barriers to sharing resources to address gaps in service. The most obvious such gap is the limited number of offices in Eastern Oregon and the complete lack of an office in the Klamath Falls/Lake County area. Consolidation would increase the flexibility to fill those gaps using existing resources.

3. The current configuration also creates artificial barriers to assessing and addressing changing needs among geographic areas, substantive areas of the law, and client groups. Consolidation would increase flexibility in that important area as well.

4. Despite their lower salary structures, the smaller programs in Oregon appear to have the most experienced and stable staffs at this time. This fact is a tribute to the dedication of those persons and the efforts of program boards and management. There is a real risk, however, that program quality could deteriorate rapidly when key staff members leave and programs face the task of replacing them. Consolidation also would mitigate that risk.

5. It is possible that sometime in the future that additional resources would be available to increase the technological capabilities of Oregon's legal services programs by, for example, installing a statewide computer network. Once again, consolidation would increase the pool of resources and provide the flexibility necessary to accomplish this type of change in all offices throughout the State.

IV. Task Force Recommendations

The Task Force makes the following recommendations based on these Findings.

A. The Program Configuration Set Out in the Program Directors' Proposal Should be Adopted as the Model for Legal Services Delivery in Oregon.

Within the constraints of existing resources and the restrictions on LSC grantees, the program directors' proposal would appear to achieve the long-term benefits of consolidation at the least possible cost. The Task Force recommends adoption of that proposal as the model for the delivery of legal services in Oregon.

B. Steps to Implement the Model Should Proceed With All Deliberate Speed.

The key word here is "deliberate." The timing and details of reconfiguration depend on the answers to a number of questions that require further study. These questions are listed in recommendation IV. D., below. The Task Force recommends that a minimum of six (6) months (if funding is available to assist with the effort) and a maximum of twelve (12) months (if no such funding is available) should be allowed as a due diligence period to assess the obstacles to and costs of reconfiguration.

C. This Task Force Should Be Charged With Oversight of the Due Diligence Process.

As observed above, the mandate of this Task Force includes a direction from the BOG to address the issue of a permanent statewide planning body for legal services in Oregon. Until the reconfiguration process is completed, however, it is premature to make that determination. In the meantime, this Task Force should be charged with oversight of the due diligence process described above in order to (i) provide guidance in and assistance to the effort, (ii) ensure its timely completion, and (iii) assess the results.

D. The Model Delivery System Should Be Implemented Based On a Determination that it is in the Best Interests of Clients.

The timing, process, and details of implementation of the model *must* be based on a determination that it is in the best interests of clients. The Task Force will make that decision at the end of the due diligence process based on four criteria:

1. The magnitude of the costs, and their effect on the delivery of services.
2. The timing of the costs.
3. Steps and resources available to mitigate the costs.
4. The effects on community support and resources.

E. Filling the Gap in Service to the Klamath Falls/Lake County Area Should Be a More Immediate Priority.

Regardless of the timing and precise form of implementing the delivery model, steps must be taken immediately to address the gap in service in Klamath Falls and Lake County. The Association of Legal Services Programs should make filling the gap a top priority.

