

# The Transformation of Community Legal Services, Inc., of Philadelphia: One Program's Experience Since the Federal Restrictions

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## I. THE LEGAL SERVICES CORPORATION RESTRICTIONS: A MANDATE FOR CHANGE

In 1995, the threat of a major cut in federal legal services funding loomed over legal services programs. Conservative members of Congress advocated not only the "Contract with America" and the end of funding to the National Endowment for the Arts, but also the demise of legal services for indigent Americans. Ralph Reed, the Executive Director of the Christian Coalition, compared the end of funding for legal services to Ronald Reagan's firing of striking air traffic controllers: while legal services was a relatively small budget item, its "formidable constituency" meant its demise would be a "dramatic and symbolic" gesture of the triumph of the new conservative government and would help pave the way for further, larger program cuts.<sup>1</sup> In addition to drastic funding reductions, Congress contemplated imposing unprecedented restrictions on all remaining legal services funding, a change as devastating to legal services programs as the funding cuts themselves.<sup>2</sup> These restrictions prohibited legal services programs from doing much of their most important and efficient work, including litigating class actions on behalf of poor people, addressing welfare reform issues, and advocating for poor clients regarding legislation and regulations that would have wide impact on their lives. Moreover, the proposed restrictions were not limited to programs' federal funds, but would apply to any funds legal services programs received, such as state and local funding, foundation grants, and private contributions.

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1. *A Revolution or Business as Usual? Republican Control of Congress*, HARPER'S MAG., Mar. 1995, at 43, 46.

2. See, e.g., H.R. 1806 and S. 1221, versions of the "Legal Services Reform Bill of 1995." The final version of these restrictions was passed in Pub. L. No. 104-134, § 504, 110 Stat. 1321.

The staff and Board of Community Legal Services, Inc. of Philadelphia (CLS) watched these developments with deep concern. CLS, then approaching its thirtieth anniversary as the legal services provider for the city of Philadelphia, had a distinguished history of aggressive and effective advocacy on behalf of the indigent. In 1990, an article in the *Hastings Constitutional Law Quarterly* reviewed litigation brought by legal services programs and concluded that CLS was the most successful legal services provider in the nation.<sup>3</sup>

A significant amount of CLS's traditional work would have been prohibited by the proposed restrictions. Moreover, CLS was still suffering the aftermath of an unexpected loss of state funding in the summer of 1994, and had a significant longstanding budget deficit that had necessitated office closings and staff reductions. Further funding cuts were unfathomable in an organization already stretched far beyond its means.

However, in the summer of 1995, it became obvious that funding cuts and the proposed congressional restrictions were virtually certain to be imposed. In Philadelphia, federal funding was likely to be reduced to \$2.4 million, a \$1 million reduction. This was an enormous loss for a program already struggling with a sizeable deficit and a total budget of only \$7.5 million. By September 1995, the news from Washington legal services lobbyists was clear: cuts and restrictions were inevitable, though the full extent of the changes was still unknown.

Management at CLS quickly determined that the organization simply could not accept federal money, which until that time had comprised about 40% of CLS's budget, if doing so would prevent it from engaging

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3. See 19 HASTINGS CONST. L.Q. 745, 773 (1992). For examples of successful litigation brought or co-counseled by CLS, see *Sullivan v. Zebley*, 493 U.S. 521 (1990) (successful challenge to federal regulations regarding eligibility of children with disabilities for supplemental security income benefits); *Youngberg v. Romeo*, 457 U.S. 307 (1982) (establishing rights of institutionalized persons to receive appropriate care); *Fuentes v. Shevin*, 407 U.S. 67 (1972) (holding replevin with bond creditor procedures unconstitutional); *Swarb v. Lennox*, 405 U.S. 191 (1972) (holding confession of judgment unconstitutional); *Graham v. Richardson*, 403 U.S. 365 (1971) (holding a citizenship requirement in a state welfare program unconstitutional); *Shapiro v. Thompson*, 394 U.S. 618 (1969) (holding that residency requirements for state welfare programs are unconstitutional); *Rosetti v. Shalala*, 12 F.3d 1216 (3d Cir. 1993) (successful challenge to Secretary of Health and Human Services' rules and policies for determining eligibility for disability benefits of people infected with the human immunodeficiency virus (HIV)); *Robinson v. Block*, 869 F.2d 202 (3d Cir. 1989) (upholding a challenge to a state's interpretation of eligibility requirements for food stamp benefits); *Kuehner v. Heckler*, 778 F.2d 152 (3d Cir. 1985) (challenging the termination of payments to 500,000 Social Security and Supplemental Security Income recipients across the country); *Ferrell v. Pierce*, 734 F.2d 454 (7th Cir. 1984) (enjoining the implementation of a major change in the Department of Housing and Urban Development's mortgage relief program); *Finberg v. Sullivan*, 634 F.2d 50 (3d Cir. 1980) (striking down Pennsylvania rules that allowed creditors to seize consumers' bank accounts containing social security benefits without notice); *Bolden v. Pennsylvania State Police*, 578 F.2d 912 (3d Cir. 1978) (upholding a challenge to longstanding race discrimination in state police hiring and promotion practices); and *Pugh v. Holmes*, 486 Pa. 272, 405 A.2d 897 (1979) (establishing an implied warranty of habitability in residential leases).

