

## **Impact of Recession on Funding for Legal Services**

**August, 2009**

In 2009, legal services programs have seen a dramatic drop in funding. Almost half of the revenue that the State Bar distributes to legal aid programs each year is from Interest on Lawyers' Trust Accounts (IOLTA). The remaining funds are from the Equal Access Fund and the Justice Gap Fund. The economic crisis and resultant low interest rate has dramatically reduced revenue generated from lawyers' trust accounts. Between January and May 2009, \$2.96 million in IOLTA revenue was collected, compared to \$9.61 million during the same period last year—a 69 percent drop.

Funding is also declining from private foundations. In a recent survey of State Bar–funded legal services nonprofit organizations, 43 percent of the respondents reported that they have already experienced decreased funding from private foundations, with losses ranging from \$25,000 to \$500,000. Almost 50 percent of the nonprofits surveyed predicted additional reductions in foundation funding over the next fiscal year, with several programs projecting losses as high as 60 percent of their previous support from foundations. California foundations that traditionally support legal services have experienced significant losses, and many have reduced or eliminated their grants supporting legal services programs.

Donations from private law firms and corporations also have decreased. Programs reported drops in law firm donations ranging from 15 to 70 percent as compared to past years, and multiple programs project losses this year of \$75,000 to \$100,000. This year, the State Bar saw a 20 percent drop in lawyer contributions to its Justice Gap Fund when compared with last year.

While the federal Legal Services Corporation has seen an increase in its appropriation and some small amount of stimulus funding may be provided to legal services programs, particularly in the area of housing and foreclosures, legal services programs reported losses in other federal and state funding for the delivery of legal services. Several programs also reported the reduction or elimination of funding from their counties.

Unfortunately, while the funding for legal services is decreasing, a growing number of low-income clients need assistance. More than 60 percent of programs reported eliminating staff positions and anticipate reducing staff in the future. Yet many more persons are calling for help, particularly in areas relating to finances, such as debt collection, bankruptcy, foreclosure, wage and hour issues, and evictions.

Now, more than ever, pro bono attorneys can provide critical legal services to meet the needs of low-income Californians and ensure that all Californians will have equal access to the courts and court proceedings.