- LASO
- Marion Polk
- OLC
- Jackson Co.
- Lane Co.
- Farmworker
- NAPOLS

EXHIBIT A

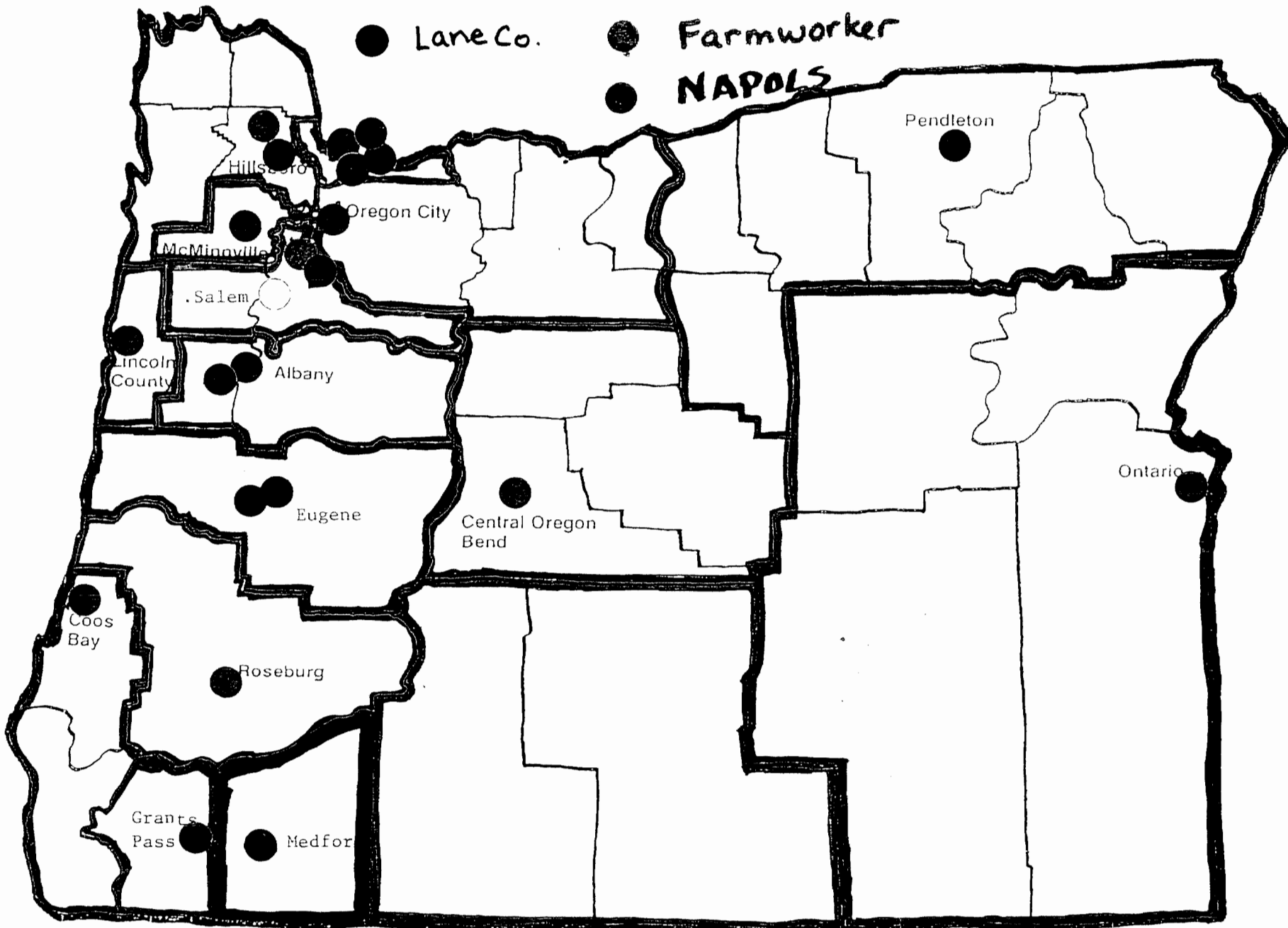


EXHIBIT B

TASK FORCE MEMBERS

Chair

Stephen Walters, Portland

Members

Howard Arnett, Bend
Hon. Paula Bechtold, North Bend
David Berger, Ashland
Hon. David Brewer, Eugene
Linda Clingan, Portland
Hon. Karla Knieps, Klamath Falls
Don Marmaduke, Portland
Mary Mertens James, Salem
Krocket Nicholson, Pendleton
Hon. Robert Wollheim, Salem
Timothy Wood, Salem

