

# OVERVIEW

## FY 2014 Budget Request

LSC requests an appropriation of \$486,000,000 for FY 2014 to meet the overwhelming need for legal services and to fulfill the nation's promise of "justice for all." This increase of \$16 million over LSC's FY 2013 appropriation request is based on LSC's assessment of the need for legal aid, the decline in some non-LSC funding sources, and LSC's calculation of the resources necessary to provide the same level of service that LSC grantees provided in 2007, the year before the recession began. The request also includes an additional \$5 million for a new grant program to encourage innovations in pro bono legal services.

As the table below shows, approximately 95%, or \$461.3 million, of this amount would fund legal services to low-income Americans. Just 4%, or \$19.5 million, would fund administrative costs, including management, compliance, and oversight costs, and 1% would fund LSC's Inspector General.

Budget Category	FY 2010 Appropriation	FY 2012 (PL 112-55)	FY 2013 Request	FY 2013 CR (PL 112-175)	FY 2014 Request
<b>Basic Field Grants</b>	\$394,400,000	\$322,400,000	\$440,300,000	\$324,373,088	\$451,300,000 (92.8%)
<b>Technology Initiative Grants</b>	\$3,400,000	\$3,400,000	\$5,000,000	\$3,400,000	\$5,000,000 (1%)
<b>Loan Repayment Assistance Program</b>	\$1,000,000	\$1,000,000	\$1,000,000	\$1,006,120	\$1,000,000 (0.2%)
<b>Management and Grants Oversight</b>	\$17,000,000	\$17,000,000	\$19,500,000	\$17,104,040	\$19,500,000 (4%)
<b>Office of Inspector General</b>	\$4,200,000	\$4,200,000	\$4,200,000	\$4,225,704	\$4,200,000 (0.9%)
<b>Pro Bono Innovation Fund</b>	-	-	-	-	\$5,000,000 (1%)
<b>TOTAL</b>	<b>\$420,000,000</b>	<b>\$348,000,000</b>	<b>\$470,000,000</b>	<b>\$350,129,760</b>	<b>\$486,000,000 (99.9%)</b>

## Civil Legal Aid Is a Good Investment of Taxpayer Dollars

A growing body of research on the economic impact of providing civil legal services to the poor consistently demonstrates significant economic benefits for communities and government alike. These benefits accrue from clients' reduced reliance on other types of governmental aid and their enhanced ability to participate in the economic marketplace.

A number of states have recently studied the economic benefits of providing civil legal services to low-income constituents. In November 2012, New York State's Task Force to Expand Access to Civil Legal Services reported that civil legal services generate \$561 million in annual savings for New York, including \$85 million by averting expenses from domestic violence and \$116 million by preventing

evictions and avoiding shelter costs, and the creation of an estimated 5,600 new jobs. Investments in civil legal services in New York resulted in a return of approximately \$6 for every \$1 of funding.<sup>2</sup>

*“Equal access to justice contributes to healthy communities and a vibrant economy. No community thrives when people are homeless, children are out of school, sick people are unable to get health care, or families experience violence. Likewise, when a person’s legal problem is addressed in a timely and effective way, the benefit ripples out and helps that person’s family, neighbors, employer, and community.”*

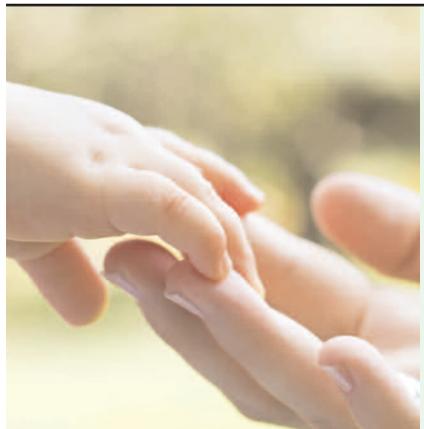
—Chief Justice Carol W. Hunstein,  
Supreme Court of Georgia<sup>1</sup>

The Texas Access to Justice Foundation’s February 2013 report found that civil legal aid produces a sizeable stimulus to the Texas economy. According to the report, the estimated gain in business activity equals an annual \$722.4 million in spending, \$346.9 million in output (total value of goods and services produced), and 4,528 jobs. For every dollar spent in Texas for indigent civil legal services, the overall annual gains to the economy were estimated at \$7.48 in total spending, \$3.59 in output (total value of goods and services produced) and \$2.22 in personal income. This activity generated about \$47.5 million in yearly revenues for Texas governmental entities.<sup>3</sup>

