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A Mississippi Nonprofit Corporation

August 11, 2011

Gerald S. Hartman
Drinker Biddle & Reath LLP
1500 K Street NW
Washington, DC 20005-1209

RE: Grant from the Barbara McDowell and Gerald S. Hartman Foundation

Dear Jerry,

We are pleased to provide the following final report of the work performed on the case for which the Foundation grant was provided. Since the report submitted in April, *Lowe v. South Delta Regional Housing Authority* has been settled.

The *Lowe* case involves tenants of a low income housing program run by a regional housing authority. After years of paying \$60/bedroom/month for rent, the housing authority suddenly raised the rent to approximately \$130/bedroom/month, to be effective in August, 2009. We filed suit on behalf of about 250 tenants, protesting that the rent increase violated the state statute governing housing authorities, which limits the amount of rent to be charged to a "break even" amount. After a short delay, the new rent structure went into effect in November, 2009, and the tenants have been paying the increased amount for 18 months. At this point, approximately 65 of our original 250 tenants have moved because they have been unable to pay the increased rent.

The case was settled in May, 2011. A confidential settlement agreement was signed, and the case was dismissed. A key element of the settlement was for the rent to go down for tenants beginning June 1, 2011. Unfortunately, the director of South Delta Regional Housing Authority, co-defendant AJ Jefferson, refused to acknowledge the new rent structure, so we have continued to fight on behalf of our clients. We are confident that the settlement agreement will be enforced, but we are not able to completely walk away as yet.

As reported in our prior report, the executive director was indicted in January for tampering with government witnesses, but she continued to run the housing authority on a daily basis. She was finally indicted on more serious charges on August 1, and the board of directors placed her on administrative leave, barring her from the facilities until the criminal matter is concluded. (Copy of article describing the indictment is attached.) With a new director in place, we are hopeful that the terms of the settlement agreement will be followed, and the tenants will finally get the maintenance they are entitled to receive.

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Housing authorities are created by statute to assist low income families with housing needs. In this case, a regional housing authority lost sight of its purpose and implemented policies designed to force low income residents out of their homes. Because of the actions of one misguided executive director, a once-valuable program was turned upside down. Once the Mississippi Center for Justice filed suit on behalf of the tenants, the tenants' plight was made public, prompting the FBI to launch an investigation against the authority and its executive director. Although the litigation lingered for nearly two years in which tenants had to pay increased rents, the end result was a more equitable rent structure and the imposition of an obligation to provide needed maintenance for the properties. Without the intervention of the Mississippi Center for Justice, hundreds of low income elderly and disabled residents of the Mississippi Delta would have lost their homes.

We very much appreciate the assistance of the Barbara McDowell and Gerald S. Hartman Foundation in meeting litigation costs. At the time we filed suit in July, 2009, we had no specific funding sources to help pay for the litigation. We had a local attorney who assisted *pro bono* from the beginning, and we were joined by a prior Mississippi Center for Justice board member, who assisted on a *pro bono* basis for the last six months of the case. The bulk of the work was done by the Center's Advocacy Director Beth Orlansky, however, and there was no designated funding to cover her time.

Thank you again for your commitment to impact litigation. We are pleased with the resolution of this case.

Very truly yours,

MISSISSIPPI CENTER FOR JUSTICE



Beth L. Orlansky
Advocacy Director

Delta Democrat Times

Greenville, Mississippi

• CHRONICLING THE MISSISSIPPI DELTA SINCE 1868 •

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Miss. holds Democratic and GOP primaries today

JACKSON (AP)—Mississippians were voting in party primaries Tuesday for statewide, regional, legislative and county races.

Democrats' only statewide contested primary was for governor. Republicans have contested statewide races for governor, lieutenant governor, treasurer, agriculture commissioner and secretary of state.

Polls opened at 7 a.m. and are to close at 7 p.m.

In some counties, voter turnout was likely to be driven by races for sheriff, supervi-

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Same place, additional charges for A.J.



BILL JOHNSON / BILLJOHNSON@DTONLINE.COM

South Delta Regional Housing Authority Director A.J. Jefferson (center) stands with her attorney Willie Griffin (left), after Jefferson's hearing at the Federal Court House, Monday, in Greenville. Johnson is charged with a total of eight counts. The woman at right is unidentified.

SDRHA's Jefferson faces embezzlement, other charges

KATIE NICHOLS
katenichols@ddtonline.com

GREENVILLE — For the second time in six months, A.J. Jefferson, director of South Delta Regional Housing Authority, appeared in federal court Monday to face more charges.

