

**OREGON STATE  
BAR**

**LEGAL  
SERVICES  
TASK FORCE  
REPORT**

**2004**

# Oregon State Bar Legal Services Task Force Report 2004

## I. Overview (December 2002 – June 2003)

### A. Background

In 2002 the federal funding source for legal services, the Legal Services Corporation (LSC), as a result of their State Planning Initiative, asked Oregon to engage in a planning effort. The purpose of the planning effort was to assess the present Oregon 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.

Based on LSC's request, the Oregon State Bar Board of Governors, through its Legal Services Committee convened the OSB Legal Services Task Force (Task Force) 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, both LSC and non-LSC funded. The charge of the Task Force was as follows:

**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.

The Task Force agreed at the beginning of the process that its main consideration was quality legal service to low-income clients. Therefore, the Task Force's key focus was to examine the most effective legal service configuration to provide that service to clients. The Task Force started meeting in December 2002. The Task Force gathered and analyzed relevant information regarding the current legal service structure and how it operates. Included for the Task Force's review was a proposed recommendation regarding program configuration from the Association of Oregon Legal Services Programs (Association).

### B. Findings and Recommendation Summary from 2003 Task Force Report

Using "what is in the best interests of clients" as the driving factor the Task Force found the following:

- Oregon programs have many strengths which include providing high quality service to clients with efficient use of limited resources; and a history of cooperation and coordination.

- There are considerable costs to reconfigure and merge programs because of the large amount of money required to equalize the salaries and benefits of the existing programs.
- There are potential long-term benefits to clients from a reconfiguration model that addresses the main barriers in the current configuration which are:
  - no uniform standards to assess and compare accessibility of services or to address changing client needs
  - no uniform process or standards for determining statewide fundraising priorities
  - no process to resolve difficult resource allocation issues among programs.

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 in 1996.

Based on the above findings the Task Force recommended the following:

- That the project directors proposed configuration model (Exhibit C in Attachment A) be adopted as the model for the delivery of legal services in Oregon.
- That the timing and details of reconfiguration depended on the answers to questions that require further study The Task Force recommended that a maximum of twelve (12) months should be allowed as a due diligence period to assess the obstacles to the costs of reconfiguration.
- That 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.
- Filing the gap in service to the Klamath Falls/Lake County area should be a more immediate priority.

On June 14, 2003, the Board of Governor's approved the 2003 Legal Services Task Force Report (see Attachment A) and it was submitted to LSC. LSC agreed that the Association with oversight by the Task Force should have until June 30 to complete the due diligence process and submit a report regarding the outcome of that process to the Task Force for approval and then to LSC by June 30, 2004.

## **II. Due Diligence Process**

### **A. Process**

The Association was directed to engage in a detailed analysis of the proposed regional reconfiguration model with oversight by the Task Force. The Task Force

received an interim status report from the Association dated November 20, 2003. The status report outlined the program information gathered and analyzed and the steps taken, to date, by the Association regarding the due diligence process. The November 20, 2003, interim status report was forwarded to LSC on December 10, 2003. The Association retained the law firm of Perkins Coie to provide advice and support on configuration issues. In addition, during the course of the due diligence process, the Association members met 14 times in all day meetings to discuss and analyze the information and issues with at times the assistance of a mediator.

During the due diligence process the Association analyzed ten models (see Exhibit 2 in Attachment B) for providing legal services including the model with one statewide LSC entity and four smaller regional non-LSC models (the proposed model in the 2003 Task Force Report). The Association applied the four criteria set out by the 2003 Task Force recommendation (see section I.B. above) and looked at whether the model addressed shortcomings identified in the current configuration (see page 6 of Attachment A) while still retaining most of the advantages of the current configuration. The Association concluded that the model with one statewide LSC entity and four smaller regional non-LSC models was not an appropriate solution because it was too costly and administratively burdensome and would significantly decrease the quality of services to clients in Oregon.

The Association confirmed during the due diligence process that the cost of merging the LSC funded programs into one statewide entity would cost over \$750,000 (\$500,000 equalizing staff salaries and \$250,000 to consolidate different administrative systems) The costs of equalizing salaries is a continuing cost and does not represent the cost of equalizing health insurance and other benefits which will also be continuing and costly. Staff lay-offs and office closures would ensue, resulting in a loss of services to clients.

The Association also determined during the due diligence process that there was little administrative overhead in the one and two county programs with management expenses, as a percentage of operating revenues, averaging in the range of 8% to 9%. The two multi-site programs also spend a small percentage of the total budget on administration when compared to other similarly sized legal aid programs and non-profit corporations. Management expenses, as a percentage of operating revenues, average in the range of 14%.

## **B. Conclusion and Proposed Revised Recommendation**

After much thought and analysis the Association came to a conclusion and submitted a revised recommendation to the Task Force. (see Attachment B). A brief summary of the revised recommendation is as follows:

**Shared Governance:** The Association came to the conclusion that a "shared governance" model would best address all of the shortcoming identified in the current configuration, retain most of the advantages of the current configuration and be very

inexpensive to implement therefore preserving the current level of client service. Under the Shared Governance Model, key policy functions would be delegated to a state planning commission. The planning commission would have power to shift resources to fill gaps based on the needs assessment/priority setting process; allocate resources among programs; create a uniform process or standards for determining statewide fund raising priorities; make available statewide litigation support and training and distribute money to make salaries more uniform.

**Merger Option (referred to as the Least Damaging Option if Mandated in the Associations revised recommendation, see page 6 of Attachment B):** Although the Shared Governance Model is recommended by the Association they are aware that LSC has given strong indications that it will mandate a single LSC funded service area in Oregon within a very short time frame. They therefore examined various options that included a single LSC-funded entity. The Association concluded that none of the models were as good as the recommended shared governance model primarily because the high cost of equalizing salaries and benefits would require a reduction in staffing and jeopardize client services, local support for fund raising and pro bono recruitment efforts. The Association included in their revised recommendation to the Task Force a detailed analysis of the Merger Option to illustrate why the recommended shared governance plan is superior. The Merger Option is a single LSC funded entity phased in over a period time starting in 2004 and ending December 31, 2007. The Merger Option would also include an implementation of the Shared Governance Model.

Under Phase 1 of the Merger Option, the Association requested assistance of the Task Force to decide the best configuration for unrestricted services in Marion and Polk Counties by September 1, 2004. It was the understanding of the three programs (OLC, LASO and MPLAS) that the respective Boards of Directors were likely to approve the request to the Task Force and that the Task Force decision would be binding. The Marion Polk Legal Aid Services Board presented a resolution to the Task Force, on May 22, 2004, declining the Phase I proposed process under the merger option.

### **III. Task Force Findings**

The Task Force makes the following findings based on the process described above and consideration of the revised recommendation submitted by the Association:

#### **A. The Association's Due Diligence Process was Thorough and Made Their Primary Consideration the Best Interest of Clients.**

In the 2003 Legal Services Task Force Report the Task Force recommended that any model delivery system **must** be based on what is in the best interest of clients. The due diligence process undertaken by the Association was thorough and based on the best interest of clients. The Association applied the four criteria set out by the Task Force when conducting their analysis in addition to assessing the removal of current system barriers and retaining current system strengths. The Association concluded and the Task Force agrees that by using the above stated criteria the proposed model of service

recommended in the 2003 Task Force Report would significantly decrease the level of services to clients in Oregon.

**B. Merging Programs in Oregon is not Cost Effective and Adversely Impacts Client Services**

1. The 1996 OSB Legal Services Task Force affirmed that the highest statewide priority for legal services was to increase revenue in order to expand client service capacity to address the high level of unmet need across the state. Although Oregon has diversified resources for legal services, those resources have not kept pace with inflation and a growing poverty population. Consequently, even maintenance of effort has not been possible. Local legal aid offices with staff attorneys in the Dalles, St. Helens, and Klamath Falls have closed.

2. The administrative costs are extremely low for the six legal service programs in Oregon. The one and two county programs have administrative costs in the 8 to 9% range and the multi-site programs administrative costs are in the 14% range. Therefore it would be difficult to recognize any savings in consolidating the administrative systems of the legal service offices. In fact it is estimated to cost approximately \$250,000 in staff time and system changes to consolidate the different administrative systems of the legal service providers. This is because each of the three LSC-funded programs currently have different operating systems that are not compatible.

3. The Association confirmed during the due diligence process that the cost of merging the LSC funded programs into one statewide entity would cost over \$750,000. These costs represent \$500,000 to equalize salaries and \$250,000 to consolidate the different administrative systems but **do not** represent the cost of equalizing health insurance and other benefits which will be costly. The Task Force is especially concerned because the increased cost to equalize staff salaries and benefits are a continuing cost as opposed to the one-time cost of merging systems. These costs will adversely effect client services and should be used to maintain effort, increase staffing and improve services.

4. The only known increase in funding to cover merger costs is an increase in state court filing fees which are being phased in over a three year period ending June 30, 2006. The anticipated 2005 increase is \$183,333 and 2006 is \$372,222. However, the cost of living increases and operating expense inflation for the three programs, estimated at 3%, will require additional revenue of \$751,864 for the period of time between 2005 and 2007 just to maintain effort. In addition, any increase in funding should be used to fill service gaps one of which is reopening an office in Klamath Falls/Lake County area.

**C. The Shared Governance Model Would Eliminate Barriers and Preserve Strengths of Current System While Maintaining Client Services**

The Shared Governance Model recommended by the Association would eliminate the barriers to the current system while maintaining the strengths of the current system. In

addition, the Shared Governance Model would be very inexpensive to implement maintaining client services. It has been stated above, but cannot be over emphasized; any model delivery system **must** be based on what is in the best interest of clients. The Task Force believes that the high cost of merging LSC funded programs, which are a continuing cost, would adversely effect client services and, therefore, would not be in the best interest of clients.