BOG Liaison: Lisa LeSage
OSB Staff Liaison: Judith Baker

MEMORANDUM

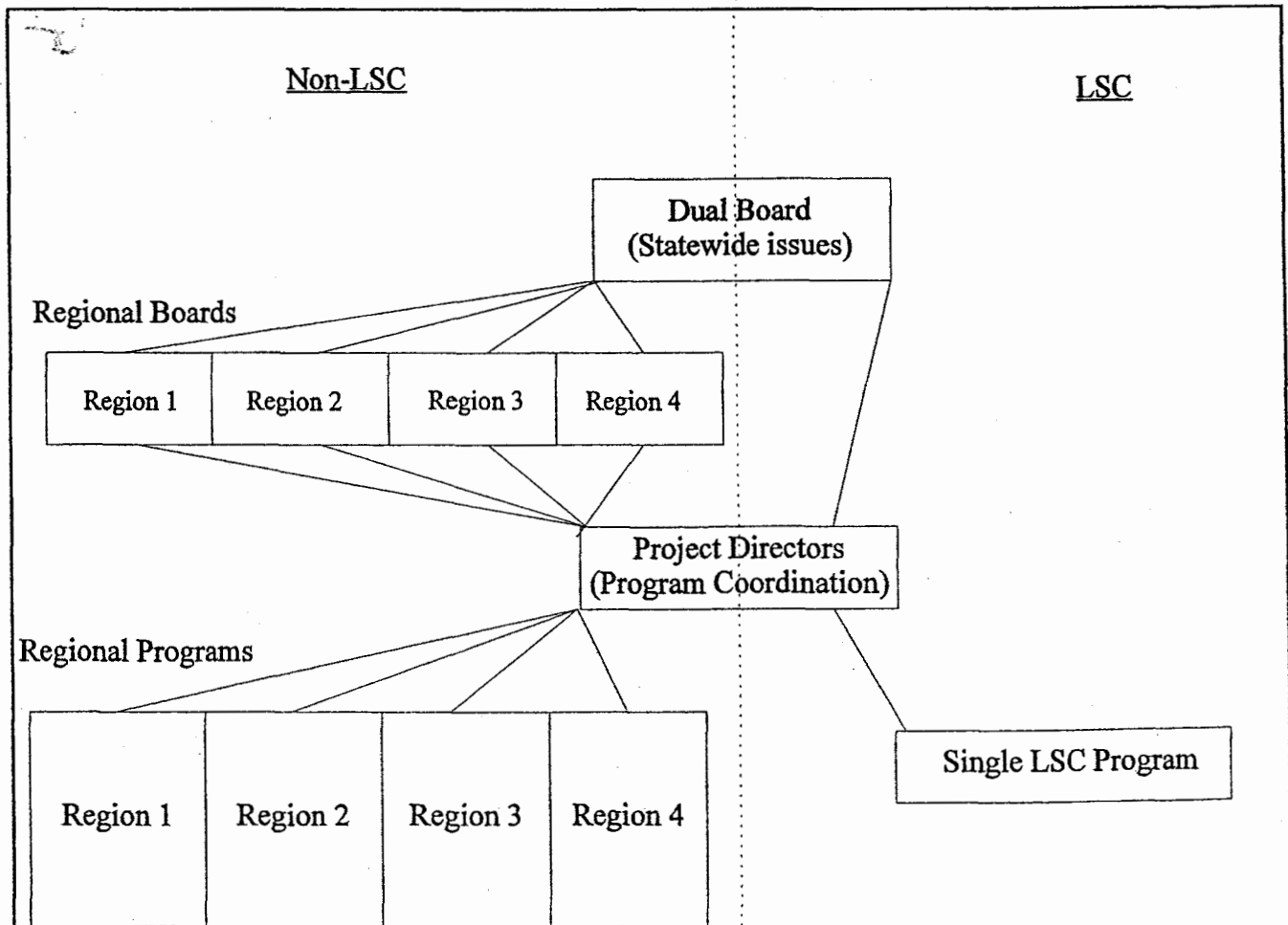
TO: Members of the OSB Civil Legal Services Task Force