The charges levied against her this time include embezzlement, coercing witnesses, lying under oath, taking kickbacks and lying to FBI agents.

Contractor Jimmy Johnson, of Johnson Brothers, who lives in Indiana, joined Jefferson before Magistrate Judge Jane Virden to hear the

three charges with which he was indicted.

Both were arrested Monday morning by U.S. Marshals.

Shortly before 3 p.m. Virden called Jefferson and her attorney Willie Griffin to begin Jefferson's arraignment.

Jefferson was charged with embezzlement of public money, property or records; intimidation or force against witness; tampering with a witness, victim or informant; embezzlement of public money, property or records; statements or entries generally fraud or false; and the three previous are retaliating against witness, victim. She

pleaded not guilty to each count.

Johnson was charged with embezzlement of public money, property or records; intimidation or force against witness; and statements or entries generally fraud or false.

When Griffin was contacted Monday, he said he had no comment on the case.

When all the charges' highest possible penalties are added up, if convicted, Jefferson could face up to 95 years in prison and Johnson could be sentenced up to 35 years in prison. Johnson was given a \$10,000 bond, which he would have to put up

\$1,000.

He will be arraigned Thursday and that is when the scheduling order will be set for both suspects.

The federal indictment outlines the events surrounding each charge.

■ **Count One** — embezzlement of public money, property or records — up to 10 years in prison, three years supervised release and up to a \$250,000 fine

According to the indictment, from Oct. 22, 2009 until May 7, 2010, Jefferson helped Johnson use and/or take

See A.J. on 3

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School voucher bills flood GOP-led statehouses

ATLANTA (AP) — More states than ever before have considered school vouchers this year, driven by resurgent Republicans who see the lagging economy as an opportunity for a fresh push on one of their most contentious education policies.

As of mid-July, at least 30 states had introduced bills that would use taxpayer dollars to send children to private schools, most limited to poor or special needs children, according to the National Conference of State Legislatures. That's compared with nine voucher bills in 2010, just one of which passed — a special needs voucher program in Oklahoma.

And 28 states this year have eyed giving tax breaks to those paying private school tuition bills, which some

consider a back-door voucher program.

At least six states have passed voucher or tax credit legislation this year. Some of the programs are based on income, some based on disability, while others are available for anyone who wants to take advantage.

Some of the measures failed, and others are still under consideration as states struggle with budget deficits and GOP lawmakers tout vouchers as cheaper per child than the cost of public schooling.

"I think that there's long been an interest among Republican legislators, but this year is the first time they've gained so many seats in so many states and gained majorities," said Josh Cunningham with the state

legislatures group. "There was a window of opportunity to get these bills passed. It was kind of the perfect timing."

The spike has revived a long-running debate between conservatives who believe parents should have more options on where children are educated and teachers' unions, which say vouchers siphon money from cash-starved public schools.

So far this year, the country's oldest voucher program in Milwaukee has been expanded and Indiana created the nation's broadest private school voucher program. Arizona launched a voucher program for special needs students.

The program in Washington, D.C., which had been suspended by Con-

gress, was granted funding again this year as part of federal budget negotiations.

Oklahoma created a tax credit for donors who give scholarships to send children to private schools. Ohio expanded its program, quadrupling a cap on how many students at failing schools can receive vouchers from 14,000 to 60,000 and creating a program for special needs students.

Advocates say the public has become more accepting of voucher and tax credit programs.

"People are realizing the sky hasn't fallen and it's OK," said Robert Enlow, president and CEO of the Friedman Foundation for Educational Choice in Indianapolis.

Not all states are as welcoming,

even some with Republicans in charge of the statehouse. Measures failed in Mississippi, Texas and Montana. Georgia lawmakers this spring voted down a bill that would have expanded the state's voucher program, which covers special needs students, to include military families and children in foster care.

In Georgia, even conservative state lawmakers said they worried about expanding any state programs in a year when \$1 billion in spending had to be slashed.

And in Indiana, where any child in a family of four earning less than \$60,000 a year will get a voucher, educators and clergy are suing to have the law blocked.

Cost of FAA shutdown could exceed \$1 billion

WASHINGTON (AP) — The congressional standoff that has partially shut down the Federal Aviation Administration has some curious math.

Lawmakers risk losing more than \$1 billion in revenue from uncollected airline ticket taxes in a quarrel between Senate Democrats and House Republicans who are demanding a \$16.5 million cut in rural air service subsidies.