#### **IV. Task Force Recommendations**

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

**A. The Shared Governance Model Set Out in the Association's Revised Recommendation Should be Adopted as the Model for Legal Services Delivery in Oregon**

Using the best interest of the client standard the Task Force recommends that the Shared Governance Model, as recommended by the Association, be adopted as the model for legal services. The Task Force believes that the Shared Governance Model would eliminate the barriers to the current system while maintaining the strengths of the current system. In addition, the Shared Governance Model would be very inexpensive to implement maintaining client services. The Shared Governance model will institutionalize Oregon's history of cooperation and create new opportunities for working together without endangering client services. The Task Force believes that the Shared Governance Model is the model that is in the best interest for Oregon clients.

**B. The Authority of the State Planning Commission Should be Expanded**

The Task Force recommends that the authority of the state planning commission be clarified and expanded to include the ability to make decisions independently of the Association's concurrence. For instance the state planning commission would have the authority to redirect funds to fill in gaps in client service independent of the Association.

**C. Specific Criteria Must be Used for Making Appointments**

Specific criteria must be used for making appointments to the state planning commission such as that criteria used when selecting the OSB Legal Services Program Committee. The following criteria should be considered in selecting members to the statewide planning commission:

- Commitment to the basic principles of access to justice
- Ability to advance the mission of the state planning commission
- Knowledge and understanding of providing quality legal services to low-income people
- History of support for legal services providers

- Representation of a geographic area with special attention given to practice area specialties and the ethnic and cultural diversity of the client communities.

**D. The Merger Option Recommended Only if Merger Mandated by LSC**

The Task Force strongly recommends the Shared Governance Model believing that it will be in the best interest of clients for reasons stated above and outlined in the Associations recommendation (see Attachment B). That said, the Task Force recognizes that LSC has given a strong indication that it will mandate a single LSC funded service area in Oregon within a very short time frame. If that should happen, the Task Force recommends that the Merger Option be implemented as outlined in the Associations revised recommendation (referred to as the Least Damaging Option if Mandated in the Associations revised recommendation, see page 6 of Attachment B) which includes an implementation of the Shared Governance Model.

**E. Unrestricted Services in Marion Polk Counties**

The Task Force recommends that the Association continue to work together to decide the best configuration for unrestricted services in Marion and Polk Counties (Phase 1 of the Merger Option). If the Association is unable to reach a consensus the Task Force will make a recommendation by September 1, 2004.

**F. The Task Force Should Continue with Oversight**

The Task Force has met both the short-term and long-term goals as charged by the Oregon State Bar Board of Governors. The Task Force will continue with oversight of the reconfiguration process until the state planning commission is established and can provide guidance in and assistance to the effort.

## 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

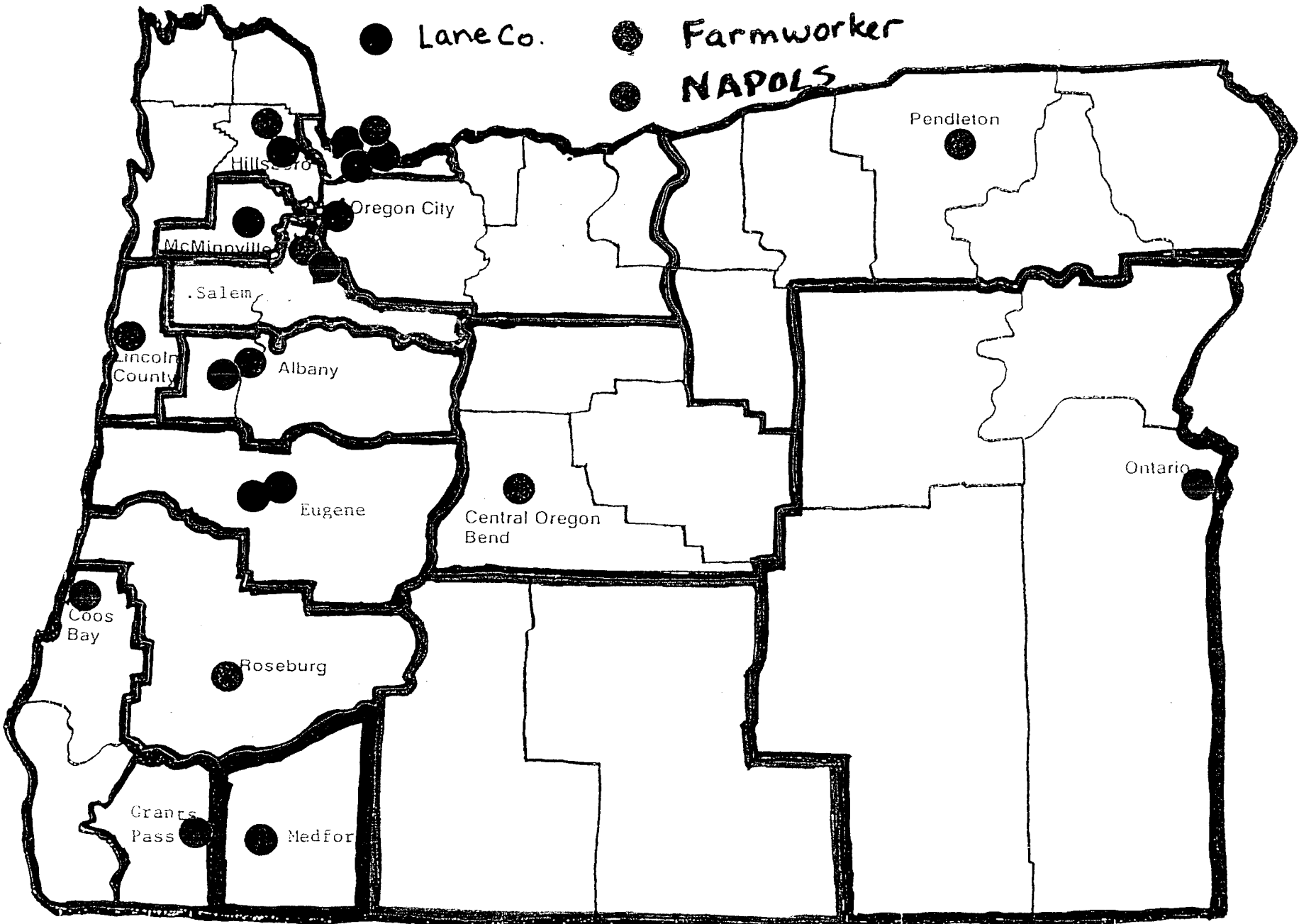
● Jackson Co.

● 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

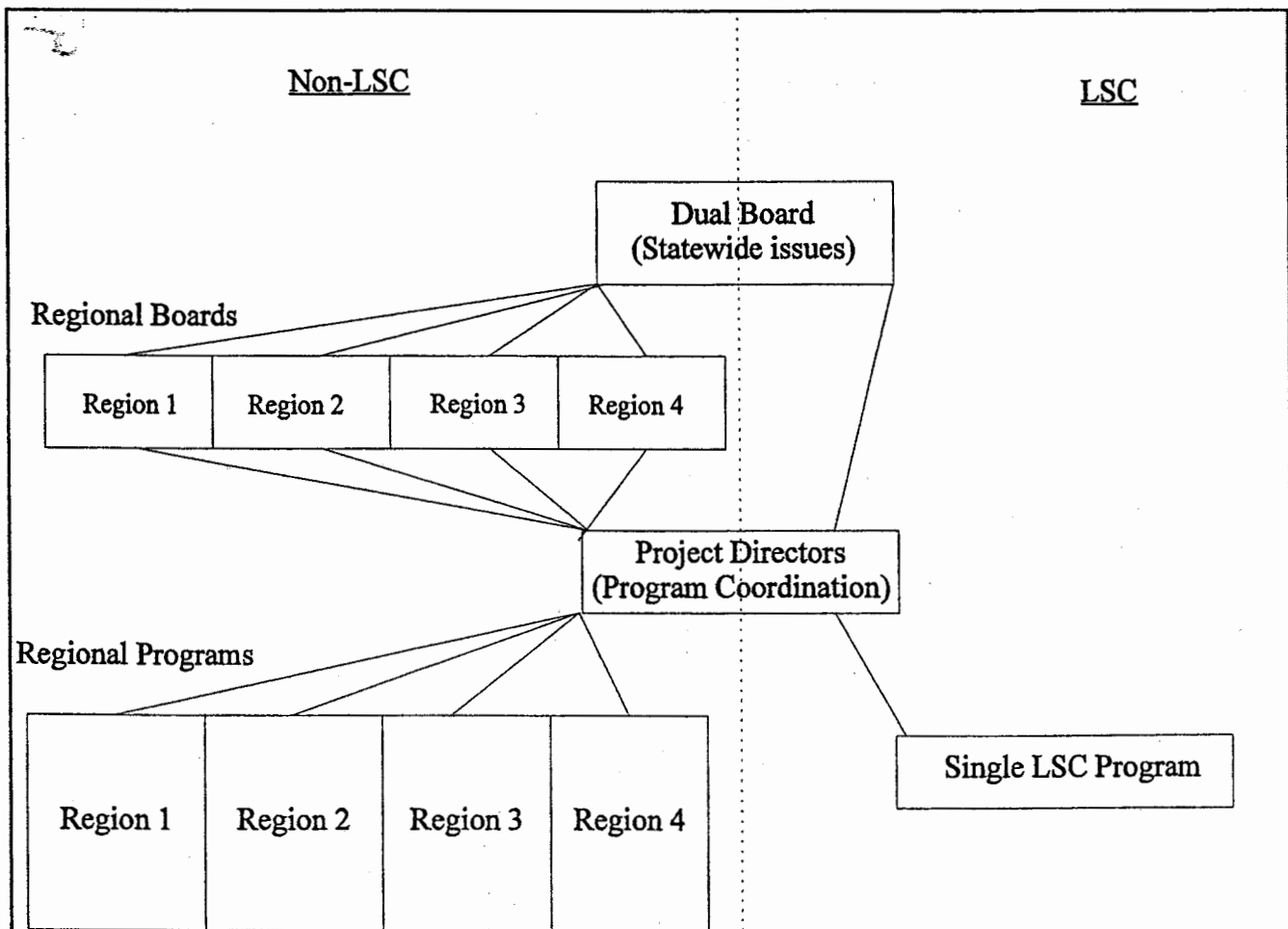
TO: Members of the OSB Civil Legal Services Task Force

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.<sup>1</sup> Concurrently, the programs need to maintain current efforts and fill a variety of high priority client service gaps<sup>2</sup> 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

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<sup>1</sup> 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.