The Ohio Legal Assistance Foundation released a 2012 economic impact study concluding that every dollar spent on legal aid generated an additional 115% of economic activity in Ohio. In economic terms, Ohio legal aid produced \$106 million in economic output for Ohio: \$5.6 million in tax revenue flowed into government coffers, and more than \$48 million in earnings went into the pockets of Ohio workers and businesses.<sup>4</sup>

The Legal Services Corporation of Virginia’s report conservatively estimated that the total quantifiable economic impacts of Virginia legal aid programs in 2010 were \$139 million, representing a return of \$5.27 for every dollar of funding invested in these programs from all sources. The impacts included \$72.4 million in income benefits and cost savings directly received by low-income families, and \$2.8 million in cost savings for taxpayers—dollars that supported 850 jobs for working Virginians and provided income for businesses across the state.<sup>5</sup>

Further economic benefits cited in several of the state reports, but not quantified, include savings from crime prevention and reductions in law enforcement costs, reductions in the health care costs of treating victims of domestic violence, and tax revenues from jobs preserved as a result of legal aid employment cases.

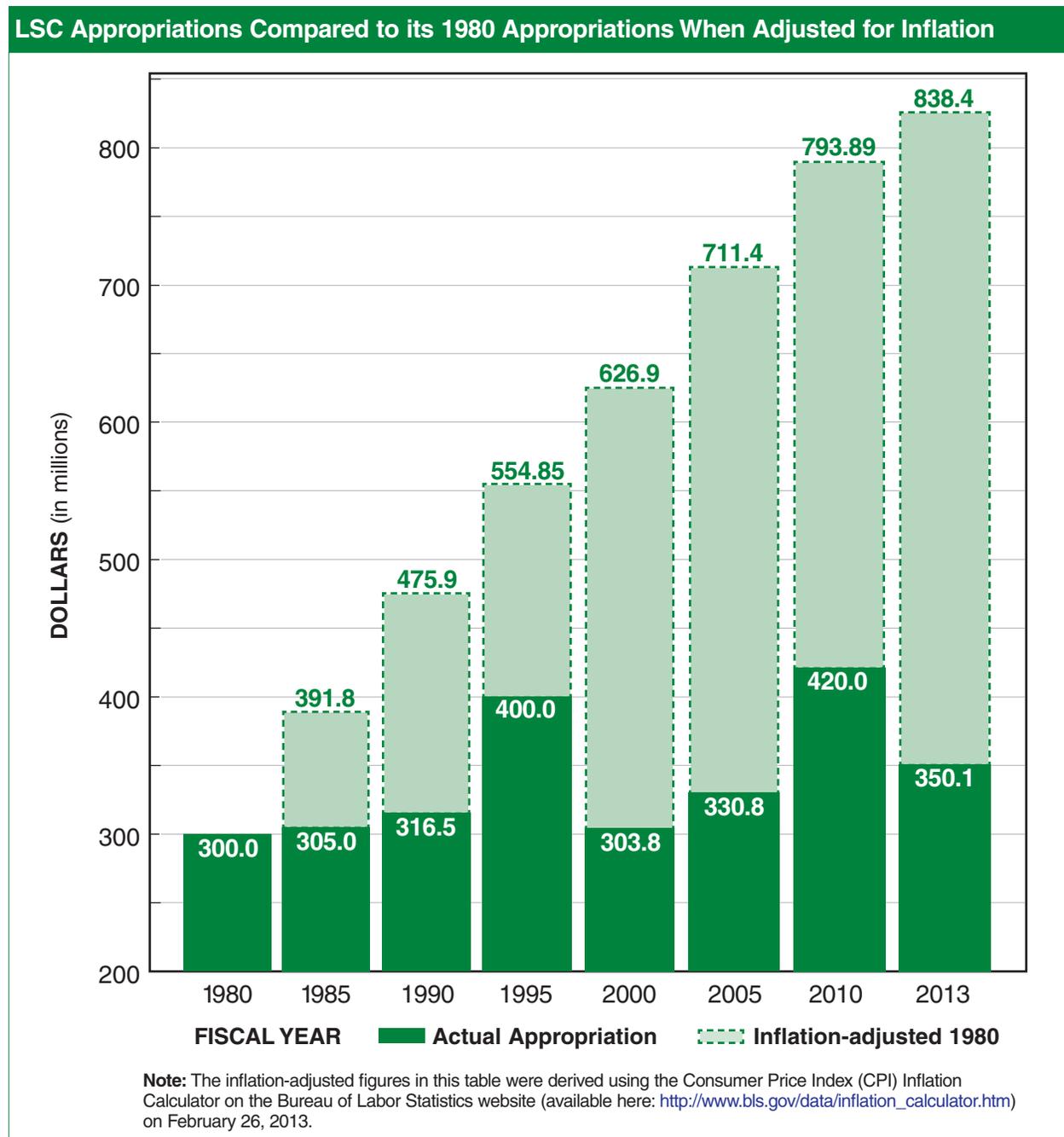


**C**hildren exit foster care faster when their parents are represented in child welfare proceedings. In Washington State, for example, the rate at which children were reunited with their parents was 11% higher when the parents were represented by lawyers. The rate of adoption also nearly doubled because attorneys could help parents more quickly come to terms with their inability to care for their child and assist parents with open-adoptions in appropriate cases. When civil legal aid programs speed family reunification and adoption, they reduce public spending on payments to foster parents, subsidies for children’s medical care, cash benefits, and the expense of monitoring the foster family.<sup>6</sup>

### Funding Has Declined

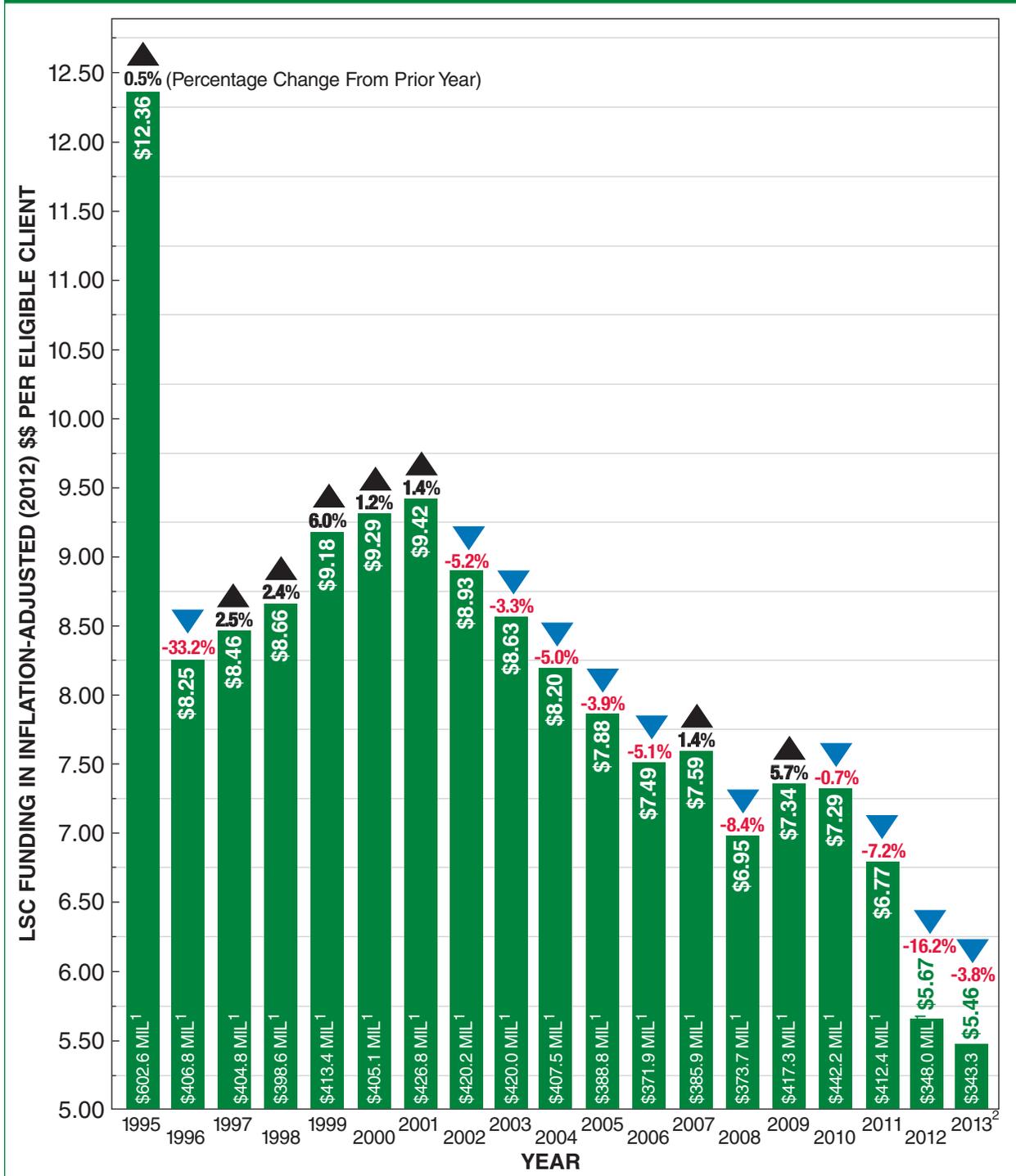
Despite the quantitative benefits of legal aid, funding is declining. LSC received its largest appropriation, \$420 million, in FY 2010. Since that time, LSC's appropriation has been reduced by more than 17%. The reduction has been particularly tough on LSC grantees. In 2010, LSC funding represented 43.5% of grantees' total budget; today, it is just 41.5%.