in some of its most significant work and using on behalf of its clients all the litigation tools other clients enjoy. Moreover, CLS feared losing a number of other funding sources if it accepted federal money and the restrictions that came with it. For example, CLS received foundation grants to do outreach to senior citizens and to families of children with disabilities. The restrictions included a prohibition on “solicitation” designed to prevent legal services attorneys from meeting with farm workers and offering to represent them, but which seemed to similarly prohibit a trip to a nursing home or school for the disabled to meet poor clients with legal needs. Thus, CLS’s continued ability to fulfill its obligations on its outreach grants would have been in question under the proposed restrictions. Finally, CLS depended on income from attorneys’ fees provided pursuant to a variety of federal fee statutes. The proposed restrictions prohibited receipt of that income. CLS feared they might also prohibit receipt of significant other state funding received for Social Security disability cases.

The solution seemed clear, but far from simple. There would have to be two legal services organizations in the city: one that would accept the federal money and live within the restrictions, and another that would rely on other funding and continue the broad range of work in which CLS had always engaged. Because of its relationships with a variety of government and non-profit funders, and its organizational history of performing a broad range of work, CLS was the obvious choice to retain all nonfederal funding and to continue to perform unrestricted work. A new organization could be formed to bid on federal money.

In anticipating this change, CLS realized that the toll on the organization’s morale, efficiency, and—at least temporarily—productivity would be tremendous. Because giving up federal funding meant the loss of \$2.4 million, CLS would be forced to make many reductions in both staff and office space. While CLS hoped the new organization would hire the staff CLS laid off, the \$1 million reduction in the remaining federal funding meant that many employees would end up without jobs, and office and unit structures would be severely disrupted. Taking one agency with three locations, a variety of specialized units, and 133 staff persons (most of whom had spent far more than a decade at CLS), and creating instead two agencies that would have to coordinate intake and advocacy was extremely complicated. Moreover, staff was represented by two unions, each with a different layoff procedure that controlled who could be laid off from CLS and who, therefore, was likely to staff the new organization.

Despite these issues, CLS’s Board proved supportive of management’s plan to reject federal funding. Indeed, the Board’s client represen-

tatives expressed passionately their belief that a full range of legal services had to be available to indigent clients and that it was essential that CLS remain unfettered by the proposed restrictions. In October 1995, the Board unanimously approved management's proposal to give up its largest source of funds. Arrangements for restructuring and downsizing then began in earnest.

Although no one was certain when Congress would actually pass the legal services legislation, the Board and management sought to establish both a smaller CLS and a new organization that could begin operating with federal money by January 1, 1996, since that was the earliest possible date for implementation of the restrictions. If the new organization was in place by that date, staff members could be laid off by one organization and hired by the other without gaps either in their employment or the provision of services. The Philadelphia Bar Association played a critical role in effectuating the plan, just as it had played a critical role in the formation of CLS almost 30 years before. It promptly incorporated a new entity, Philadelphia Legal Assistance Center (PLA), to bid on federal funds. The Bar Chancellor, Abraham C. Reich, quickly appointed a board. With a special grant from the IOLTA program, the PLA Board hired CLS's Personnel Director, who had more than 20 years experience at CLS, as Acting Executive Director. She then prepared the funding request for submission to the federal Legal Services Corporation.

With the creation of a new organization, negotiations began between the two legal services agencies regarding staffing and coordination of intake and substantive work. The Legal Services Corporation had not yet issued any guidelines on what interaction it would permit between LSC and non-LSC funded organizations, so both programs agreed to proceed conservatively in defining the CLS/PLA relationship. CLS was blessed with expert pro bono counsel from one of the City's largest and most respected law firms, Morgan, Lewis and Bockius, which provided concrete advice on establishing separate corporate identities. Similarly, the firm's labor lawyers were available to assist in union negotiations regarding layoffs and related personnel matters.