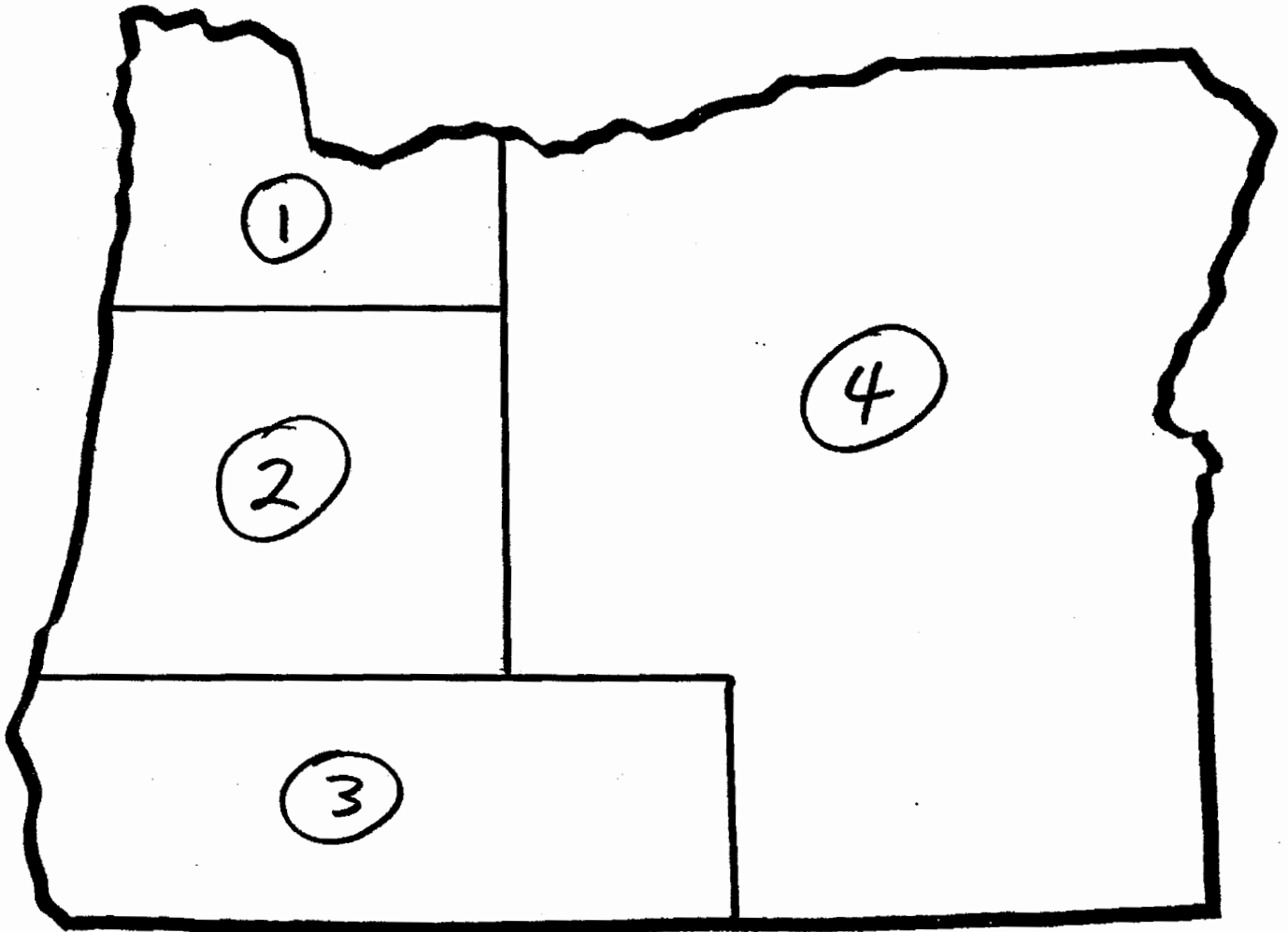
<sup>2</sup> These include, for example, more service in Klamath and Lake Counties, more staff to serve undocumented Oregonians in many areas of the state.

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. 5<sup>th</sup> 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 antici-

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.

MEMORANDUM

Attachment B

TO: Members of the OSB Civil Legal Services Task Force  
FROM: Association of Legal Aid Programs in Oregon  
DATE: May 13, 2004  
SUBJECT: Revised recommendation regarding program configuration

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Last year, OSB Legal Services Task Force approved an initial concept for reconfiguration of the legal services programs in Oregon and gave the Executive Directors of the Association specific instructions for next steps. We have completed that process and have prepared this report.

**I. Charge from the Task Force**

The Legal Services Task Force concluded:

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.

The service providers were directed to engage in a detailed analysis of the proposed regional model reconfiguration under the oversight of the Task Force. In response, the executive directors of the programs have had fourteen all day meetings after the Task Force Report (August 6, September 12, October 24, November 7, December 8, January 9, February 6, February 20, March 18, March 25, April 1, April 19, April 23 and April 29). They retained the law firm of Perkins Coie to provide advice and support on configuration issues. The law firm helped the group identify a check list showing the information that needed to be gathered, analyzed and exchanged to fully understand the implications of reconfiguration. They have completed gathering and analyzing the relevant material on the list. They provided a written status report November 20. This report supplements the November 20 report.

**II. Informed Recommendation of the Executive Directors**

After gathering extensive statistical and factual information from each program, seeking broader

input from staff from the twenty-one offices across the state, analyzing the material and discussing it over a long period of time (sometimes with the assistance of a mediator named Bryan Johnston), the executive directors came to the conclusion that the originally proposed model with one statewide LSC entity and four smaller regional non-LSC models was not an appropriate solution because it was too costly and administratively burdensome. For example, it is among the most expensive models because the statewide board structures would increase pressure to equalize salaries and benefits in the non-LSC programs. Also, the creation of another board with administrative staff to govern statewide funding and state support for the non-LSC entities adds another layer of bureaucracy and administrative expense. (For a more detailed explanation, including advantages and disadvantages of the regional model, see **Exhibit 1.**) By the end of the process, each executive director felt that the regional non-LSC model would significantly decrease the quality of services to clients in Oregon and no executive director supported the regional non-LSC model.

The group then considered nine alternative models. (A brief description of each model together with the advantages and disadvantages assigned to each model are attached as **Exhibit 2**). The group tried to identify a model that would address the shortcomings of the existing structure, while retaining the strengths of the existing structure, as identified in the Task Force Report. An agreed goal 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 a decision-making process to shift discretionary resources or prioritize fund raising to fill known gaps. The Task force identified six barriers to achieving this goal in the current configuration.

**Existing barriers:**

- *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 fund raising 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.*

The Task Force Report also listed several strengths of the current programs.

**Existing strengths:**

- *The legal services programs in Oregon have worked exceptionally well providing high quality representation to clients.*
- *The programs have a long history of cooperation and coordination of services.*
- *The boards and communities currently take responsibility for raising local and statewide resources and providing high quality legal services.*
- *There are strong local fund raising efforts (including one program that receives county funding from a local bond issue and another program has over 80 grants).*
- *There are strong statewide funding raising efforts involving programs and private attorneys from across the state.*
- *All of the programs use community based priority setting to access and respond to changing client needs.*

In addition, there is surprisingly little administrative overhead in the one and two county programs (management expenses as a percentage of operating revenues average in the range of 8% to 9%). The two multi-site programs spend a small percentage of the total budget on administration when compared to other similarly sized legal aid programs and non-profit corporations (management expenses as a percentage of operating revenues average in the range of 14%).

After analyzing nine alternative structures, applying the standards of the Task Force and the detailed information gathered during this process, the group came to the conclusion that a "shared governance" model will best address all of the shortcomings identified in the current configuration while still retaining most of the advantages of the current configuration. The shared governance model will create a uniform statewide process or standards shared by all programs to assess and compare accessibility of services and to address changing client needs. It will create a uniform process or standards for determining statewide fund raising priorities. Under the shared governance model, key policy functions will be delegated to a state planning

commission. The planning commission will have power to shift resources to fill gaps based on the needs assessment/priority setting process. The planning commission could allocate resources among programs. The planning commission will have power to fund and make available statewide litigation support and training. The planning commission will have power to distribute money to make salaries more uniform when the commission determines that it is appropriate to do so and that it will not cause a reduction in client service. It is anticipated, based on the realities of legal services funding, that this process will often require balancing needs to consider whether to redistribute money in a statewide system where there is inadequate funding and, at times, where there will be flat or decreasing revenues.

**RECOMMENDATION**  
**(Shared Governance Model)**

**OVERVIEW OF PLAN**

- Phase 1: Programs prepare and sign the binding contract consistent with the details set forth in this memorandum by September 1, 2004. A preliminary concept outline of the contract is attached as **Exhibit 3**.
- Phase 2: Legal services planning commission established and members appointed by January 1, 2005
- Phase 3: The legal services planning commission adopts initial internal operating procedures by April 1, 2005, setting statewide standards for needs assessment/priority setting, statewide fund raising priorities and distributing discretionary state funding.