FROM: Association of Legal Aid Programs in Oregon

DATE: April 4, 2003

SUBJECT: Recommendation regarding program reconfiguration

The Executive Directors of the Legal Aid programs in Oregon would like to offer the following recommendation to the Task Force. The recommendation is the result of a series of meetings during which we examined strengths and weaknesses of the existing configuration, defined the values and goals that ought to guide any reconfiguration analysis, considered alternative models, and developed a general concept that we all believe has some merit, although many details need to be decided. The following is a summary of that concept. It also includes a recommendation for next steps in the process. This is meant to be an introduction to the concept, which we would like to explain in greater detail at the next full Task Force meeting on April 5, 2003.



- I. Long term goal. If we could make a fresh start throughout the state and establish a structure for legal aid offices and programs in Oregon which best fulfilled the standards stated in the 1995 OSB Civil Legal Services Task Force Report, our model for the state would have the following basic characteristics:
 - A. Four (or perhaps three) non-LSC programs, each covering a geographic region of the state, and each with an administrative headquarters office in an appropriate location within the region. Boundaries of each region to be decided by what makes sense for client service and accessibility.
 1. Each program would be a 501(c)(3) corporation with a board of directors appointed by a combination of local bar associations, the OSB, and local community based organizations.
 2. Each program would have primary responsibility for:
 - a. Community-based priority setting within each region
 - b. Locally-based fundraising and community support
 - c. Administration of local grants and contracts
 - d. Personnel decisions within the region
 - e. Appointment of representative staff or board members to a statewide coordinating board (see below).
 - B. One LSC program in the state with a single board of directors whose members are the same individuals appointed to the non-LSC statewide board.
 1. The LSC and non-LSC money would be distributed in a manner that would maximize the value for clients while moving toward the goal of making relatively equal access to low-income clients statewide regardless of location and status.
 2. LSC program coordinates closely with the non-LSC programs to equalize client access, maximize the full range of services, and promote more effective use of resources.
 - C. Two statewide boards, one for the LSC program and the other for the statewide issues of the non-LSC programs, shall be comprised of the same individuals. Membership shall consist of an appropriate representative number of members from each region, plus client board members to meet LSC requirements, plus others to be determined. The statewide boards would make decisions based on what it determined to be best for low-income clients statewide. Authority of the

boards will include the following:

1. Allocation of statewide funding (LSC, filing fee, IOLTA, CEJ)
2. Statewide fundraising
3. Statewide specialty programs (Native and Farmworker)
4. Statewide support and training
5. Board functions required by LSC regulations, for the LSC funded program
6. To the extent that the regional programs and the statewide boards determines that it would increase efficiency, certain administrative tasks like the law student loan repayment program, liability insurance, health insurance, malpractice insurance, human resources, compliance with federal or state employment laws or similar matters.

General comments: This model protects the local interests of regional programs (especially local fundraising and community support, local priorities, and local presence) while establishing a structure to coordinate statewide issues. The key is to define and balance the authority of the programs to promote coordination without destroying important local flexibility and autonomy. It is uncertain whether there would be any savings or improved effectiveness obtain through consolidating certain basic administrative functions and Item 6 above simply permits further study of this issue in case everyone agrees that it would be advantageous.

- II. Immediate short term. It is clear already that we will need sufficient *time* and *new resources* to develop and implement an adequate reconfiguration plan. For the short term, programs should maintain status quo in order to devote existing resources to filling existing service gaps.

One of the major potential costs of reconfiguring is salary and benefit equalization. The LASO and OLC salary and benefits scales are higher than the other programs. Our rough estimate of the total annual cost to equalize all other programs to the LASO/OLC salary scale alone is about \$543,000.¹ Concurrently, the programs need to maintain current efforts and fill a variety of high priority client service gaps² but lack sufficient resources to do so at this time. The total amount of replacement revenue required just to maintain effort is over \$2 million, measured against staffing and services in place in 2002. In order to fulfill our missions to serve clients while moving towards a better configuration, we strongly recommend devoting resources to maintaining current effort and filling client

¹ Estimated cost to equalize salary scales for one year by program: MPLAS - \$75,000; Lane County programs - \$213,000; CNPLS - \$255,000. Note that this does NOT include the cost of equalizing benefits, which also are substantially higher for LASO and OLC than the other programs.