Runway work at the Greenville Mid Delta Regional Airport is being held up in the process.

The shutdown is less than two weeks old and already the government has lost more than \$250 million in revenue because airlines' authority to collect ticket taxes has expired. The

entire annual budget of the rural air services program is about \$200 million.

"I'm a fiscal conservative," Sen. Kay Bailey Hutchison, R-Texas, told the Senate on Monday. "I'm trying to make the cuts that are necessary, trying to do the things that are right, but ... that just doesn't add up."

The Senate, with the federal debt crisis resolved, is expected to leave by the end of the week for its August recess. The House has already left. Unless the Senate accepts the House bill, lost revenue from uncollected airline ticket taxes could exceed \$1.2 billion before lawmakers return to work a month later, senators said.

The FAA's long-term operating authority ex-

pired in 2007. Since then, Congress has been unable to agree on a long-term funding plan. The agency has continued to operate under a series of 20 short-term extensions.

The latest extension expired at midnight on July 22 after Senate Democrats rejected a temporary extension bill passed by the House that contained the subsidy cuts. Senate Republicans blocked a Democratic extension that didn't include cuts.

The lost ticket tax revenue is costing the government an estimated \$200 million a week. The FAA has furloughed nearly 4,000 employees and issued stop-work orders on more than 200 construction projects.

Air traffic controllers have remained on the

job. Transportation Secretary Ray LaHood has vowed that safety won't be compromised and travelers won't be inconvenienced.

Democrats say the subsidies fight is actually a ploy to get them to accept a GOP labor provision in a separate, long-term FAA funding bill passed by the House. Republicans deny that's the case.

"Senate Democrats are also arguing that the House-passed extension is about a labor provision, but the fact is there is no labor provision in the extension," Rep. John Mica, R-Fla., the House Transportation and Infrastructure Committee chairman, told colleagues in a letter last week.

A.J.

From 1

\$10,000 from federal funds.

"Jefferson fraudulently awarded (Johnson) a \$10,000 contract for work to be done at 401 Briesch St.," it reads. "Although both (Jefferson and Johnson) then well knew that the work had already been completed at 401 Briesch St. under the terms of a previous \$30,000 contract between SDRHA and (Johnson)."

It goes on to allege that Jefferson allowed Johnson to make a \$5,500 draw against the \$10,000 contract by cashing a check, which was made payable to Johnson Brothers.

Another check was reportedly cashed. This time, according to the federal prosecutors, Jefferson made a SDRHA employee give Johnson a check for \$5,500, which was supposed to constitute the final payment (\$4,500) for the reported work on 401 Briesch St. and \$1,000 for work done at 717 Sixth St. in Leland.

"Accompanied by the SDRHA employee, (Johnson) cashed the (\$5,500) check at a local pawn shop," the indictment reads. "Thereafter using the same SDRHA employee to return \$4,500 to Jefferson as an unlawful 'kickback.'"

Count Two — intimidation or force against witness — up to 20 years in prison, three years supervised release and a fine up to \$250,000.

The second charge alleges a cover up of the actions taken in court one.

The indictment states "Jefferson and Johnson both coached the SDRHA employee alleged in court one to withhold truthful testimony from the federal grand jury."

The employee was reportedly told to not mention taking the check to Johnson, going with him to cash the check at a pawnshop and then returning \$4,500 to Jefferson.

"(Jefferson and Johnson) reassuring said employee that they (the feds) would not know to ask about it, that 'it never happened,'" the indictment reads. "that whatever the contract said is what she should say happened, an that they should all be 'on the same track.'"

Count Three — tampering with a witness, victim or informant — up to 20 years in prison, three years supervised release and a fine up to \$250,000.

The next count charges Jefferson solely. It alleges that Jefferson lied while testifying during the lawsuit Lowe, et al. v. South Delta Regional Housing Authority.

In July 2009, a complaint was filed against SDRHA by the tenants after the housing authority, in some cases, quadrupled rents.

One-bedroom homes were rented for \$60 per month, but that was changed to \$240. Two-bedroom homes went from \$120 to \$320 and three-bedroom homes went from \$180 to \$430. Four bedroom homes increased from \$230 to \$530 per month and five-bedroom homes went from \$300 to \$640 per month.

In the complaint, the tenants said they were notified at the meetings that an increase in rent would be necessary but they "were not informed of the proposed increase during" the meetings.