**DESCRIPTION OF PLAN**

Under this configuration, Oregon will appoint one statewide planning commission by January 1, 2005. The state planning commission will consist of thirteen individuals. It will have power to: 1) Allocate discretionary state dollars (State filing fees, Campaign for Equal Justice and Oregon Law Foundation) 2) Set standards for needs assessment/priority setting (probably require periodic community based priority setting to determine local community client needs and appropriate intake systems to address the needs so that differences between offices would be related to local needs), and, 3) Set statewide fund raising priorities. In making statewide allocation decisions, the statewide board will apply the Staffing Pattern Criteria (copy attached as **Exhibit 4**), strive to create a system where a low-income person in Oregon, regardless of location or status, will have relatively equal access to services from a legal aid office, maintain the ability to provide the full range of services, support statewide advocacy and retain the ability of each office to provide high quality legal services.

The Board of Governors (BOG) of the Oregon State Bar will appoint five members to the state planning commission (In making the appointments, the BOG will consider the following criteria:

commitment to the basic principles of equal access to justice; ability to advance the mission of the legal services planning body; knowledge and understanding of providing quality legal services to low income people; history of support for legal services providers; geographic diversity; poverty law practice area specialities and the ethnic and cultural diversity of the client communities).

The board of each service provider will appoint one member of the state planning commission using the same criteria. In addition, the service providers will appoint one member with knowledge and experience providing legal services to farmworkers in Oregon and one member with knowledge and experience in providing legal services to low-income Native Americans in Oregon. Each member of the state planning body will make decisions based on the best interest of all low income Oregonians and not represent the interests of the appointing body.

The existing service providers will no longer exercise full corporate sovereignty related to certain statewide functions (power to allocate discretionary state dollars, set standards for needs assessment/priority setting and statewide fund raising priorities) while retaining limited corporate sovereignty related to local issues (community-based priority setting within each region, locally-based fund raising and community support, administration of local grants and contracts, personnel decisions within the region, consistent with the statewide standards). The existing local boards will remain. The statewide planning body will approve joint annual applications by the six service providers for discretionary funds (state filing fees, CEJ and OLF) that allocate those funds among the providers, but will not actually receive the money, therefore avoiding the additional administrative staff, audit and other overhead inherently related to receiving and distributing money. In the event that the service providers are unable to agree on the allocations for the annual funding applications, the statewide planning body will have binding authority to decide the allocations prior to submission of the joint funding applications.

### **TOTAL COST OF SHARED GOVERNANCE MODEL**

The cost of the recommended shared governance model will be limited to the cost of preparing and signing the agreement, organizing the State Planning Commission, and holding periodic meetings of the Commission. If necessary for negotiating and drafting the agreement, legal representation for the Association's member programs is likely to be provided *pro bono*. Aside from staff time, expenses should be in the range of a few thousand dollars annually for travel to meetings, conference call charges, copying and supplies, and miscellaneous costs of the Commission meetings.

### **CONCLUSION**

The shared governance model will address all of the shortcomings of the current configuration previously identified by the Task Force by creating one statewide decision-making body with power to assess client needs and allocate discretionary resources in response to identified short falls. At the same time, it will retain the strengths identified in the current configuration: continuing cooperation and collaboration, strong local fund raising efforts, limited administrative

overhead and committed local boards. More importantly, it will avoid the pitfalls of the alternative structures, by not creating a cumbersome administrative umbrella and avoiding the high cost of immediate salary equalization which would mandate lay-offs or office closures. It will not require changing and merging case management, client conflict and general accounting software systems. The service providers could focus on their highest priorities -- increasing funding while continuing to provide high quality services to clients. For these reasons, the executive directors think that this is the best model for improving client services.

**LEAST DAMAGING OPTION IF MANDATED**  
**(One Statewide LSC Corporation)**

Although the shared governance model is recommended for reasons stated above, the Legal Services Corporation ("LSC") has given strong indications that it will mandate a single LSC-funded service area in Oregon within a very short time frame. Therefore, we carefully examined various options that included a single LSC-funded entity. None of those models are as good as our recommended shared governance model, primarily because the high cost of equalizing salaries and benefits will require a reduction in staffing and will jeopardize local support crucial to fundraising and *pro bono* recruitment efforts. To illustrate the differences, we state below our detailed analysis of the least damaging option we can devise to achieve a single LSC funded program within a time frame that allows for proper implementation and minimizes the risk of staff reductions. A comparison between our recommended plan and this least damaging alternative reveals why the shared governance model alone is superior. Assuming that the Task Force agrees with our recommendation but LSC decides against that recommendation and mandates a single LSC-funded entity, we ask that the Task Force recommend the following plan to LSC. In addition, we recommend that the shared governance model be implemented for Oregon in either situation.

**OVERVIEW OF THE LEAST DAMAGING OPTION**

- Phase 1:        Request assistance of the Task Force to decide the best configuration for unrestricted services in Marion and Polk Counties. Completion Date: September 1, 2004.
  
- Phase 2:        Sign the Reconfiguration Plan. Completion Date: December 31, 2004.
  
- Phase 3:        Prepare for the first reconfiguration transaction. Negotiate the transaction documents, establish a transitional Board/management team, standardize the operating infrastructure, and integrate systems prior to the first transaction. Completion date: December 31, 2005.
  
- Phase 4:        First reconfiguration transaction. The counties covered by Legal Aid Services of Oregon (LASO) and one of the smaller LSC-funded programs become a single LSC service area. Effective date: January 1, 2006.

Prepare for the second reconfiguration transaction. Negotiate the transaction documents, establish a transitional Board/management team, standardize the operating infrastructure, and integrate systems.  
Completion date: December 31, 2006.

Phase 5: Second reconfiguration transaction. All counties become part of a single LSC- service area. Effective date: January 1, 2007

Phase 6: Finish integrating the organizations. Complete all remaining tasks of integration. Completion date: December 31, 2007.

The six phases are expected to take about three years because:

- Without new revenue to cover the high cost of the reconfiguration, time is needed to increase resources in order to minimize layoffs and office closures.
- The three LSC-funded programs have different operating systems (case management software, accounting software, conflict checking systems, etc.) These must be standardized to one system before they can be integrated - a very time consuming and laborious process requiring manual data conversion. Without standardization prior to the effective date of a consolidation, a lot of administrative and accounting information would have to be recorded in duplicate systems - a big waste of labor and resources.
- There is much less work required if all of the structural changes occur on an effective date at the beginning of the organizations' fiscal year.
- Each of the programs has minimal administrative staff. They lack the capacity to absorb the high volume of administrative tasks that must be completed to properly integrate systems and programs while continuing to administer their programs effectively.
- The Oregon legal services providers place a high value on maintaining cordial professional relationships among the providers and within offices. We also place a high value on seeking input from knowledgeable staff, clients and community partners for important decisions. Although these organizational values can cause change to occur more slowly than other methods of managing change, our history has shown that cooperation and broad input yield more stable and effective service delivery in the long run.

Anything shorter than the proposed schedule will cause important tasks to be performed poorly or delayed and will increase the risk of problems and failures after the changes occur.

#### **PHASE 1 - REQUEST ASSISTANCE OF THE LEGAL SERVICES TASK FORCE TO**

**DECIDE THE BEST CONFIGURATION FOR UNRESTRICTED SERVICES IN  
MARION AND POLK COUNTIES.**

Completion Date: September 1, 2004.

Current configuration: Marion-Polk Legal Aid Service (MPLAS) provides LSC-funded general legal services to Marion and Polk Counties from an office located in Salem. There is no entity in either county providing unrestricted services to the general low-income population. Specialized services to farmworkers in the northern and central Willamette Valley are provided in Woodburn through two offices, one administered by Legal Aid Services of Oregon (LASO) and funded by a separate LSC program, and the other administered by the Oregon Law Center, which receives no LSC funding. Thus, the full range of unrestricted legal services is not currently available to clients in this service area, which contains the second largest city and the highest concentration of Latinos in the state.

Reason for the request: The Executive Directors were unable to reach a consensus on the best configuration in the Marion-Polk service area to fill the acknowledged gap in services. Resolution of this question will become a requirement if LSC mandates a single service area in Oregon. When the federal funding restrictions were imposed in 1996, MPLAS made a reasoned decision that there were not enough discretionary non-federal resources to spin off a sustainable, independent unrestricted entity (as was done in Lane County to form LCLAC and in LASO to form OLC). That lack of resources continues in the present, which prevents any easy answers. Since the Executive Directors of the potentially affected programs (MPLAS, LASO, and OLC) each have fiduciary duties to their organizations, the discussions have not resulted in an acceptable solution despite a detailed, good faith examination of the alternatives.

Proposed process: As of the date of this report, the respective Boards of Directors of MPLAS, LASO and OLC have approved this request to the Task Force, or are likely to approve it by the Task Force meeting on May 22, 2004 (Board resolutions will be submitted when approved). If the Task Force is willing to accept our request, we suggest meeting with the Task Force to provide more detailed information about the issues, present various models and a comparative analysis, answer any questions of the Task Force and provide any other assistance to help the Task Force with its recommendation. The understanding of the three programs is that the Task Force decision is binding.

**PHASE 2 - SIGN THE RECONFIGURATION PLAN.** Completion Date: December 31, 2004.

If LSC mandates a single service area, the management and Boards of the three LSC-funded programs must negotiate and sign a detailed Configuration Plan (APlan@). The end result of the Plan will be one LSC-funded organization in Oregon. The Plan could also include a reconfiguration of the non-LSC programs, depending on the results of the request to the Task Force regarding Marion and Polk counties. The Plan will be a binding commitment to the reorganization process to be signed by the Boards of all programs affected by the Plan and filed with the Corporation Division of the State of Oregon in accordance with the Non-profit Corporation Code. The Plan will state the method of reorganization, establish the process, schedule and basic terms and conditions of the transactions, establish the governing structures of

the new entity, and include drafts of the major reorganization documents, such as the Articles of Incorporation and Bylaws for the resulting corporation(s).

A prerequisite to approval of the Plan will be the consent of each program's major non-federal funding sources to the change of corporate status. During this Phase 2, each program must contact its other funding sources to determine whether consent will be given.