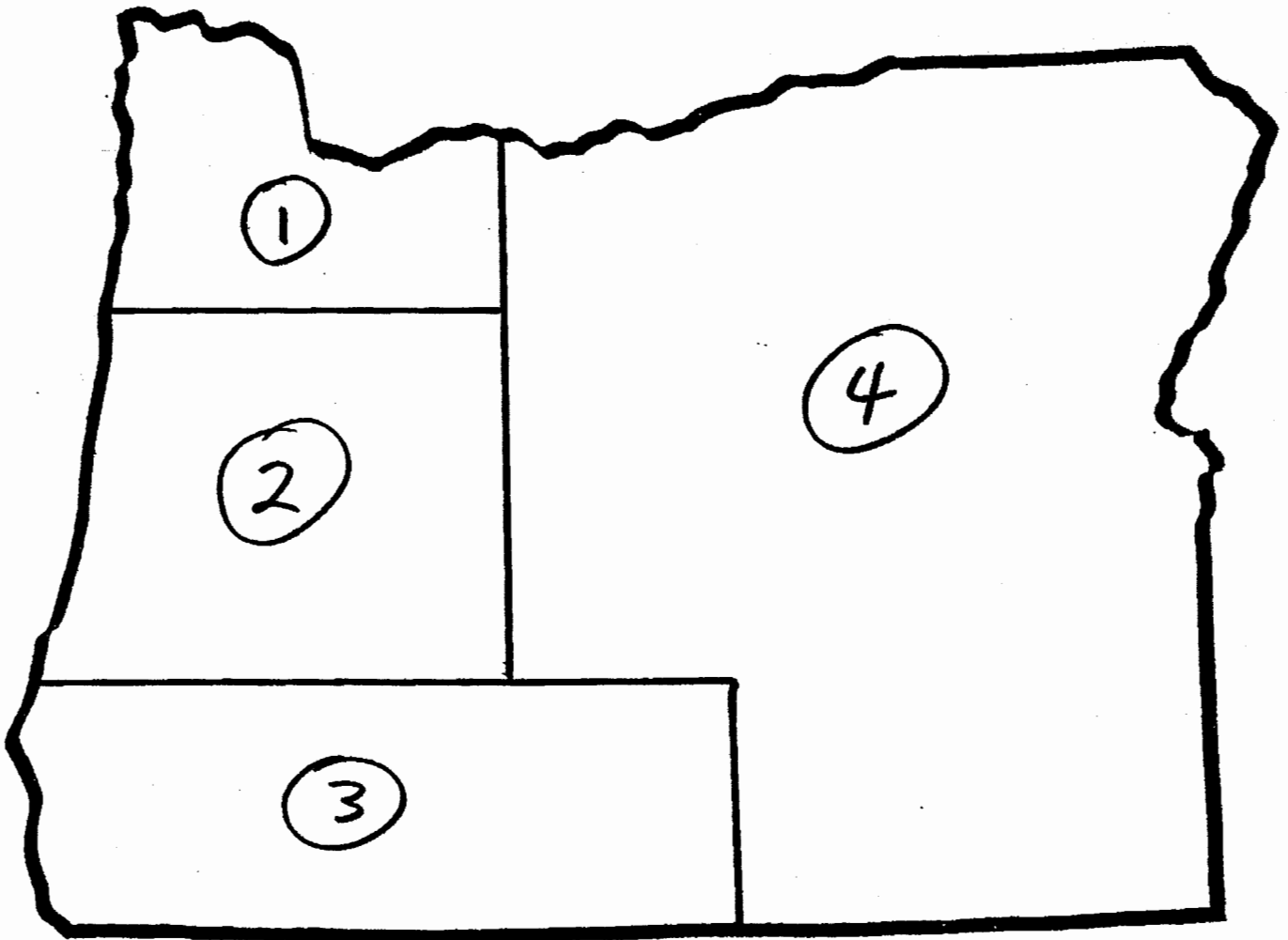
² These include, for example, more service in Klamath and Lake Counties, more staff to serve undocumented Oregonians in many areas of the state.