To avoid duplication and maintain program integrity, PLA's Acting Executive Director and CLS management sat down together to plan what the two organizations would do and what kind of staffing each would require. The decisions involved dismantling existing units and closing one of the two remaining neighborhood offices. As a result, staff members who had worked together for decades would be separated and some would lose their jobs altogether. In making these difficult decisions, CLS and PLA agreed on several principles:

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- the design of the programs and their relationship should ensure that both would be exciting, vibrant, high-quality law firms doing high-quality work;
- both programs would cooperate to meet the needs of clients and avoid competition;
- both would handle individual cases rather than having one focus exclusively on impact or policy work;
- work and intake responsibilities would be distributed between the two organizations in a manner that took into account the restrictions imposed by various funding sources and maximized the ability to use unrestricted funds to provide a full range of advocacy for clients;<sup>4</sup> and
- the two programs would seek to create a seamless array of services for clients and minimize the client inconvenience caused by the existence of two entities.

Using these principles, CLS and PLA analyzed CLS's work and endeavored to divide up areas of expertise and types of cases between the two organizations. LSC restrictions and the requirements of other funding streams dictated many of the decisions and made them quite complicated. For example, because CLS's state funding could not be used for welfare work, while PLA's federal funds allowed representation in individual welfare cases, PLA took on most of those cases. But because PLA would not be permitted under the federal restrictions to challenge welfare "reform," CLS agreed to continue handling those issues using unrestricted funds. Areas in which CLS had traditionally engaged in a great deal of legislative advocacy or class action litigation would stay at CLS. Similarly, staff who spent more time on such work or who generated significant attorneys' fees would be retained by CLS.

The goal in coordinating intake was to ensure clients could easily understand where to receive services and to minimize shuttling clients back and forth between the two organizations. Locating PLA's intake in the same building in which CLS had its main office was essential to achieving this goal. Fortunately, there was an empty floor in the office building that housed CLS's main office. PLA renovated that space to meet its needs, and subleased an additional floor that CLS would no longer require. CLS and PLA staff stationed on the building's ground floor could direct cli-

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4. In addition to facing the new restrictions on federal funds, legal services programs were also bound by numerous restrictions imposed by other funding sources. Other funders, however, did not mandate that restrictions on their funds be applied to other monies the legal services provider received. For a description of restrictions on Pennsylvania legal services funding sources, see Laurence E. Norton, II, *Not Too Much Justice for the Poor*, 101 DICK. L. REV. 601, 609 (1997).

ents to the receptionist at the appropriate organization, based on the type of problem for which the client was seeking assistance. Moreover, housing PLA in the same building as CLS's main office and several other public interest law offices, including the Philadelphia Bar's pro bono referral project, allowed PLA staff to share CLS's library and to maintain close and efficient ties with the other organizations.

The two organizations rapidly created a plan addressing all aspects of the new arrangement. The plan could not be implemented, however, without the cooperation of the unions. PLA sought to hire certain CLS paralegals and support staff with skill in the areas for which it would be responsible. While CLS supported this goal, it could not force many of those employees to leave since the support staff's union contract required that layoffs be based only on seniority. Similarly, the attorneys, who had their own union, had a complicated layoff clause that could make it difficult or even impossible for management to lay off the number of attorneys required to make the plan work. Meetings with both unions and staff to discuss the plan proved fruitful. Not surprisingly in view of the CLS culture, staff believed that providing poor clients with a full range of legal options was central to CLS's mission and history, and worked cooperatively to accomplish the changes. The unions respected CLS's organizational goal of avoiding the federal restrictions and saw their role as protecting staff jobs and salaries in both organizations. Legally, if PLA hired many former CLS employees, the unions would represent the employees at their new jobs. Because the union that represented support staff, including the paralegals, was interested in seeing paralegals continue to work in their areas of expertise, it agreed that staff PLA wanted to hire would voluntarily resign from CLS and accept jobs at PLA. The attorneys' union also worked out a plan that gave management some flexibility but protected the union members' rights. CLS was permitted to lay off the requisite number of attorneys, but those who were hired by PLA were provided with recall rights if job openings occurred at CLS.