LSC is currently funded at slightly less than 2008 levels (LSC's FY 2008 appropriation was \$350.5 million), and just \$50.1 million more than in 1980. If funding for LSC had kept pace with inflation since 1980, its FY 2013 appropriation would have been nearly \$838.4 million.<sup>7</sup> The chart below compares LSC's funding history from 1980 to 2013, both in absolute dollars and adjusted for inflation.



The chart below shows the reduction in LSC funding per eligible client. The reductions are dramatic due in part to increases in the size of the poverty population.

**LSC Funding in Inflation-Adjusted (2012) Dollars Per Eligible Client: 1995-2013**



Source: Legal Services Corporation, LSC Historical Data and Projections (for 1994-2013 funding); United States Department of Labor, Bureau of Labor Statistics, CPI Inflation Calculator, [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm) (for 1994-2012 inflation adjustments); U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements, Table 6, People Below 125 Percent of Poverty Level and the Near Poor: 1959 to 2011 (for persons below 125% poverty 1994-2011); LSC Projections (for 2012 and 2013 client eligible populations and 2013 inflation adjustments. (See "Project Calculations tab.")

Note: Appropriations do not include special supplemental emergency funds or Veterans Court funds.

<sup>1</sup>Annual Appropriation Adjusted for Inflation in 2012 Dollars.

<sup>2</sup>Annual Appropriation (Continuing Resolution) Adjusted for Inflation in 2012 Dollars, expiring March 27, 2013.