The Plan will reorganize the three LSC programs in two steps. The first transaction will involve LASO and one of the two smaller LSC programs. The second transaction will involve the remaining LSC program. Because of the difficult logistics of each transaction outlined in Phase 3 below and following the advice of counsel (Perkins Coie), the Executive Directors have concluded that less harm will be caused to client services by a phased-in reorganization than by attempting a 3-way simultaneous reconfiguration. The Task Force's decision about Marion and Polk counties will help to determine which programs are reorganized in the first and second transactions.

### **PHASE 3 - PREPARE FOR THE FIRST RECONFIGURATION TRANSACTION.**

Completion date: December 31, 2005.

Based on advice we have received and our own experience with the prior merger of Oregon Legal Services and Multnomah County Legal Aid Service in 1999, it is better to have all systems and procedures set up before the effective date of any reconfiguration. Most importantly, this assures that, to the greatest extent possible, the transition will be seamless for clients and will assure funders of our ability to meet our obligations. There must be adequate time to prepare for the transition. Therefore, to implement the Plan, the following items must be completed prior to the effective date of the first transaction:

A. Negotiate and sign documents for the first transaction.

The management and Boards of the first two LSC-funded programs to reconfigure will have to negotiate and finalize the Articles of Incorporation, Bylaws, Mission Statement, transfers of assets and assumption of liabilities, and other terms and conditions of the first transaction prior to the effective date. Finalize and file corporate documents. (Management of the third LSC-funded program can participate in these negotiations to avoid inconsistencies or conflict with corporate documents to be produced in the second transaction.)

B. Form interim steering committee.

Form an interim steering committee comprised of Board members and senior management of the first two organizations. Subject to approval of both boards, the tasks of the joint committee will include:

- Apply the new management structure decided in Phase 2

- Apply major operating policies decided in Phase 2
- Oversee the hiring process for the new management team
- Oversee the planning and implementation of the first transaction
- Oversee communications with management, staff and the community about the process
- Resolve any disagreements arising from the planning and implementation process

C. Standardize operating infrastructure.

Each of the three LSC-funded programs in Oregon currently have different operating systems that are not compatible. The programs will have to standardize these systems before any integration of the systems can occur. Without proper integration, the resulting program will not be able to maintain compliance with Oregon rules of professional responsibility, generally accepted accounting principles, LSC's audit requirements, employment and labor law, and standards for high quality legal services. Examples of systems that must be standardized before integration include:

- Case management systems and software
- Conflict of interest screening systems and software  
(Also will require an ethics opinion from the Oregon State Bar)
- Accounting systems and software
- Budgeting processes and fiscal years
- Human resources management systems and policies
- Health insurance coverage policies and other employee benefits
- Personnel policies
- Information systems (Computer network/e-mail/service data)

In each case above, a common system will have to be selected and then each program will have to convert all data, procedures, and software to the new system while keeping offices and daily operations open for clients. The new systems must be compatible and operational in each program and office before integration can occur.

Costs of standardization (combined estimates for all three programs) include, but are not limited to, the following:

- Case management system software, installation, and training for 14 offices \$70,000<sup>1</sup>
- Temporary administrative/accounting/data

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<sup>1</sup> Estimate is based on information we received from other LSC-funded programs in states with similar numbers of offices and staff who have recently purchase case management software, and from several vendors of case management software used by those programs.

entry personnel for conversion to new systems.

4 FTE @ \$40,000 each (salary and fringe)	\$160,000 <sup>2</sup>
Subtotal	\$230,000
add 5% contingency	+\$11,500
Total	\$241,500

This does not include the high cost of administrative and staff time that will be required to do the additional work. Because it is important to provide resources for direct client service, we should not increase existing administrative staff. Yet if existing staff have to absorb much of the work of Phase 3, many important day-to-day administrative and support functions will suffer. This cost cannot be measured but it will reduce overall program effectiveness.

D. Staff input.

The Steering Committee will establish various joint staff committees from both programs to assist with planning details for the integration of all office operations.

E. Cultural integration.

Each program has a unique organizational culture, history, and tradition. The Steering Committee will organize and implement processes for staff to become acquainted with each other, to learn about each organization's culture, history and traditions, and to engage in active cultural integration to develop new professional relationships for an effective new organization.

F. Community/client input.

The Steering Committee will establish a mechanism for obtaining input regarding configuration issues from community partners and clients.

G. Resolve labor-management issues.

LASO is the only Oregon program with a union. The parties must determine the legal effect of the planned configuration on the LASO labor-management relationship and the existing collective bargaining agreement, which expires on December 31, 2006. If the entity resulting from the first transaction will be unionized, then prior to the effective date of transaction the labor and contract issues will have to be negotiated.

H. Plan for hiring freezes or layoffs.

Because the combined costs of inflation, existing program obligations, and the first transaction (primarily to equalize salary and benefits) will be much higher than projected new revenue during the same time period, the organizations will have to develop a joint hiring freeze and layoff plan. This will require development of a joint budget for the first year of operations to

<sup>2</sup>

Estimate provided by LASO's Director of Finance, based on her prior experiences managing the financial components of a large multi-program non-profit consolidation in Oregon.

determine the extent of the projected shortfall. Depending on the extent of the shortfall, the plan may have to include contingency plans for office closures.

H. Consents and notices.

As a condition precedent to the first transaction, obtain all necessary consents from clients consistent with OSB requirements (see Exhibit 4, attached), funding sources, grantors, contractors, government authorities and creditors of the merging organizations.

I. Fundraising.

Coordinate fundraising efforts to attempt to cover the costs of the first transaction. Fundraising for this purpose will be very difficult for several reasons. Primarily, this mandated reconfiguration will place us in the awkward position of asking for money to support changes that will result in a reduction in client services. In addition, one of the greatest strengths of the current configuration is vibrant, unique local financial support for each of the existing programs. Local funders in Lane, Marion and Polk Counties will ask why they should support a reconfiguration that causes the disappearance of entities they know and shifts organizational control outside their counties, particularly if control is shifted to Portland.

**PHASE 4 - FIRST RECONFIGURATION TRANSACTION** Effective date: January 1, 2006.

Assuming all preparations have been completed during the Phase 3 transition period, the effective date of the first reconfiguration transaction will be January 1, 2006. Management and staff will implement the full integration of the two organizations.

**PREPARE FOR THE SECOND RECONFIGURATION TRANSACTION**

Completion date: December 31, 2006.

In the year prior to the second transaction, follow the same process of preparation described in Phase 3 above for the remaining organization to be reconfigured.

**PHASE 5 - SECOND RECONFIGURATION TRANSACTION**

Effective date: January 1, 2007

Assuming all preparations have been completed during the prior phases, the effective date of the second transaction will be January 1, 2007. Management and staff will implement the full integration of the organizations.

**PHASE 6 - FINISH INTEGRATING THE ORGANIZATIONS.**

Completion date: December 31, 2007.

Complete all remaining integration items within the resulting organization. The goal of this phase will be to recover the economies and client service levels that existed prior to the mandated

reconfiguration.

### TOTAL COST OF LEAST DAMAGING OPTION

In our previous recommendation to the Task Force, we noted that salaries and benefits provided by the six programs vary significantly for employees doing similar work with similar experience, with LASO and OLC having the highest pay scales and benefits<sup>3</sup>. Any consolidation of independent programs will require salary and benefit equalization, for several reasons. Benefit plans must be equally available to employees by law. LASO is a unionized program and our preliminary analysis is that a consolidated program probably will be unionized as well. The LASO pay scale is an integral part of its collective bargaining agreement. Finally, as a practical matter, to maintain employee morale it is reasonable to expect that employees of a single organization will expect equal pay for the same work.

Therefore, in our previous report we provided a rough estimate of the cost of equalizing salaries of all current employees in the six programs to the LASO pay scale. To provide a more reliable figure for this revised recommendation, we calculated the actual cost if the conversion were to occur this year. First, we collected actual salary information for all existing employees in all programs. Then we converted all positions and salaries to the nearest equivalent job category in the LASO pay scale and added the resulting salaries. Finally, we calculated the difference between existing cost and conversion cost for several of the models that we analyzed. The summary of those in-depth calculations is provided in Exhibit 5. If all six programs converted to the LASO pay scale, we estimate that salary costs alone would increase by \$648,609.<sup>4</sup> For our analysis of the least damaging option, we isolated from Exhibit 5 the salary costs that will occur in a 2-step reconfiguration of the LSC programs and added the out-of-pocket preparation costs noted in Phase 3 above:

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<sup>3</sup> "Highest" is a relative term. For example, LASO's starting salary for a new attorney is \$27,714 plus a student loan repayment benefit. Salary for a staff attorney with 20 years' experience is 54,760.

<sup>4</sup> There is a relevant historical comparison in Oregon. LASO is the result of the 1999 merger of two independent LSC-funded corporations, Multnomah County Legal Aid Service (Oregon's largest urban provider serving Portland and Multnomah County) and Oregon Legal Services (Oregon's rural provider serving all counties except Multnomah, Marion, Polk, Lane and Jackson). Both programs were unionized. LASO honored both collective bargaining agreements after the merger. Preservation of existing staff positions was a condition of the merger. After the merger, LASO and both bargaining units negotiated a new agreement for about a year and a half. The end result blended the two pay scales to the mid-point between each step of each pay scale. This was possible largely because it occurred during a two-year pay freeze, so that no one suffered a reduction in pay.

The cost of the mid-point salary equalization was approximately \$184,000 (i.e., the difference in annual payroll before and after pay scales were combined). This figure represents salaries only and does not include fringe benefits and health insurance.

The unified agreement and pay scales were finally implemented over two years after the effective date of the merger. In the interim, LASO administrative and accounting staff had to operate with two sets of books, personnel policies, benefit plans and bargaining agreements, without a commensurate increase in staffing to cover the additional workload caused by the merger. This was a very difficult and complex task that should not be repeated in any future reconfiguration. The standardization of policies and systems must occur prior to the effective date of any change.