Union negotiations went on into December, but PLA met its January 1, 1996 start-up goal. Attorneys, secretaries, paralegals and administrative staff left CLS and began employment with the new organization as of that date. Responsibility for many client cases was transferred; clients were notified that CLS would no longer represent them and new retainer agreements were executed for representation by PLA. Although necessary, these tasks were quite burdensome and required a great deal of paperwork and attention by casehandlers at both organizations who were still trying to manage their existing heavy caseloads. During the transition period, CLS was forced to close new client intake and PLA took some

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time to get its system up and running. But staff at both organizations managed to minimize the disruption in service to clients.

As a result of the reduction in federal funding, many staff members lost their jobs in January. Most had over a decade of work experience with the organization. CLS management targeted clerical and administrative jobs in an attempt to minimize the impact on clients, but the emotional toll on both departing and remaining staff was enormous. In addition to the layoffs of a few casehandlers, there was additional attorney attrition. Because of budgetary concerns, those who left were not replaced. Thus all remaining staff, both administrative and legal, faced heavier work burdens even as they confronted major administrative and organizational changes.

Because of the lack of funds, part of the plan included the closure of one of CLS's two remaining neighborhood offices. Early in 1996, the lease for the office was terminated; the library was sold; and staff, furniture and files were moved downtown. This decision was a particularly emotional one as staff had built strong relationships with and commitment to the neighborhood in which the office was situated and had a strong sense of office identity. Moreover, office closings implicated management hierarchies and led in part to the decision of several longstanding staff attorneys to leave CLS. After the office closed, only two sites for intake of new cases remained. Only two years earlier, however, CLS had operated a downtown office in addition to four neighborhood sites.

Defining the role of the one remaining neighborhood office was difficult. It had been easy to define intake responsibilities based on neighborhoods when offices existed throughout the city. One remaining neighborhood office with limited staff and tremendous demand for service was inconsistent with the centralized model with shared intake between two organizations at one downtown location. However, fiscally there were compelling reasons to keep it open. The lease was the least expensive of all the offices and staff valued the information gathered from the connection to one poor neighborhood. Because of staff limitations, intake hours were limited and staff continued to feel overwhelmed by both intake and community obligations. Nevertheless, the neighborhood office maintained a sense of camaraderie not replicated at the downtown office.

As 1996 began, CLS management felt somewhat amazed at all that had been accomplished in only a few months. A new organization was in operation with its own management team and funding. While CLS's cash flow was a constant problem, exacerbated by the absence of the traditional influx of federal funding early in the calendar year, the organization expected to finish the fiscal year in June with a deficit only slightly larger than in the previous year. Client representation continued. Staff

morale suffered from the changes, losses, and continuing fiscal austerity, but rallied in recognition of what the organization had accomplished. In the meantime, the logjam in Congress over the budget held up passage of the restrictions CLS anticipated. PLA operated under the old LSC rules on a month-by-month basis until Congress worked out its differences. Some staff, wondering if the restrictions would not in fact be enacted, contemplated reuniting PLA and CLS. However, on April 29, 1996, Congress passed the Omnibus Consolidated and Appropriations Act of 1996,<sup>5</sup> which included both the feared budget reductions and the most harmful restrictions.

For more than three years now, Philadelphia has operated with two legal services organizations. Two boards, two management teams, and two staffs serve the same clients. The organizations share a library under a leasing agreement, and have contracts for the shared use of some staff. These arrangements are carefully crafted to preserve each program's integrity in accordance with legal requirements. Each organization has its own timekeeping systems, fiscal staff, annual audit, personnel policies, benefit plans, insurance contracts, computer network, hiring processes, union negotiations, and management meetings.<sup>6</sup> The two organizations work together and with a number of other public interest providers. Task forces of Philadelphia public interest attorneys and paralegals doing public benefits, employment, consumer, and housing work meet to discuss issues and coordinate activities. Cases are referred among the groups, personal relationships among attorneys who used to work together assist in creating cooperative relationships, and recently hired public interest attorneys are creating their own network to build such ties.

Yet the challenge has been not how to keep the organizations separate as required, but rather how to continue to work together to avoid duplication of service, competition for funds, and administrative inefficiency, and to ensure that information and substantive expertise are shared. Employees at both CLS and PLA have developed institutional allegiances to the agency at which they work. These allegiances inevitably cause tensions when CLS and PLA face conflicts in staffing, funding, and the division of substantive work. For example, as the two organizations each interview and hire new attorneys, they compete for the same recruits, and even existing staff can be lured from one organization to the other. The lack of formal relationship means neither organization can in-

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5. Pub. L. No. 104-134, 100 Stat. 1321 Sec. 504(a).

6. Since 1995 the federal Legal Services Corporation has trumpeted the administrative advantages of fewer, larger legal services providers and advocated statewide planning processes to consolidate and merge programs. At the same time, the new Congressional funding restrictions have yielded the opposite result: the creation of new programs and related administrative inefficiencies.