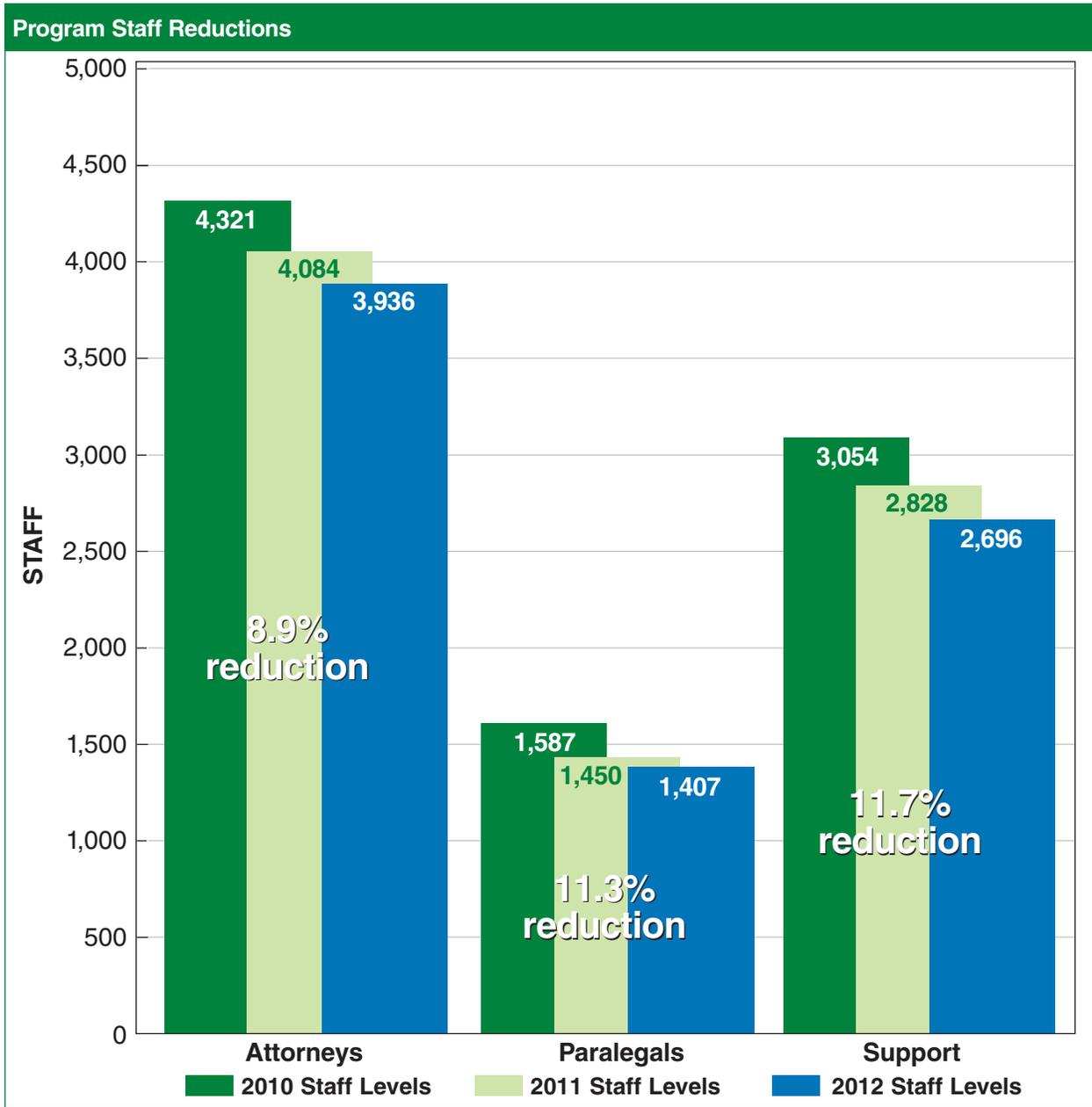
Twenty-seven states experienced reductions in their non-LSC funding in 2012, some by more than 15%. Maryland and New Jersey saw the biggest reductions, each losing approximately \$2.3 million between 2011 and 2012. Some of the hardest hit states also had the highest percentage of client-eligible populations. For example, Alabama, North Carolina, and Oregon all experienced reductions of 17% or more in their non-LSC funding sources, while 20% or more of their populations live at or below 125% of the federal poverty line. In addition, revenue from Interest on Lawyers Trust Accounts (IOLTA) programs—a source of significant support for civil legal aid providers—has collapsed due to historically low interest rates, falling 54.4% from its 2008 level and 16.2% from its 2011 level.

### Impact of Decreased Funding

In 2011 and 2012, LSC surveyed its 134 grantees about the impact of funding cuts. The survey included questions on staff reductions, furloughs, salary freezes, benefit reductions, and office closures. With 97% of grantees reporting, it was clear that most grantees are experiencing financial distress, including office closures, staff reductions, and decreased client services.

Highlights of the results include:

- **Between 2010 and 2012, 923 full-time positions—385 attorneys, 180 paralegals, and 358 support staff—were eliminated** due to funding cuts. This represents a 10.3% loss of legal aid staff in just two years.
- Including attrition, LSC grantees reported a **total net reduction of 323 staff members in 2012**—almost half of which (45.8%) were attorneys.
- 56% of the responding grantees projected budget deficits for 2012 in the amount of \$22 million.
- More than 54% of grantees expected to freeze salaries in 2012 and anticipated reducing employee benefits.
- 72% of grantees anticipated making significant changes in client services in 2012 as a result of funding cuts.



