

Massachusetts to cut grant to legal aid programs by 39%

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BOSTON - Massachusetts' main funding source for civil legal aid programs, the Massachusetts Legal Assistance Corp., is cutting grants to legal aid programs by 39% this year to \$13.5 million compared with \$22 million last year.

According to the funding group, the reduced funding is for fiscal year 2009, which began on July 1. The legal assistance corporation staggers funding to legal aid groups throughout the year.

The legal assistance corporation said the reduction stems from a projected 54% decrease in the income from the Interest on Lawyers' Trust Accounts (IOLTA) program.

Most states have IOLTA programs, which funnel income from bank accounts that lawyers use to escrow clients' funds to legal aid programs for the poor. Besides Massachusetts, numerous other state IOLTA organizations have experienced sharp drops in IOLTA revenue<<http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202425517990>> in recent months, including New Jersey, New York, Texas and Washington.

The Massachusetts Legal Assistance Corp. gets about two-thirds of its income from the state's IOLTA program. In fiscal 2009, it's Massachusetts state budget appropriation is \$11 million.

The legal assistance corporation estimates that the cuts will reduce client services by about 18% statewide.

The cuts are going to be devastating for low-income people who need legal help, said the legal assistance corporation's executive director, Lonnie Powers.

"These are the most extreme cuts we've ever had to make to programs in our 25-year history," Powers said.

Jayne Tyrrell, executive director of the Massachusetts IOLTA Committee, said interest rates and balances in IOLTA accounts affect how much IOLTA money is available for legal aid.

Because fewer homes are being sold, less money is being escrowed for the short-term interest gains that are furnished to IOLTA, she said.

"IOLTA funds are very much dependent upon real estate, there's no easy fix," Tyrrell said.

The state's IOLTA revenue jumped to \$31 million in 2007, compared with \$17 million in 2006.

IOLTA funding runs on a calendar year and this year's revenue is in the \$15 million range, Tyrrell said. While that number is not too far off from 2006, she's worried about next year.

"In 2008 at least we had a few good months at the beginning of the year to offset some of the later months," Tyrrell said.