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tervene if its staff thinks the other is mishandling cases or mismanaging its intake system. Moreover, staff morale may be affected by employees' perception that one entity is more respected than the other or that one bears a heavier client burden. A question of enormous significance to the organizations' long term relationship is whether PLA will continue to refrain from seeking any funds for which CLS could apply. This was a basic principle of PLA's creation and arose from the legal community's commitment to ensuring that all available nonfederal funds would remain untainted by the unacceptable federal restrictions. But will PLA's own sense of organizational integrity and the remaining unmet needs of its clients push it to seek new funding? It will take ongoing efforts by everyone in legal services and oversight from the larger legal community and legal services funders to minimize these conflicts in the coming years.<sup>7</sup>

## II. MANAGEMENT IN A NEW ERA

The creation of PLA was only the beginning of a series of changes for CLS, which remained seriously underfunded. The organization had carried a significant deficit off and on for years. Cash flow was erratic, bills went unpaid for long periods of time, and making payroll was a continuing concern. Staff and its work were affected as there was little money for training, conferences, publications, consultants, experts or translators. For years the agency had avoided costly improvements. Photocopying machines were old and unreliable. Thanks to a generous one-time foundation grant and other donations, most casehandlers had personal computers on their desks. However, the agency had no network or e-mail, limited software, and no training or support budget. Furniture had not been purchased in over ten years and the neighborhood office looked dilapidated and dirty.

While CLS suffered with these continuing frustrations, the message of the 1990s to nonprofit managers stressed downsizing, accountability and efficiency. For example, the state legal services funder imposed a time-keeping requirement, mandating that staff document time spent on activities for the first time in the organization's history. Telephone intake systems were highly touted at national legal services gatherings due to

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7. Everyone involved with the creation of PLA hoped it would be a temporary agency. Unfortunately, there has not been any action in Congress to remove the restrictions or the provision that the restrictions apply to all funds a recipient receives. Meanwhile, litigation has been filed challenging the legality of the restrictions, including two cases that upheld the restrictions but are now pending on appeal in U.S. Circuit Courts. *See Legal Aid Society of Hawaii v. Legal Servs. Corp.*, 981 F.Supp. 1288 (D. Haw. 1997), cert. denied, No. 98-296, 1998 U.S. LEXIS 7588 (Nov. 30, 1998); *Velazquez v. Legal Servs. Corp.*, 985 F. Supp. 323 (E.D.N.Y. 1997), appeal pending. In *Varshavsky v. Perales*, no. 40767/91, slip op. (Sup. Ct. N.Y. County Dec. 24, 1996), Justice Beverly Cohen held that the LSC restriction prohibiting involvement in class actions was unconstitutional insofar as it barred such advocacy even when paid for with non-LSC funds.

their promise of high-volume efficiency. "Strategic planning" became the non-profit buzzword. There were signs that funders expected balanced budgets. Indeed, one major local foundation announced that it would not make grants to arts institutions whose deficits exceeded a fixed percentage of their total budget. CLS's difficult fiscal situation was inconsistent with these expectations. Therefore, CLS management adopted a three-part response. First, it would eliminate its budget deficit through continued and increased fiscal austerity coupled with aggressive fundraising. Second, once the budget permitted, it would authorize spending to improve efficiency, giving this priority over increased staffing. Ineffective machinery and phone systems would be replaced; an up-to-date computer system with supports and training would be provided; buildings would be upgraded and repaired; staff development funds would be made available; funding for necessary experts, consultants, and publications would be budgeted. Third, CLS would address management issues by retooling a loose management culture that tolerated unproductive staff and was complicated by longstanding interpersonal tensions.

CLS's failure to adequately address its deficit earlier was largely the result of an organizational culture that protected employees from layoffs and could not significantly reduce costs without staff reductions. As an organization committed to protecting the most vulnerable and underprivileged and that frequently assisted the victims of layoffs and terminations, CLS knew the toll job loss would take on individual lives. Moreover, the organization had hired many staff persons from the neighborhoods it served, and understood that these employees, particularly the older ones, would face real perils without steady income. Finally, the longevity of management's personal relationships with these staff members made the prospect of layoffs particularly painful. Changing the anti-layoff culture was difficult, but the loss of federal funds in 1996 coupled with continuing insecurity about both CLS's and PLA's survival necessitated significant staffing cutbacks. When the state once again reduced funding in July 1996, a second round of layoffs, targeted primarily at senior administrative staff, seemed less foreign though equally painful.