Phase 3	(Prepare for first transaction)	at least \$241,500
Phase 4	(First transaction - prepare for second transaction)	\$62,730 <sup>5</sup>
Phase 5	(Second transaction)	<u>\$194,288</u> <sup>6</sup>
	Total	\$498,518

Note that these costs do not include the cost of equalizing health insurance and other employee benefits. As stated in our previous report, employee benefits are too variable and unpredictable to develop a reliable cost analysis.

At present, the only known confirmed increase in statewide funding is an increase in state court filing fees approved by the Oregon Legislature in the most recent session. The increases are being phased in over a 3 year period ending June 30, 2006. The Oregon State Bar, which administers the filing fees received from the Judiciary for the legal services programs, estimates that compared to current funding, the filing fees will increase about \$183,333 in 2005 and about \$372,222 in 2006.

The current combined budgeted expenses for the three LSC programs are \$8,108,365 for 2004. Cost of living increases and operating expense inflation for the three programs, estimated at 3% overall, will require additional revenue of \$243,251 in 2005, \$250,548 in 2006, and \$258,065 in 2007 just to maintain effort.

Therefore, we estimate that the least damaging option for a single LSC program will result in additional unfunded expenses of at least \$301,418 in 2005 alone<sup>7</sup>. To illustrate the impact on current client services, that unfunded expense is the equivalent of one year's cost for:

- 7.5 FTE staff attorneys with 5 years experience on the MPLAS pay scale, or
- 7.6 FTE paralegals with 10 years experience on the LASO pay scale, or
- 1 rural office with two attorneys and one support staff at OLC

It is the strong preference of the Association of Oregon Legal Aid Programs that available funds should be used to fill identified gaps in statewide service such as locating an office in Klamath Falls and providing unrestricted services in Marion and Polk counties.

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<sup>5</sup> For illustration purposes, this first transaction cost assumes MPLAS staff converting to the LASO pay scales.

<sup>6</sup> For illustration purposes, this second transaction cost assumes LCLAS staff converting to the LASO pay scales.

<sup>7</sup> 2005 projected filing fee increase less 2005 cost of living increase less 2005 reconfiguration cost.

Therefore, one of the major justifications for corporate mergers - reduced operating costs - is not present in our circumstances because of the significant differences in salary scales and benefits of the six legal aid programs in Oregon. Those differences exist because each program has made its own choices in response to resource shortages, rising demand for services, and the need to hire and retain qualified staff. To illustrate this point, if the Executive Directors of MPLAS and LCLAS become Regional Directors of the Salem and Eugene offices (respectively) of a single LSC entity, each of them will receive substantial pay increases. It is significant that those individuals would rather not receive the pay increases because it means that more clients will be served. This is consistent with the values, policies and traditions of their programs.

### CONCLUSION.

In 1996, the OSB Legal Services Task Force affirmed that the highest statewide priority for legal services was to increase revenue in order to expand client service capacity to address the high level of unmet need across the state. While Oregon has been relatively successful in building diversified resources for legal services compared to other states, those resources have not kept pace with inflation and a growing poverty population. Consequently, even maintenance of effort has not been possible. Local legal aid offices with staff attorneys in the Dalles, St. Helens, and Klamath Falls have closed. In 2003 the McMinnville office changed from a 2 attorney, 2 support staff office to a satellite of the Hillsboro office with one paralegal on site part-time.

The cost of the least damaging option (\$498,518) represents over 6% of the 2004 budgets for the three LSC programs. Those funds should be used instead to maintain effort, increase staffing and improve services. The mandated consolidation works directly against the OSB priority to improve access to justice, particularly compared to the benefits and low costs of the shared governance model that we recommend.

Corporate consolidations can have benefits under the right circumstances. However, the right circumstances do not currently exist in Oregon. Any benefits achieved by consolidation of the current LSC-funded programs are seriously outweighed by the costs: in revenue, community support, and loss of client services.

We agree with LSC's written state planning goals. Legal services programs in Oregon have the same determination to improve coordination of services and provide relatively equal access to all eligible clients in a state. The shared governance model meets LSC's standards and guidelines for state planning, but also addresses the financial and geographic realities of providing legal services in Oregon.

Oregon's legal services programs have a long history of cooperation and local support. The shared governance model will institutionalize that cooperation and create new opportunities for working together without endangering client services. For all of these reasons, we strongly recommend that the OSB Legal Services Task Force adopt the recommendation of a shared governance model.

## LIST OF EXHIBITS

- Exhibit 1 List of advantages and disadvantages of the regional model originally proposed by the Executive Directors.
- Exhibit 2 A brief description of 9 alternative models considered by the Executive Directors together with the advantages and disadvantages assigned to each model.
- Exhibit 3 Concept outline of Shared Governance Agreement
- Exhibit 4 Staffing Pattern Criteria
- Exhibit 5 Disciplinary Rule 2-111, Sale of a Law Practice, regarding client consent to change firms
- Exhibit 6 Summary of salary equalization calculations

## EXHIBIT 1

### **Advantages/Disadvantages of Proposed Regional Model (One Statewide LSC Corporation and Three or Four Non-LSC Regional Corporations)**

Under this potential configuration, there would be one LSC corporation covering the entire state. There would be three or four non-LSC corporations, each with a separate board and a separate administrative office located in an appropriate location within the region. There would be two statewide boards, one for the LSC entity and one for the non-LSC entities. The same people would serve on both boards. The statewide board is the only board for the statewide LSC corporation. The statewide board would have power to transfer money and establish statewide standards for the non-LSC corporations. The regional corporations on the non-LSC side would be responsible for priorities, case acceptance, hiring and firing and pro bono. There would probably be a statewide administrative corporation to serve the statewide board and administer funds. Although the executive directors originally proposed this model for further study, none of the executive directors currently supports this model after studying it more carefully.

#### Advantages

1. Creates a structure to address the shortcomings identified in the current structure in that it can distribute statewide money, can fill holes, establish statewide standards.
2. Maintains some regional control and regional programs where there may be more compatible style.
3. Permits Marion-Polk, Lane and Jackson to maintain lower pay scale over short run because of separate corporations, but since there is statewide LSC corporation in the same town, salaries will have to increase fairly quickly.

#### Disadvantages

1. This is the most expensive structure because it will pay the same salaries statewide (an additional \$648,609 over current costs) and adds expensive bureaucracy not required by alternative models. Requires lay-offs and reduction of service to clients.
2. The three or four non-LSC corporations would lack the critical mass necessary to support important statewide advocacy in complex litigation against the governments or defendants represented by large firms.
3. This model creates a third layer of statewide administrative bureaucracy above the regional corporations (statewide management, regional management and county office management). Most of the alternative proposals and the current models have one or two layers of administration (statewide and local office).
4. Requires establishing and maintaining three or four multi-site programs. This duplicates expensive administrative

overhead. Multi-site programs require much more complex administration and administrative staffing than single site programs. While there could be a savings based on the economies of scale for a one statewide multi-site program, three or four multi-site programs would be more expensive than the existing model.

5. This alternative reduces our ability to maintain high quality delivery models for rural communities because it precludes grouping the rural offices together and, instead, distributes them one-by-one as satellite offices attached to the nearest city. Staff in rural offices feel a much stronger connection to other rural offices than they do to the nearest city within their region. The rural offices prefer to stay within corporate culture of the Portland based programs that was created in the mid-1970s when a large number of rural programs merged to form Oregon Legal Services. Rural delivery, intake and advocacy are different. The corporate culture has a strong orientation toward local decision making and control over local issues like priority setting and case acceptance.

6. Eliminates the county boards in Marion-Polk, Lane and Jackson Counties.

7. Creates a structure that lacks symmetry between the LSC and non-LSC entities. The LSC corporation is statewide and focused on the best interest of all clients statewide. The three or four non-LSC entities will be smaller with a more local focus (even though the non-LSC entities handle statewide class actions and lobbying). The statewide board is the only board for the LSC corporation. The three or four local non-LSC corporations have independent boards, but rely upon a statewide board for statewide funding issues. That board will have a structural affinity that

is closer to the LSC funded program than to the smaller regional non-LSC corporations.

8. The three or four separate corporations are likely to establish and defend territory.

## EXHIBIT 2

### 1. Shared Governance Model.

Under this potential configuration, all six existing corporations would give up some corporate power to a statewide planning commission. The state planning commission would have power to: 1) Allocate discretionary state dollars (Filing fees, CEJ and OLF) 2) Set standards for needs assessment/priority setting (probably require periodic community based needs assessment/priority setting to determine local community client needs and appropriate intake systems to address the needs so that differences between offices would be related to local needs), and, 3) Set statewide fund raising priorities. In making statewide allocation decisions, the statewide commission would apply the staffing pattern criteria, strive to create a system where a low-income person in Oregon, regardless of location or status, would have relatively equal access to services from a legal aid office, maintain the ability to provide the full range of services and retain the ability of each office to provide high quality legal services.

#### Advantages

1. Creates structure to address all of the short comings identified in the current structure in that it can distribute statewide money, support statewide training/advocacy fill holes, access periodic changes in client needs and address changes in need.
2. Saves \$648,609 per year by not requiring programs to merge the salary scale, thus avoiding layoffs and a significant reduction in services to clients.
3. Permits Lane County, Marion-Polk and Jackson Counties to maintain strong local boards.
4. Retains local community based priority setting pursuant to statewide standards.
5. Retains local personnel decision making.
6. Retains local fund raising and community support that would not

#### Disadvantages

1. The structure lacks symmetry.
2. Independent corporations and employees are more likely to establish and defend territory.
3. Has four more executive directors, than two statewide programs, but all four are paid less than the regional office manager in the larger programs.
4. Does not create a unified salary structure.

be as easy with a Portland based or statewide corporation.