The lawsuit against SDRHA not only includes the business but board members serving at the time of filing, Steve Oswalt, Raymond Brown, Larry Cordell, Robert Gray, Howard Sanders and Dennis Smith; and Jefferson.

The lawsuit was settled in May. During her testimony during one of the hearings regarding the suit, Jefferson said a SDRHA assembled a committee to study the necessity and amount of the rate increases.

However, the indictment paints a very different picture. "In reality, as Jefferson then well knew, no SDRHA committee had studied the need for said rate increase, and the disproportionately large increases were arbitrary, capricious and cruel, displacing a number of low income families from their homes without therefore dedicating any significant additional money to repairs and upkeep..." it reads. "Thereby intentionally misleading the court on a material issue and bragging about it afterward."

Beth Orlansky, who represented the tenants in the suit, said Monday that she was aware of the new charges against Jefferson, but had not reviewed them. She also had no comment on the charge regarding lying during the lawsuit.

Count Four — embezzlement of public money, property or records — up to 10 years in prison, three years supervised release and up to a \$250,000 fine.

The next count charges that Jefferson used \$1,000 or more

for improvements and goods for her own home at 301 Hudson St.

According to federal prosecutors, Johnson renovated Jefferson's garage at her home, but invoiced the work to 519 W. Second St. However, there is no garage at that property.

Next, luxury appliances were allegedly purchased from Lowe's and invoiced to 717 Sixth St. and 512 W. Second St. However, those appliances went reportedly to Jefferson's home.

Lastly, a brushed nickel shower enclosure and 58-inch by 36-inch mirror was purchased for \$12 W. Second St. However, those items allegedly went once again to Jefferson's residence.

Count Five — statements or entries generally fraud or false — up to five years in prison, three years supervised release and up to a \$250,000 fine.

The next count states that during Jefferson's interview by the FBI she denied any work performed or goods purchased outlined in the previous counts were used in or for her home.

The agents asked her if she was aware of any possible criminal misuse and embezzlement of federal funds. She stated that she was aware.

Then, they specifically questioned if any work or expense had been done by SDRHA to her home, before or after purchase, and then billed to another property. She once again said she was not aware of any such activity.

Count Six — statements or entries generally fraud or false

— up to five years in prison, three years supervised release and up to a \$250,000 fine.

This count marks the third and final count for Johnson. In it, it is alleged he coached the SDRHA employee, who reportedly hand-delivered a \$5,500 check to him and then took \$4,500 back to Jefferson, to testify before a grand jury that no such incident occurred.

Johnson allegedly said "That never happened, the money you came over there to get, that never happened."

Count Seven-Nine — retaliating against witness, victim — up to 10 years in prison, three years supervised release and up to a \$250,000 fine.

The seventh count brought against Jefferson involved a now former employee. It dates back to January. The indictment states she is accused of "professionally ostracized South Delta Regional Housing Authority Broker and Accounts Receivable Analyst Kelly Nicole (Nikki) Wuestenhofer maligning her character, accusing her of having committed crimes, denying Wuestenhofer access to staff meetings, the South Delta computer system and client files, and by requiring Wuestenhofer to be escorted around portions of the building. Essentially making it impossible for Wuestenhofer to do her job, and thereafter using the board of directors of South Delta Regional Housing Authority to suspend and then terminate Wuestenhofer's employment, and by denying Wuestenhofer's unemployment insurance application and refusing to

acknowledge her request for annual leave reimbursement and COBRA election for health care benefits, all of which was a direct result of the said ANN JEFFERSON being informed that Kelly Nicole (Nikki) Wuestenhofer had been for several months cooperating with the Federal Bureau of Investigation in its investigation. . ."

The eighth count deals with a current employee of the SDRHA. The treatment alleged in the second count mirrors what was outlined in the first count.

The indictment states Jefferson professionally shutout SDRHA Property

Manager Angela Brady by not allowing her to gain entry to portions of the company's computer system, removing job duties, cursing and verbally abusing and "accusing Brady of not doing her job properly by wrongfully withholding part of Brady's pay and by accusing Brady of unlawfully and improperly crediting the account of South Delta tenant Melanie Gentry even though she had previously directed Brady to credit said account."

This was done due to Brady's cooperation with the FBI, the indictment alleges.

Lastly, the ninth and final count deals with Gentry. The indictment states Jefferson refused to accept Gentry's proof of insurance and first month's mortgage payment. Following what appeared to be non-payment, Jefferson allegedly threatened to evict Gentry.