In further response to the budget deficit, CLS changed its approach to fundraising. Previously, attorneys worked without much attention to whether specific funding was available. However, with limited staff, a greater percentage of restricted funds, and new timekeeping requirements, management began requiring staff to assist in raising money for important work that had no dedicated funding source. While fundraising had previously been almost exclusively the province of management, attorneys were now pushed to engage in grant-writing and reporting. This new responsibility burdened attorneys who already felt stretched to their

limits. Still, management emphasized that grants would ensure that interesting and important work could continue. It circulated frequent memoranda to staff and Board members with good news about fundraising successes and praise for staff involved in these efforts. These steps increased the investment of staff and Board members in the fundraising process. In accordance with the desire for increased and more sophisticated fundraising, management hired a fundraising consultant. The executive director, fiscal director, and director of planning spent a substantial portion of their time working with the consultant and meeting with funders. A new, polished brochure was developed to promote the organization. In addition, significant efforts were made to woo new donors and increase support from existing ones.

Ultimately, CLS culture changed significantly as CLS obtained a broader funding base and became more savvy in seeking funding. For example, instead of applying for funding for a wide variety of projects, each of which would require new and different proposals and separate substantive, accounting, and reporting requirements, CLS focused primarily on a single major substantive fundraising initiative, beginning with welfare reform. CLS asked potential funders to support a portion of the project. This strategy allowed CLS to use virtually the same proposal, tailored slightly for each potential funder's particular interests or requirements, for numerous grant applications. Moreover, when the proposals were successful, as a majority were, the substantive, reporting, and accounting requirements were minimized. As importantly, the selection of a fundraising priority project helped to ensure that CLS staff focused its efforts on projects considered to be most pressing.

Law firm fundraising also reached a new high, spurred in part by two generous matching grants from a local foundation and the continuing efforts of the Board and Bar Association. CLS explored other fundraising mechanisms, including expanded efforts to raise funds from individuals and local churches. At the same time, CLS struggled to improve its fundraising database and to routinize its efforts. Eventually, it hired its first development director.

In the final aspect of its restructuring, CLS management pushed to improve its own performance and administration of the program. Administrative staff had been reduced disproportionately in the layoffs. The remaining administrative staff was forced to be more efficient. One obvious efficiency came out of the improved budget situation. Staff no longer spent significant time warding off creditors and prioritizing bill payments. Similarly, an improved budget allowed the organization to purchase reliable technology, install an advanced computer network and software, and provide appropriate training.

The need to adjust management to the new organization required painful changes. A major management change had occurred in June of 1995, when the organization's well respected and long time Executive Director resigned. He had taken over the organization at a time of a drastic funding deficit and guided it through multiple crises through the years. The new Executive Director had no previous management experience, but came out of the attorneys' union and was the first woman to lead the organization. Because the new Director was an outsider to the existing management team, and because the union attorney staff harbored significant discontent with that management, there was much staff expectation that the new Director would change the management structure. Indeed, much of the input from legal staff throughout the transition process reflected hopes that the changes mandated by the federal restrictions and funding reduction would be accompanied by other managerial and structural changes. Part of the discontent reflected a problem common to legal services organizations and other professional firms: generally, promotion into management positions resulted from outstanding performance as a litigator, but litigation expertise did not necessarily correlate to interest or skill in management.

To address these concerns, the new CLS needed managers willing to spend more time managing. Their responsibilities could not simply consist of providing creative ideas for advocacy strategies, but required dealing with staff problems, performing staff evaluations, and working on such mundane issues as timekeeping, filekeeping, office space, absenteeism, case management, intake schedules, and grant proposals and reports. The Director merged the responsibility for smaller units under one managing attorney and ensured that each member of the management team was committed to addressing pressing management issues. In addition, during a union contract negotiation, a plan was devised to rationalize the supervisory attorney system. Management salaries, which had been disparate and idiosyncratic and thus a source of staff annoyance, were made more equitable. A human resources director was hired. Moreover, management finally committed itself to a list of priorities to improve its own performance, including management training.