service gaps first, while establishing a reconfiguration process and timetable that give us sufficient time to (1) evaluate and plan the details and (2) build new funding to cover the cost of reconfiguration, rather than taking funding that ought to be used to fill client service gaps.

III. Process recommendation.

While working to fill existing service gaps, the Legal Aid programs should agree to engage in a detailed analysis of the proposed regional model reconfiguration by signing a non-binding letter of intent ("LOI"). The LOI will provide a structure for the programs to learn more about each other's internal matters (policies, finances, structure, etc.), calculate costs of reconfiguration, identify implementation issues and solutions, and, if the process goes well, outline the terms of a formal reconfiguration agreement. The LOI would (1) define the reconfiguration in general terms as outlined in this memo, (2) confirm each program's commitment to conduct a detailed analysis of the reconfiguration model, (3) allow a one-year period to complete the analysis beginning July 1, 2003, and (4) set a deadline for the programs to make a final decision to sign, or not sign, a formal binding reconfiguration agreement. The OSB Legal Services Task Force would provide oversight for the process. The process could include a fundraising component to devise ways to develop resources to pay the costs of reconfiguration.

CONCEPTUAL MAP OF SERVICE REGIONS



DRAFT (June 3, 2003)

Mr. Stephen Walters, Chair
Oregon State Bar Legal Services Task Force
c/o Stoel Rives LLP
900 S.W. 5th Avenue, Suite 2600
Portland, OR 97204

Re: Proposal to Reconfigure Oregon's Legal Aid Programs

Dear Steve:

This letter is intended to summarize the principal terms of a proposal being considered by Oregon's Legal Aid programs to reconfigure our corporate structures in this state in order to better serve our clients in the low income communities of Oregon. We are six independent organizations that together serve the entire state. Three are funded in part with federal funds from the Legal Services Corporation ("LSC"):

- 1. Lane County Legal Aid Service ("LCLAS") } collectively,
- 2. Marion-Polk Legal Aid Service ("MPLAS") } "LSC-funded programs"
- 3. Legal Aid Services of Oregon ("LASO") }

The other three organizations have no funding from LSC:

- 1. Center for NonProfit Legal Services ("CNPLS") } collectively,
- 2. Lane County Law and Advocacy Center ("LCLAS") } "Non-LSC funded programs"
- 3. Oregon Law Center ("OLC") }

The Oregon State Bar Legal Services Task Force ("Task Force") has prepared, and the Oregon State Bar Board of Governors has approved, a recommendation stating the goals and conditions of a proposed reconfiguration of our organizations ("Task Force Recommendation"). We recognize that further documentation and approvals will be required, including the preparation and approval of a formal agreement setting forth the terms and conditions of the proposed reconfiguration ("the Reconfiguration Agreement"); nevertheless, we execute this letter to evidence our intention to proceed in mutual good faith to complete work required to negotiate terms of a Reconfiguration Agreement that are consistent with this letter and the Task Force Recommendation.

PART I.

Based on the information currently known to each of us, it is proposed that the Reconfiguration Agreement include the following terms:

A. Basic Transaction. As stated in the Task Force Recommendation, the LSC-funded programs would reconfigure into a single non-profit corporation. Based on the anti-

pated due diligence investigation and negotiation, the programs would determine and implement the optimum configuration for the non-LSC funded programs working from the model set forth in Appendix 1 attached (excerpt of our prior recommendation to the Task Force). In order to provide the full range of the highest quality legal services to low income communities throughout Oregon, the reconfiguration would include changes in the boundaries of, and realignment of program offices located within, the regions we serve currently. The closing of the contemplated transactions ("*the Closing*") would occur as soon as possible after the satisfaction of all conditions to closing in the Reconfiguration Agreement, and in any event not later than January 1, 2005.