7. Does not disrupt service delivery.
8. Keeps rural offices associated with other rural offices providing high quality rural legal service.
9. Avoids creating additional multi-site programs which require a more costly administrative structure.
10. Does not require additional administrative staff for existing statewide programs because they will not be taking on additional responsibility. Permits the current county programs to continue with the light administrative staff that is only possible in smaller programs.
11. Maintains critical mass in each of the programs and functions necessary to deliver high quality legal services in Oregon. Each program would retain the ability to engage in complex advocacy against government defendants.

**2. Two statewide corporations with dual boards of directors.**

Under this potential configuration, there would be one LSC corporation covering the entire state. There would be one non-LSC corporation covering the entire state. Although there would be two separate corporations, the same human beings would serve on both boards.

Advantages

1. Structure addresses all short comings of the current structure identified by Task Force:
  - No uniform standards to compare statewide client accessibility/changing needs
  - No structure set state fund raising priorities
  - No ability to fill statewide gaps statewide
  - No process to resolve difficult allocation issues among programs statewide
  - No structure to fund statewide support and

Disadvantages

1. Reconfiguration of non-LSC programs is not required by LSC.
2. Negative impact on local autonomy, public image and identity. Potential loss of good will, reputation and other intangible assets.
3. Confusion about corporate entity could

advocacy

2. Will eventually cause salary and benefit

equalization throughout all programs in the state.

3. Fewer bureaucratic layers than holding company or regional corporation models.

4. Acceptable to LSC.

### 3. Holding Company.

Under this potential configuration, there would be a separate holding company that would receive the LSC and non-LSC money. The holding company distributes the funds to free standing corporations or subsidiaries of the holding company. The holding company controls the board make-up of the subsidiaries and may control the variety of administrative systems such as centralized accounting, technology, human resources, grant management etc.

cause loss of local fund raising strength.

4. Loss of participation by local board.

5. High cost of salary equalization will diminish client service (if not planned with a corresponding funding increase).

6. Possible loss of administrative staff.

#### Advantages

1. Statewide programs such as the farm worker Native American program and state support would be enhanced because of statewide system.
2. Provide uniform processes to eliminate barriers in current system.
3. Cost of implementation lower because independent corporations can keep Personnel policies and therefore do not have to equalize salaries and benefits.

#### Disadvantages

1. Non-LSC state funds would be tainted (Unless 2 companies with dual boards)
2. Separates administrative tasks from program service.
3. Separates financial planning from management.
4. Adds another layer of bureaucracy.
5. Deterioration of local control (lose control over board make-up and loss of free standing local identity).
6. Lying off staff whose functions are covered by central holding company.
7. Additional cost incurred by adding administrative layer.

#### 4. Single LSC Entity - Shift non-LSC money.

LCLAS and MPLAS would each give up about \$325,000, for a total of \$650,000 in LSC funding. CEJ, OSB (filing fees) and OLF (IOLTA) would redirect \$650,000 in non-LSC funding to Lane County and Marion-Polk.

##### Advantages

1. No change to existing LSC corporate structures.
2. No change required in non-LSC corporate structures.

##### Disadvantages

1. There may not be \$625,000 from CEJ, OLF and filing fees that could be shifted.
2. Statewide decision making would depend on cooperation (could be a positive)
3. Funding decisions by local bars may affect us.
4. Unfair distribution of non-LSC funds to Marion-Polk and Lane counties will create funding stress on LASO and OLC offices. The funding entities currently move non-LSC funds between LASO and OLC as part of an ongoing process to address changing client needs. Dedicating this money to Lane and Marion-Polk would remove it from that system and could force OLC or LASO to lay off staff or close offices.

#### 5. LASO/OLS, LCLAS/LCLAC and CNPLS

Under this potential configuration, LASO/OLC would be responsible for LSC and non-LSC services in 34 of Oregon's 36 counties (farmworker and Native in 36 counties). MPLAS would merge into LASO. There would probably be an additional OLC office in Marion County located in the adjoining building with a different street address. The two Lane County programs would remain the same as the current configuration providing both LSC and non-LSC services in Lane County. The unrestricted program in Medford would continue to provide all services in Jackson County.

##### Advantages

1. Costs less than mid-valley model because Lane County programs would not have to equalize salary with MPLAS. Costs less than two statewide programs with dual board because would not have to equalize with LASO salary.

##### Disadvantages

1. Fails to address all of the barriers in current system because dual board structure would only apply to 34 of 36 counties
2. Has a greater impact on one program

2. Creates dual board structure to address current barriers in almost all of Oregon

3. Creates a configuration providing non-LSC services to all counties in Oregon closing the current gap by having more non-LSC in Salem.

4. Does not require creating new administrative structures or major work reconfiguring the existing structures

5. Does not raise salaries at either program in Eugene.

6. Permits Lane and Jackson County programs to continue in current structure with local boards

#### 6. Mid-Valley LSC, LASO, OLC, LCLAC and CNPLS

Under this potential configuration, LASO would be responsible for providing LSC funded services in 30 of Oregon's 36 counties, a Mid-Valley LSC program would be responsible for Lane, Lynn, Benton, Marion and Polk Counties, OLC would be responsible for providing non-LSC services in 34 of Oregon's Counties, LCLAC would be responsible for non-LSC in Lane County and CNPLS would be responsible for all in Jackson County. LASO office in Albany would merge into Mid-Valley. OLC Albany office would remain as OLC office.

#### Advantages

1. Costs less than two statewide with a dual board because it plans to raise Lane County salaries to Marion-Polk salary scales which are lower than LASO's.
2. More compatible styles. More folksy and not run from PDX.
3. Does not require major restructuring of non-LSC programs.
4. Does not require reducing salaries in Albany.

because only MPLAS merges.

3. Salary adjustment cost is \$60,000

4. Loss of local board in Marion-Polk leaving fifth most populous county in Oregon without a local board.

#### Disadvantages

1. Doesn't address all short comings of the current structure identified by Task Force:
  - No uniform standards to compare statewide client accessibility/changing needs
  - No structure set state fund raising priorities
  - No ability to fill statewide gaps statewide
  - No process to resolve difficult allocation issues among programs statewide
  - No structure to fund statewide support and advocacy
  - Continued disparity in salaries
2. Requires creating more complex administrative structure to support a new multi-site program covering five counties

and three offices.

3. Costs of adjusting salary in Lane County to the higher Marion-Polk salary scale

4. Requires lowering salary of employees in current LASO office serving Lynn and Benton Counties.

5. Loss of local board in Marion-Polk leaving the fifth most populous county in Oregon without a local county board.

6. Raising salaries of one office in Eugene probably forces increasing salaries at both.

7. No coordination non-LSC in mid-valley.

#### **7. Mid-Valley LSC with Only LCLAS and MPLAS, LASO, OLC, LCLAC and CNPLS**

Under this potential configuration, LASO would be responsible for providing LSC funded services in 32 of Oregon's 36 counties, a Mid-Valley LSC program would be responsible for Lane, Marion and Polk Counties, OLC would be responsible for providing non-LSC services in 34 of Oregon's Counties, LCLAC would be responsible for non-LSC in Lane County and CNPLS would be responsible for all in Jackson County. The office in LASO office in Albany would join the OLC office in Albany.

##### Advantages

1. Costs less than two statewide with a dual board because it plans to raise Lane County salaries to Marion-Polk salary scale which is lower than LASO's.
2. More compatible styles. More folksy and not run from PAX.
3. Does not require major restructuring of non-LSC programs.

##### Disadvantages

1. Doesn't address any short comings of the current structure identified by Task Force:
  - No uniform standards to compare client accessibility or changing needs statewide
  - No structure set state fund raising priorities
  - No ability to fill statewide gaps
  - No process to resolve difficult allocation issues among programs statewide
  - No structure to fund statewide support and advocacy
  - Continued disparity in salaries
2. Requires creating more complex administrative structure to support a new multi-site program covering three counties

and two offices.

3. Costs of adjusting salary in Lane County to the much higher Marion-Polk salary scale

4. Requires using non-LSC money in Albany when other counties have greater need to serve undocumented and other restricted clients or cases.

5. Loss of local board in Marion-Polk leaving the fifth most populous county in Oregon without a local county board.

6. Raising salaries of one office in Eugene probably forces increasing salaries at both.

7. No structural coordination of LSC and non-LSC programs in mid-valley.

#### **8. Statewide LSC Program, OLC, LCLAC and CNPLS**

Under this potential configuration, LASO would be responsible for 36 of Oregon's 36 counties, OLC would be responsible for providing non-LSC services in 34 of Oregon's Counties (farmworker statewide), LCLAC would be responsible non-LSC services for Lane County and CNPLS would be responsible all services in Jackson County.

##### Advantages

1. Costs less than two statewide with dual boards because it leaves LCLAC
2. Addresses all of the short comings current structure identified by Task Force as to the LSC funded programs.

##### Disadvantages

1. Costs of raising salaries at LCLAS and MPLAS to level of LASO.
2. Doesn't address short comings of the current structure identified by Task Force for non-LSC programs:
  - No uniform standards to compare client accessibility or changing needs statewide
  - No structure set state fund raising priorities
  - No ability to fill statewide gaps
  - No process to resolve difficult allocation issues among programs statewide
  - No structure to fund statewide support and advocacy statewide
  - Continued disparity in salaries

3. Loss of local board in Marion-Polk leaving the fifth most populous county in Oregon without a local board.
4. Increasing salaries at LASO office in Lane County probably forces LCLAC to raise salaries.

**9. Mid-Valley LSC/non-LSC Pair with Dual Boards, LASO/OLC and CNPLS**

Under this potential configuration, LASO/OLC would be responsible for providing LSC funded services in 30 of Oregon's 36 counties (36 for farm worker and native), a Mid-Valley LSC/non-LSC program with dual boards would be responsible for Lane, Lynn, Benton, Marion and Polk Counties and CNPLS would be responsible for all in Jackson County.

Advantages

1. Costs less than two statewide with a dual board because it plans to raise Lane County salaries to Marion-Polk salary scale which is lower than LASO's.
2. Avoids control by Portland.
3. Uses dual boards which is a good idea and has worked well for LASO/OLC
4. There would be a non-LSC office in Salem.

