

# Interest on Lawyer Account Fund of the State of New York

*Funding civil legal assistance for low-income New Yorkers since 1984*

## BOARD OF TRUSTEES

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January 25, 2024

**Via Email ([wamchair@nyassembly.gov](mailto:wamchair@nyassembly.gov) and [financechair@nysenate.gov](mailto:financechair@nysenate.gov))**  
Joint Legislative Hearing  
Legislative Office Building  
Albany, NY 12248

Please accept the attached Statement issued by the IOLA Fund Board of Trustees as testimony for the 2024 Joint Budget Hearing on Public Protection.

Sincerely,



Christopher B. O'Malley  
Executive Director

Enclosure

CC: Phil Fields, Secretary to the Ways & Means Committee ([fieldsp@nyassembly.gov](mailto:fieldsp@nyassembly.gov))  
Dave Friedfel, Secretary to the Senate Finance Committee ([friedfel@nysenate.gov](mailto:friedfel@nysenate.gov))

## **STATEMENT BY THE IOLA FUND BOARD OF TRUSTEES OPPOSING THE TRANSFER OF \$100 MILLION FROM THE IOLA FUND TO THE GENERAL FUND**

**January 24, 2024** – The IOLA Board of Trustees unanimously opposes the Governor’s FY25 Executive Budget, which would transfer \$100 million from the IOLA Fund to the State General Fund. The IOLA Board further urges all New Yorkers who care about the provision of civil legal aid to those who face the loss of their home, denial of life saving medical treatment, or financial support that holds a family together, to voice their opposition.

### **Mission of the IOLA Fund**

Recognizing the importance of funding civil legal services for the most vulnerable New Yorkers, the Legislature created the IOLA Fund in 1983. With the strong support of the New York State Bar Association and the wider legal community, a funding stream derived solely from the interest on attorney escrow accounts – **with no taxpayer monies** – was created. The legislation made clear that **“the purpose of this act is to provide funding for the providers of civil legal services** in order to ensure effective access to the judicial system for all citizens of the state to the extent practicable” and further provided that “the beneficial interest in [the revenue generated from IOLA accounts] will be held by the IOLA fund **exclusively** for charitable purposes” L 1983, ch 659, §1 (emphasis added).

Throughout its 40-year history, IOLA funding has been a vital source of support for the civil legal aid community and currently funds 81 non-profit legal organizations in every region of New York State. In FY2023, these IOLA Grantees closed over 307,000 cases benefitting more than 639,000 New Yorkers, the vast majority of whom faced challenges involving the “essentials of life” – housing, family matters, access to health care and education, income support, and consumer debt relief. Financial analyses have demonstrated substantial economic benefits to New York State and its communities that go far beyond the people directly served by civil legal aid. For example, federal benefits secured for New Yorkers including SSI, SSD, and Medicare and Medicaid totaled over \$973 million. The overall economic benefit, when including the “economic multiplier effect,” from all IOLA Grantee work to the New York economy topped \$2.8 billion dollars and included the creation of 8,000 jobs. All told, for each dollar invested in civil legal aid, the return on investment has been estimated to be nearly ten dollars.

### **Enduring Need for a Dedicated Fund for Civil Legal Aid**

Revenue generated from IOLA accounts is tied to interest rates, resulting in great volatility in the amount of IOLA funds available to distribute to its Grantees. For example, when the economic crisis hit in 2008, funds available for distribution from IOLA dropped dramatically and remained flat for over 12 years with interest rates and revenues rising again only recently.

Now, for the first time since 2007, IOLA is poised to substantially increase funding for its grantees and launch a multi-year Justice Infrastructure Project to improve the delivery system through economies of scale and address gaps created by years of underfunding. IOLA also seeks to ensure that vital services will still be provided for when interest rates inevitably fall, as is already projected for 2024. IOLA’s increased revenue has not kept pace with the civil legal needs of vulnerable New Yorkers. In fact, in December 2023, the New York State Permanent Commission on Access to Justice reported to the Chief Judge that an additional \$1 billion in annual funding would be needed to close the justice gap in New York.

In the 40 years of IOLA’s existence, New York State has faced many crises including housing, education, financial and a global pandemic. Despite these challenges, IOLA’s funds cannot and should not be diverted to the General Fund and must be used exclusively for the provision of civil legal services for low-income New Yorkers, in accordance with its mission and governing statute. The IOLA Board of Trustees believes that the Governor lacks the legal authority to transfer funds from IOLA to the General Fund. The IOLA Fund should remain as intended – a dedicated “fiduciary fund” to support the civil legal needs of vulnerable New Yorkers. SFL §97-v (1).