B. Other Terms. The consummation of the contemplated transactions would be subject to the satisfaction of various conditions, including:

1. All conditions stated in the Task Force Recommendation;
2. All required approvals, consents, and authorizations of state and federal regulatory authorities.
3. All required consents of third parties.
4. Satisfactory completion of our respective ongoing due diligence reviews of each other's organizations to determine feasibility issues and solutions, including but not limited to the following areas of inquiry:
 - a. Maintaining and improving client service and quality of service;
 - b. Governance, including Statewide Board and Regional Board structure;
 - c. Salary and benefit equalization for staff;
 - d. Grant and contract compliance;
 - e. Continuation of current sources of funding;
 - f. Compliance with all applicable laws and rules of professional responsibility;
 - g. Collective bargaining or other union-related issues;
 - h. Cost of effective administration/minimizing duplication;
 - i. Cost of achieving compatibility of computer networks and other administrative systems; and
 - j. Protection of existing relationships with pro bono providers, community service partners, and local government agencies.
5. Approval by each organization's board of directors.

PART II.

The following paragraphs of this letter ("*the Binding Provisions*") are the legally binding and enforceable agreements of the participating programs.

A. Access. During the period from the date this letter is signed by all of us ("*the Signing Date*") until the date on any participant provides the other participants with written notice that negotiations toward a Reconfiguration Agreement are terminated ("*the Termination Date*"), each program will afford every other program with full and free access to its personnel, properties, contracts, books and records, and all other documents and data.

B. Conduct of Business. During the period from the Signing Date until the Termination Date, each participating program shall operate its business in the ordinary course and to refrain from any extraordinary transactions.

C. Confidentiality. Except as and to the extent required by law, we will not disclose or use, and will direct our respective representatives not to disclose or use to the detriment of any of our organizations any Confidential Information (as defined below) furnished to each other at any time or in any manner other than in connection with our evaluation of the transactions proposed in this letter. For purposes of this Paragraph II.C., "*Confidential Information*" means any information about any of our organizations stamped "confidential" or identified in writing as such promptly following its disclosure, unless (a) the information is already known to others not bound by a duty of confidentiality or the information becomes publicly available through no fault of the organization receiving the information, (b) the use of the information is necessary or appropriate in making any filing or obtaining any consent or approval required for the consummation of the Task Force Recommendation, or (c) the furnishing or use of the information is required by or necessary or appropriate in connection with legal proceedings. Upon the written request of any of our organizations who have provided such Confidential Information, any other organization that received such information will promptly return or destroy any Confidential Information in its possession and certify in writing to the requesting organization that it has done so.

D. Costs. Each of our organizations will be responsible for and bear all of its own costs and expenses incurred at any time in connection with pursuing or consummating the Task Force Recommendation.

E. Governing Law. The Binding Provisions will be governed by and construed under the laws of the State of Oregon without regard to conflicts of laws principles.

F. Jurisdiction. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Letter may be brought against any of the parties in the courts of the State of Oregon, in any county, or, if it has or can acquire jurisdiction, in the United States District Court for the District of Oregon, and each of the Parties consents to the jurisdiction of those courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue there.

G. Termination. The Binding Provisions will automatically terminate on January 1, 2005 and may be terminated earlier upon written notice by any of our organizations to the other parties unilaterally, for any reason or no reason, with or without cause, at any time; *provided, however,* the termination of the Binding Provisions will not affect the liability of any party for breach of any of the Binding Provisions before the termination. Upon termination of the Binding Provisions, the Parties will have no further obligations hereunder, except as stated in Paragraphs II. B, C and D, which will survive any such termination.