### III. CHANGES IN SUBSTANTIVE ADVOCACY STRATEGIES

CLS also altered its approach to substantive work. Staff began focusing less on traditional litigation strategies and more on administrative, legislative, and other policy advocacy. This shift of emphasis developed in response to an increasingly conservative and unsupportive federal judiciary, and attacks on poverty programs in the legislative and administrative

arenas.<sup>8</sup> Moreover, the respect and expertise CLS had gained over almost three decades of aggressive client representation meant its staff had influence in the policy arena. This new work required more collaboration both with legal services colleagues and the broader nonprofit community. In 1996, advocates for Pennsylvania's poor faced an overwhelming range of urgent and complex new client needs as a result of the passage of state and federal welfare reform, housing law amendments, and other changes. Because of the breadth of issues being addressed, sharing work among the different specialty units at CLS became more commonplace. Moreover, the tremendous reduction in attorney staff at CLS forced overburdened advocates to look for support beyond their own drastically diminished units. In addition, since CLS casehandlers were now housed in only two offices rather than spread out across the city, communication and collaboration became easier.

CLS's response to welfare reform provides the most comprehensive example of collaboration across units and specialties.<sup>9</sup> In addition to the public benefits staff that had previously handled all health and welfare issues independently, staff from the employment and consumer units became part of the welfare reform response team. All issues were divided up among the team members with frequent meetings to ensure the constant flow of information. CLS's employment staff saw protections in the employment law area as the last safety net for poor people who no longer had access to public benefits programs. The team focused on issues including welfare recipients' rights in workfare programs, utilizing employee protections such as the Family and Medical Leave Act,<sup>10</sup> and maximizing clients' access to unemployment compensation and pension funds. CLS's consumer lawyers provided expertise and advocacy on student loan and job training issues. Staff from the public benefits, consumer, and employment units all worked with government officials and other advocates to design a public jobs program. In addition to bolstering the work of CLS's public benefits staff, the employment and consumer attorneys' involvement in welfare reform advocacy and greater understanding of the welfare system made them more effective in responding to their clients' traditional consumer and employment law needs.

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8. CLS's shift in emphasis from litigation to other forms of advocacy certainly does not mean that CLS has abandoned its use of traditional litigation remedies when they are appropriate and effective. CLS attorneys continue to pursue class action and attorney fees cases in a number of areas, including consumer and housing law. Recent class action litigation in these areas has included a challenge to the new state landlord-tenant law restricting indigent clients' rights to appeal, actions challenging ongoing consumer fraud, and challenges to the state's durational residency requirements for welfare benefits.

9. For a comprehensive discussion of this work, see Sharon M. Dietrich et al., *Welfare Advocacy: Tactics for a New Era*, 31 CLEARINGHOUSE REV. 419 (1998).

10. 29 U.S.C. § 2601 et seq.

Although CLS had always collaborated with a wide range of client and advocacy groups, the advent of vast welfare reform made such partnerships all the more essential and effective. CLS reached out to new potential allies such as child care providers, community colleges, and organized labor, as well as traditional partners such as women's groups, domestic violence advocates, welfare rights organizations, and consumer groups. This collaboration offered two obvious advantages. First, advocates could put forth a united front at a critical time. Second, other groups often had different contacts than CLS and so could jointly advance an advocacy agenda more effectively than CLS could alone. Among CLS's most effective collaborations was its work with the City of Philadelphia and the State on welfare issues in which the government shared common goals with CLS's clients. The City, like other localities, feared that changes in welfare would require it to provide additional costly services to those who fell through cracks. The Mayor's Chief of Staff invited CLS to join a Block Grant Response Team including government officials, advocates, and service providers. This forum gave CLS attorneys the opportunity to gather information and to push client initiatives CLS had identified. For example, CLS encouraged the Mayor to recommend to the Governor that he seek a waiver of new limitations on food stamp eligibility for high unemployment areas of the state. The Governor acted quickly on the suggestion, and Pennsylvania ultimately received one of the first such waivers in the country, preserving millions of dollars of food stamps for poor Pennsylvanians. While CLS could have made the suggestion independently, the Mayor's appeal was far more effective. Moreover, the successful collaboration between the City and CLS strengthened a relationship that had been tested by past conflicts.

CLS continues to work constructively with the City, and has received a substantial increase in City funding to support its work. While much of CLS's welfare reform work put it at odds with Pennsylvania's Department of Public Welfare, on some issues it was able to advance its clients' interests by working cooperatively with the Department. For many years, CLS has participated in numerous Department Advisory Committees. CLS used these Committees to provide technical assistance on the details of the food stamp waiver request and to work closely with the State on the shared goal of preserving federally funded SSI benefits for children with disabilities. On the latter issue, CLS not only participated in an intergovernmental work group regarding SSI, but also designed and delivered training for welfare caseworkers and other staff. In addition, CLS assisted the Department in contacting every family whose child had been terminated from SSI as a result of changes in federal law so that those terminations could be appealed.

