



FOR IMMEDIATE RELEASE (May 29, 2020):

\$157.4 Million Projected Loss in Critical Sources of State Funding for Civil Legal Aid

A recent survey conducted by the National Association of IOLTA Programs (NAIP) has revealed that state-based programs which administer IOLTA and other programs that fund civil legal aid face a steep drop in revenue during 2020. Due to economic disruptions caused by the COVID-19 pandemic, these programs project a loss of least \$157.4 million compared to 2019. These losses will reduce the grant funding available to organizations that provide free legal assistance.

NAIP represents 50 state and jurisdiction-based organizations across the United States that make grants to support civil legal aid to low-income families. These state funders distribute dollars generated by sources that include Interest on Lawyers Trust Accounts (IOLTA), state court filing fees, and legislative appropriations. The survey of members, conducted earlier this month, asked respondents to project 2020 revenues in comparison to 2019.

Since the pandemic hit, virtually all NAIP programs have reported losses to their revenue sources. According to the survey, NAIP's US members projected a **loss of \$157.4 million in 2020** revenue available for civil legal aid, broken down as follows:

- 36 programs anticipate a **drop in IOLTA revenue of \$123 million, or 46%**, with the **hardest-hit states projecting losses of up to 75%**. The Federal Reserve's decision in late March 2020 to drop interest rates to a range of 0 to 0.25% has led to significant rate reductions in the interest paid on IOLTA accounts. Compared to total IOLTA revenue in 2019 of \$270,248,904, anticipated IOLTA revenue for 2020 is \$146,259,888. If IOLTA interest rates remain reduced through 2021, total IOLTA funds would drop further to \$110,449,110, a loss of nearly \$160 million, or 60%, over 2019 levels.
- 12 programs anticipate a **drop in court filing fee revenue of \$18.7 million, an average of 22% and as high as 33%**. Total filing fee revenue of \$85,145,328 in 2019 is anticipated to decrease to \$66,413,675 in 2020. Courthouse operations in many states have been limited to only essential proceedings, which directly impacts the number of filings and associated fees paid.
- 21 programs anticipate a **drop in private fundraising of \$15.7 million or 55%**. In 2019, private fundraising totaled \$28,850,517. It is projected to drop to \$13,099,323 in 2020.
- Many programs expect significant cuts to state appropriations for civil legal aid, whether administered by the NAIP member or not. Currently, the extent of these cuts are undetermined.

“Losses of this magnitude are a concern under any circumstance,” said David Holtermann, President of NAIP and Associate Director of the Lawyers Trust Fund of Illinois. “It is especially worrisome at a time when civil legal aid programs already are responding to increased need from families whose housing, income, safety, and health have been negatively impacted by the COVID-19 pandemic.”

In response to these actual and projected funding losses, several NAIP member programs reported having already reduced grants to civil legal aid providers. Others expect that ongoing revenue declines will result in additional grant cuts to legal aid programs later this year and into 2021.

Mary Irvine, the Executive Director of the IOLTA program in North Carolina, explained that the timing of these reductions will be particularly difficult for civil legal aid programs in North Carolina. “The civil legal aid programs funded by NC IOLTA already are under tremendous strain as they continue to serve clients in a remote work setting. As courts begin to re-open, we expect many low-income and working families will face legal problems like unemployment and eviction as a direct result of the pandemic. If our legal aid programs have to reduce their staff due to funding reductions, more families won’t be able to access the legal help they need.”

Holtermann noted that the \$50 million in emergency funding for the Legal Services Corporation (LSC) in the CARES Act signed into law in March was important, but will not come close to closing the gap left by diminished IOLTA and state funds. “We are hopeful that Congress will appropriate additional emergency response funds for LSC in a future round of relief legislation. But those funds will reach only organizations funded by LSC, not the countless other pro bono and legal aid programs supported through IOLTA and other state-based funds. Additionally, the magnitude of the projected losses is several times larger than the funding increase for LSC.”

Media Contacts:

Lee Claassen

Executive Director

National Association of IOLTA Programs

phone: 919-459-2070

email: leeb@imiae.com

David Holtermann

President

National Association of IOLTA Programs

phone: 312-938-3076

email: david@lta.org