H. Counterparts. This Letter may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Letter and all of which, when taken together, will be deemed to constitute one and the same agreement.

I. No Liability. The paragraphs and provisions of Part I of this letter do not constitute and will not give rise to any legally binding obligation on the part of any of the parties. Moreover, except as expressly provided in the Binding Provisions (or as expressly provided in any binding written agreement that the Parties may enter into in the future), no past or future action, course of conduct, or failure to act relating to the Task Force Recommendations, or relating to the negotiation of the terms of any Reconfiguration Agreement, will give rise to or serve as a basis for any obligation or other liability on the part of the parties, and each of them.

J. Entire Agreement. The Binding Provisions constitute the entire agreement between the parties and supersede all prior oral or written agreements, understandings, representations and warranties, and courses of conduct and dealing between the parties on the subject matter hereof. Except as otherwise provided in this letter, the Binding Provisions may be amended or modified only by a writing executed by all parties.

By signing below, the Executive Director of each party affirms that her/his signature is authorized by the respective organization's Board of Directors.

Yours truly,

Lane County Legal Aid Service

Center for NonProfit Legal Services

Letter of Intent
(Draft)
Page 5

By _____

Marion-Polk Legal Aid Services

By _____

Legal Aid Services of Oregon

By _____

cc: Board Chairs

By _____

Lane County Law and Advocacy Center

By _____

Oregon Law Center

By _____

APPENDIX 1

3. Long term goal. If we could make a fresh start throughout the state and establish a structure for legal aid offices and programs in Oregon which best fulfilled the standards stated in the 1995 OSB Civil Legal Services Task Force Report, our model for the state would have the following basic characteristics:
 1. Four (or perhaps three) non-LSC programs, each covering a geographic region of the state, and each with an administrative headquarters office in an appropriate location within the region. Boundaries of each region to be decided by what makes sense for client service and accessibility.
 1. Each program would be a 501(c)(3) corporation with a board of directors appointed by a combination of local bar associations, the OSB, and local community based organizations.
 2. Each program would have primary responsibility for:
 1. Community-based priority setting within each region
 2. Locally-based fundraising and community support
 3. Administration of local grants and contracts
 4. Personnel decisions within the region
 5. Appointment of representative staff or board members to a statewide coordinating board (see below).
 2. One LSC program in the state with a single board of directors whose members are the same individuals appointed to the non-LSC statewide board.
 1. The LSC and non-LSC money would be distributed in a manner that would maximize the value for clients while moving toward the goal of making relatively equal access to low-income clients statewide regardless of location and status.

2. LSC program coordinates closely with the non-LSC programs to equalize client access, maximize the full range of services, and promote more effective use of resources.
3. Two statewide boards, one for the LSC program and the other for the statewide issues of the non-LSC programs, shall be comprised of the same individuals. Membership shall consist of an appropriate representative number of members from each region, plus client board members to meet LSC requirements, plus others to be determined. The statewide boards would make decisions based on what it determined to be best for low-income clients statewide. Authority of the boards will include the following:
 1. Allocation of statewide funding (LSC, filing fee, IOLTA, CEJ)
 2. Statewide fundraising
 3. Statewide specialty programs (Native and Farmworker)
 4. Statewide support and training
 5. Board functions required by LSC regulations, for the LSC funded program
 6. To the extent that the regional programs and the statewide boards determines that it would increase efficiency, certain administrative tasks like the law student loan repayment program, liability insurance, health insurance, malpractice insurance, human resources, compliance with federal or state employment laws or similar matters.

General comments: This model protects the local interests of regional programs (especially local fundraising and community support, local priorities, and local presence) while establishing a structure to coordinate statewide issues. The key is to define and balance the authority of the programs to promote coordination without destroying important local flexibility and autonomy. It is uncertain whether there would be any savings or improved effectiveness obtain through consolidating certain basic administrative functions and Item 6 above simply permits further study of this issue in case everyone agrees that it would be advantageous.