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CLS also focused more attention on client education. Because many CLS clients were either misinformed about or unaware of the many changes in welfare law and policy, they were unable to negotiate the system successfully. During the early implementation of welfare reform, clients more often required education than actual representation on welfare issues. Moreover, CLS and PLA's drastically diminished public benefits staff could handle only a limited number of welfare cases. CLS therefore organized large group trainings and developed straightforward written materials that were widely distributed to welfare recipients. Community education efforts continue to evolve as the progression of welfare reform creates new client needs. CLS also assumed an important role in providing updated information and analysis on welfare reform developments to advocates and service providers. Staff organized open monthly briefings in response to a barrage of speaking requests. These well-attended sessions allowed staff to concentrate their education efforts and to share their advocacy strategies and goals. In addition, the meetings provided valuable feedback and enabled CLS to identify new allies.

While the response to welfare reform provides the most dramatic example of new collaborations and advocacy strategies, other staff at CLS has moved in similar directions. For example, CLS has for many years had a contract with the City to provide representation for parents at risk of having their children removed from their care. The Dependency Unit that provided representation in these cases had for a long time been somewhat isolated from the rest of CLS. The staff was physically located in the Family Court building instead of a CLS office and casehandlers were overwhelmed by huge caseloads that left them little time to engage in advocacy aside from individual representation. As part of the management and substantive changes at CLS, the unit, renamed the Family Advocacy Unit, moved to CLS's main office and expanded its work to address the systemic problems clients faced. The staff is making efforts to collaborate on a regular basis with public benefits and housing staff to address issues that increase clients' chances of retaining their parental rights. Common issues include access to health and mental health services as the Medicaid system switches to a managed care model, the impact of welfare reform on troubled families, and access to low income housing. In addition, staff is struggling to better balance advocacy initiatives and individual cases.

CLS is also expanding advocacy efforts beyond its traditional concerns. For example, in the fall of 1998, CLS gained a Skadden Fellow who is exploring how to integrate CLS's current substantive expertise on housing, consumer, public benefits, employment and utilities issues into local community economic development efforts. Although CLS has never

previously played more than a peripheral role in these efforts, it recognizes the importance of lending its expertise as poor communities respond to governmental pressures to shift people from welfare to work in neighborhoods with few jobs and opportunities.

#### IV. CONCLUSION

The 1996 split between CLS and PLA is beginning to feel like ancient history to the Philadelphia legal services community. Both organizations have hired new attorneys and support staff who had no contact with the old CLS and view the new structures as normal. Yet the restrictions and their impact affect every staff person every day. While CLS continues to serve as a model for legal services programs throughout the nation, many old organizational struggles still continue. Perhaps the most important is the ongoing need to balance individual cases (where the obvious and immediate needs are visible each morning in crowded waiting rooms) with broader efforts to effectuate change (such as class actions or administrative advocacy). And like all legal services programs, CLS must continue to walk an old political tightrope as it tries zealously to represent clients in suits against federal, state, and local governments while also keeping those governments convinced of the value of funding legal services. The government funding cutbacks have added new struggles. Clients, staff and board members debate how to better reach neighborhoods CLS used to serve through local offices when there is not enough staff to serve those who walk into the remaining office doors. Leaders in both agencies still work to minimize the conflict and competition of two independent organizations serving the same population of poor people. CLS's changes in culture are all works in progress, demanding constant attention.

The new reliance on fundraising, requirements for timekeeping, and resource limitations mean CLS must spend more time coordinating its work with its funding sources, while at the same time trying to do the most important and effective work for Philadelphia's poor. Funding crises are always on the horizon. The past year witnessed a worrisome Supreme Court decision on IOLTA funding<sup>11</sup> and a struggle over the Social Services Block Grant, a multimillion dollar source of legal services funding in Pennsylvania. Staff members seem more burdened than ever. Yet

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11. In *Phillips v. Washington Legal Foundation*, 118 S. Ct. 1925 (1998), the Supreme Court held that the interest income generated by client funds held by attorneys in bank accounts is the private property of the clients. The Court remanded the case to the Fifth Circuit, however, to decide whether the payment of that interest income to foundations that support legal services programs constitutes an unconstitutional "taking" by the state. If that crucial question is resolved in the affirmative, legal services programs may ultimately lose millions of dollars of IOLTA funding.

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with determination and dedication, CLS continues to serve clients with often overwhelming problems. Indeed it is ultimately those clients, their needs, and their courage to survive that keeps CLS moving forward toward the goal of providing access to justice for all.