Disadvantages

1. Doesn't address all short comings of the current structure identified by Task Force:
  - No uniform standards to compare client accessibility or changing needs statewide
  - No structure set state fund raising priorities
  - No ability to fill statewide gaps
  - No process to resolve difficult allocation issues among programs statewide
  - No structure to fund statewide support and advocacy
  - Continued disparity in salaries
2. Requires creating two more complex administrative structures to support two new multi-site programs covering five counties and several offices. More staffing.
3. Costs of adjusting salary in Lane County to the higher Marion-Polk salary scale
4. Requires four corporations having offices in Marion County (LASO farmworker office, OLC farmworker office, Mid-Valley LSC office and Mid Valley non-LSC office).
5. Loss of local board in Marion-Polk leaving the fifth most populous county in

Oregon without a local county board.

6. Loss of local board in Lane County leaving the fourth most populous county in Oregon without a local county board.

7. Separates corporations serving same client communities in the upper Willamette Valley (significant non-LSC service goes to undocumented clients, mostly Spanish and Indigenous speakers). OLC and LASO have been serving these low-income communities concentrated in Washington, Clackamas, Yamhill, and Marion Counties since 1977. This service requires extensive outreach, and building relationships with individuals, leaders and organizations. Lane and Lynn Counties have different minority populations because the labor intensive crops are in the Northern Willamette Valley.

8. OLC would experience a loss of critical mass when the non-LSC money from Lynn Benton Counties was removed. OLC currently has an office in Albany. The attorney is a statewide ad law expert in the state support unit.

9. Requires lowering salaries for staff working in Albany office.

## EXHIBIT 3

### Conceptual Outline of Shared Governance Agreement

- I. Names of six corporations in the agreement.
- II. Effective Date of agreement.
- III. Recitals/reasons for agreement
- IV. Substance of agreement
  - A. Creation of State Planning Commission
    1. Designate 13 positions on the Commission
    2. Terms of office
    3. Method of selection
      - a) 6 appointed by boards of the six corporations
      - b) 1 appointed by LASO Board for the Native American program
      - c) 1 appointed by the LASO and OLC Boards for the Farmworker program
      - d) 5 appointed by the OSB Board of Governors
    4. Criteria for selection, to include commitment to the basic principles of equal access to justice; ability to advance the mission of the legal services planning body; knowledge and understanding of providing quality legal services to low income people; history of support for legal services providers; geographic diversity; poverty law practice area specialities and the ethnic and cultural diversity of the client communities
    5. Governance structure of the Commission; appointment of officers and committees; minimum requirements for meetings
    6. Standards and procedures for resignation, removal or replacement
  - B. Specific delegation of authority by the six corporations to the Commission
    1. Power to decide allocation of statewide discretionary funds (filing fee, IOLTA, CEJ) among the six corporations each year if the six corporations cannot agree on an allocation formula. Define goals and standards for allocation.
    2. Power to set standards for needs assessment and priority setting in each corporation. Define goals and standards.
    3. Power to set statewide fundraising priorities to address identified needs. Define goals and standards.

4. Programs do not delegate to the Commission any power to receive or distribute funds. The six programs submit funding applications and receive funds directly from the funder.

C. Reservation of all other authority to the six corporations.

D. Definition of the process, annual schedule, and criteria for making allocation decisions for statewide discretionary funding.

1. Executive Directors meet first to negotiate funding allocations among their programs. A decision must be reached by a date certain, defined in the agreement, in advance of funding application deadlines.
2. If EDs reach agreement, the Commission is notified of the allocation proposal and then the programs submit joint funding applications to the funders.
3. If EDs fail to reach agreement by the deadline, the alternatives are presented to the Commission to make the final allocation decision, followed by joint submission of funding applications to the funders.
4. Consent of the three funders to receive only joint applications to be a condition precedent to the agreement taking effect.
5. Criteria used by the EDs and the Commission to make allocation decisions will include standards and guidelines to be defined in the agreement and adopted by the Commission, such as Staffing Pattern Criteria, legal needs assessments, the ABA and OSB standards for legal services practice.

E. Remedies/Dispute resolution

Remedies for breach of the agreement to include all available remedies at law and in equity. In the event of a disagreement among the six legal service programs over interpretation or breach of the agreement, the dispute will be resolved by binding arbitration, with terms and conditions of arbitration to be defined in the agreement.

F. Limitation of liability for Commission members

G. Duration - perpetual, unless amended in accordance with the agreement.

V. Miscellaneous provisions.

A. No amendment of contract terms unless a supermajority vote of the six programs and the Commission, terms and conditions to be defined in the agreement.

B. No assignment or subcontract of benefits and obligations.

- C. Agreement supercedes all prior agreements on this subject matter. No side agreements that contradict this agreement.
- D. Each corporation authorizes the signer by Board resolution and the signer binds each corporation.

[Signatures]

## EXHIBIT 4

### STAFFING PATTERN CRITERIA

- Impact** = Advocacy that achieves justice for a larger number of low-income people, frequently by changing the practices or policies of institutions serving low income people.
- Efficiency** = Get more or better service for a larger number of clients using fewer program resources.
- Staff Morale** = Create work environment for staff that enables staff to provide high quality services to clients.
- Critical Mass**= Create offices with sufficient staffing necessary to provide high quality services to clients.
- Presence** = Actions from legal services offices which have the effect of radiating justice, changing a community's systems and attitudes, emboldening and empowering clients, reminding others that someone's watching, building client and community trust, and fostering understanding of client needs and solutions that will work in the community. Maintaining presence can take fewer resources than creating presence.
- Access** = Providing equal access to a full range of legal services for all low-income Oregonians, addressing such barriers to access as geographical location, disability, language, literacy, cultural barriers, isolation, and lack of phones and transportation, and taking into consideration the availability of alternate legal resources and pro bono volunteers.
- Service** = Work that helps individual clients with compelling needs, helps spot impact issues and is a critical component of visibility and presence. Available non-legal resources help define individual compelling needs.
- Mission** = The proposed action should be consistent with our mission and priorities.
- Quality of Service** = Configurations which promote the delivery of the most appropriate, legally effective, client-centered, culturally relevant services, which demonstrate clear thinking, sophisticated understanding of the problems, the applicable law and the solutions available, and effective strategies to achieve the agreed upon goal.
- Funding** = Effective use of existing and potential funding taking into account all restrictions on service delivery associated with funding transferability within and between organizations.
- Community Relations** = The anticipated effect (positive or negative) of staffing pattern decisions on:
- the affected client community,
  - other providers serving the client community,
  - the program=s reputation, and
  - future support from funding sources.

Consideration of community relations can be, but does not have to be, one factor in evaluating potential staffing pattern decisions, so long as that consideration does not compromise the mission.

## EXHIBIT 5

### DR 2-111 Sale of a Law Practice

(A) A lawyer or law firm may sell or purchase all or part of a law practice, including goodwill, in accordance with this rule.

(B) The selling lawyer, or the selling lawyer's legal representative, in the case of a deceased or disabled lawyer, shall provide written notice of the proposed sale to each current client whose legal work is subject to transfer, by certified mail, return receipt requested, to the client's last known address. The notice shall include the following information:

- (1) that a sale is proposed;
- (2) the identity of the purchasing lawyer or law firm, including the office address(es), and a brief description of the size and nature of the purchasing lawyer's or law firm's practice;
- (3) that the client may object to the transfer of its legal work, may take possession of any client files and property, and may retain counsel other than the purchasing lawyer or law firm;
- (4) that the client's legal work will be transferred to the purchasing lawyer or law firm, who will then take over the representation and act on the client's behalf, if the client does not object to the transfer within forty-five (45) days after the date the notice was mailed; and
- (5) whether the selling lawyer will withdraw from the representation not less than forty-five (45) days after the date the notice was mailed, whether or not the client consents to the transfer of its legal work.

(C) The notice may describe the purchasing lawyer or law firm's qualifications, including the selling lawyer's opinion of the purchasing lawyer or law firm's suitability and competence to assume representation of the client, but only if the selling lawyer has made a reasonable effort to arrive at an informed opinion.

(D) If certified mail is not effective to give the client notice, the selling lawyer shall take such steps as may be reasonable under the circumstances to give the client actual notice of the proposed sale and the other information required in subsection (B).

(E) A client's consent to the transfer of its legal work to the purchasing lawyer or law firm will be presumed if no objection is received within forty-five (45) days after the date the notice was mailed.

(F) If substitution of counsel is required by the rules of a tribunal in which a matter is pending, the selling lawyer shall assure that substitution of counsel is made.

(G) The fees charged clients shall not be increased by reason of the sale except upon agreement of the client.

(H) The sale of a law practice may be conditioned on the selling lawyers ceasing to engage in the private practice of law or some particular area of practice for a reasonable period within the geographic area in which the practice has been conducted.

## EXHIBIT 6

### Summary of salary equalization calculations

1.	Marion/Polk to LASO Payscales:	\$62,730
2.	Lane to LASO Payscales:	\$194,288
	Lane Advocacy to LASO Payscales:	\$123,599
	Total Lane Cnty to LASO Payscales:	\$317,887
3.	Lane to Marion/Polk Payscales:	\$123,040
	Lane Advocacy to Marion/Polk Payscales:	\$85,666
	Total Lane Cnty to Marion/Polk Payscales:	\$208,706
4.	Jackson to LASO Payscales:	\$267,992
	Summary:	
	Marion/Polk, Lane Cnty, Jackson to LASO	<b>\$648,609</b>
	Lane County to Marion/Polk only	\$208,706

#### Assumptions Used:

Assumes all employees at 100% FTE  
LASO RD scale used for Exec Directors  
M/P Dir. Of Litigation scale for Exec Directors  
Lane Senior Attorneys on LASO Attorney Scale  
Lane Sr.Attny on M/P Attorney(+1500/yr)  
Based on latest information received from  
each agency (May 2004)