**LSC Grantees Provide Critical Constituent Services**

The United States has the best justice system in the world, but unfortunately millions of Americans cannot access it because they cannot afford to do so. The poverty rate continues to be at an all-time high.<sup>8</sup> In these difficult times, many constituents are seeking legal services for the first time. Some face homelessness because of an eviction or foreclosure. Others are seeking protection from an abusive spouse, or are fighting for custody of an abused or orphaned child. They may be Iraq or Afghanistan war veterans who have returned home to economic strain and face unique legal issues of their own. Or they may be elderly citizens who have fallen victim to fraud and lost their life savings.

LSC-funded legal aid ensures that eligible constituents will not have to navigate the legal system alone. LSC grantees provide quality legal counsel—at no cost—to low-income constituents who could not

otherwise afford an attorney. They employ experienced legal professionals who are subject-matter experts in the civil legal matters affecting the poor:

- **Family law:** LSC grantees help parents obtain and keep custody of their children, family members secure guardianship of orphaned and abused children, and victims of domestic violence get protective orders. More than a third of all cases closed by LSC grantees are family law cases.
- **Consumer Issues:** Many cases involve protecting the elderly and other vulnerable individuals from being victimized by unscrupulous lenders and providing advice on debt management and mitigation.
- **Housing and Foreclosure Cases:** The second largest category of all cases closed, these matters involve helping to resolve landlord-tenant disputes, avoid wrongful foreclosures or renegotiate their mortgages, and assisting renters whose landlords are being foreclosed upon.
- **Income Maintenance:** LSC grantees also help clients obtain veterans, unemployment, disability, and healthcare benefits for which they are eligible and provide representation in cases when benefits are wrongfully denied.

LSC grantees make real, lasting differences in the lives of constituents every day.

- John\*, a member of the Illinois National Guard who served several tours in Afghanistan, lives in Chicago with his wife and three children. When the economy turned down, John's employer reduced his hours and he fell behind on the family's mortgage. John filed for bankruptcy to avoid foreclosure. A high-volume "bankruptcy-rescue company" contacted John and persuaded him that, under their program, he could get out of bankruptcy and qualify for a new, affordable home loan. But the company actually transferred title to his home in a way that exhausted the home's equity and made it nearly impossible to get back. The **Legal Assistance Foundation of Metropolitan Chicago (LAF)** filed suit against the predatory lender (which had been found to violate consumer protection laws in other states) to get John's home back. LAF attorneys negotiated a settlement for John: the company released him from the loan and paid him \$11,000, which John used as a down payment on a new home for his family.



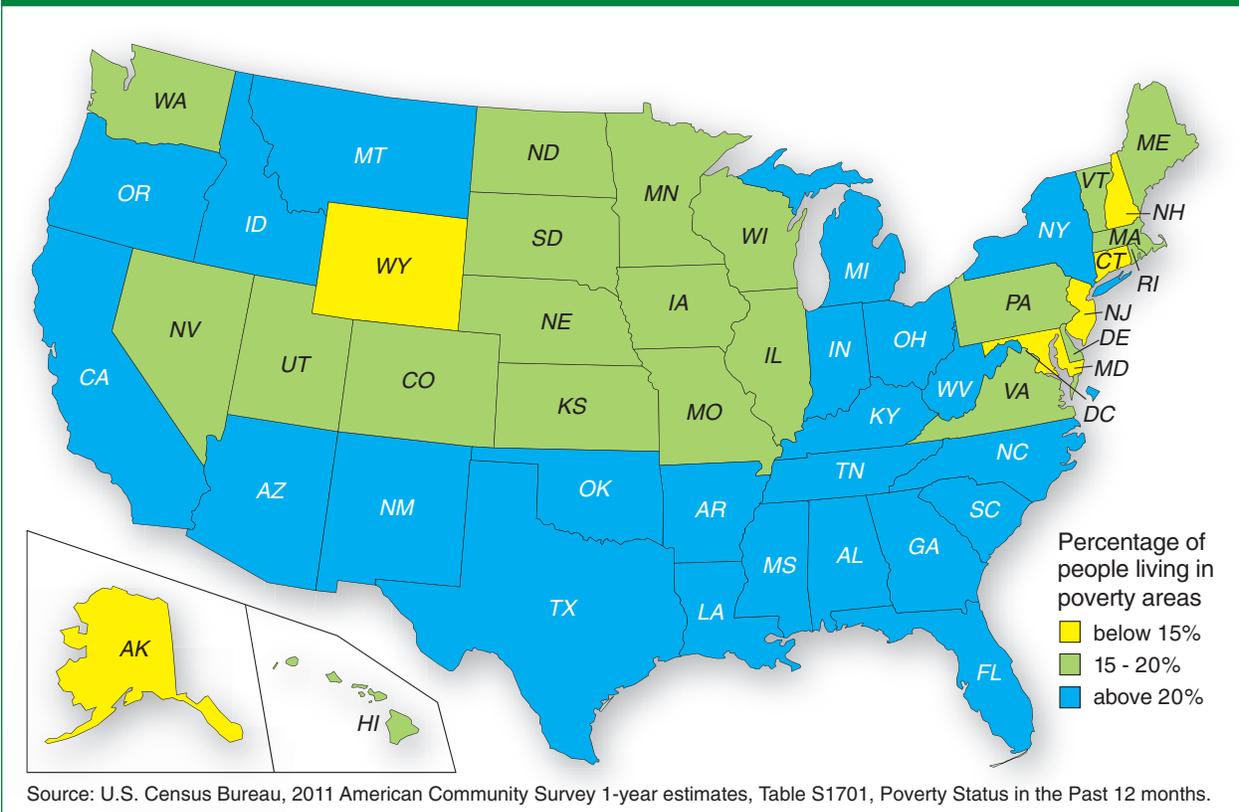
- Kimberly\*, a mother of three young children, suffered a long history of verbal, physical, and sexual violence at the hands of her husband, a police officer. On one occasion, he punched Kimberly in the head as she held their infant, causing her to fall onto the baby. He threatened to report her as an abusive parent and get custody of their children. Fearing for her safety and believing he would make good on his threats, Kimberly contacted **Community Legal Services (Arizona)**, which collaborated with a pro bono attorney from their Volunteer Lawyers Program to help Kimberly. Her attorney was able to assist her in securing safe housing, custody of her children (with supervised visitation at a neutral location for the father), and child support. Her husband was also ordered to complete an anger management program. For the first time in years, Kimberly no longer awakens with feelings of fear and hopelessness.

**More Constituents Eligible for LSC-Funded Legal Aid**

The number of Americans eligible for LSC-funded legal assistance, *i.e.* those living at or below 125% of the federal poverty line, continues to be at an all-time high. In 2007, before the economic downturn, 50.8 million Americans were eligible for LSC-funded legal services. In 2012, LSC estimates, based on projections calculated using the U.S. Census Bureau's 2011 poverty data and Brookings Institution poverty population formula, that nearly one in five—61.8 million Americans—were eligible for services, a 21% increase since 2007. In 2012, these Americans had incomes of no more than \$13,963 for an individual and \$28,813 for a family of four (at or below 125% of poverty).

The map below shows the geographic concentrations of the eligible client population—those living below 125% of the federal poverty line—in 2011. The following states have the highest concentrations of eligible client populations: Mississippi (29.1%), Louisiana (25.8%), Arkansas (25.4%), Alabama (24.9%), South Carolina (24.7%), Kentucky (24.6%), Georgia (24.5%), and West Virginia (24.2%).

**Geographic Location of Eligible Client Populations**



**Going Forward**

As part of its mission, LSC works to promote the rule of law, and enhance respect for the nation's civil legal system.

With millions of Americans in poverty or at risk of sliding into poverty, increased appropriations for civil legal aid have never been more critical. The number of low-income, working families has grown significantly in recent years. While the nation's economy is improving, non-profit social service organizations report seeing increases in clients with no previous connection to traditional safety-net

programs.<sup>9</sup> Similarly, LSC grantees report that the newly unemployed are increasingly seeking legal assistance for a myriad of matters and that, overall, they are accepting and serving more suburban clients.<sup>10</sup> And, as noted earlier, 19.68%, of Americans were eligible for LSC-funded services in 2012.

In FY 2014, LSC will continue to work with its grantees to maximize their efficiency, effectiveness, and quality; to promote innovation in the delivery of legal services; and to serve as many constituents as possible. Enhanced oversight and additional training will help ensure that LSC funds are well managed and efficiently spent to provide civil legal assistance to clients and to help grantees improve their effectiveness. Increased funding will help meet the critical needs of grantees and the low-income clients they serve, and enable LSC to serve as the leading voice for civil legal aid to poor Americans while achieving high standards of fiscal responsibility.