

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
Basic Field Grants	\$394,400,000	\$322,400,000	\$440,300,000	\$324,373,088	\$451,300,000 (92.8%)
Technology Initiative Grants	\$3,400,000	\$3,400,000	\$5,000,000	\$3,400,000	\$5,000,000 (1%)
Loan Repayment Assistance Program	\$1,000,000	\$1,000,000	\$1,000,000	\$1,006,120	\$1,000,000 (0.2%)
Management and Grants Oversight	\$17,000,000	\$17,000,000	\$19,500,000	\$17,104,040	\$19,500,000 (4%)
Office of Inspector General	\$4,200,000	\$4,200,000	\$4,200,000	\$4,225,704	\$4,200,000 (0.9%)
Pro Bono Innovation Fund	-	-	-	-	\$5,000,000 (1%)
TOTAL	\$420,000,000	\$348,000,000	\$470,000,000	\$350,129,760	\$486,000,000 (99.9%)

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.²

“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.”

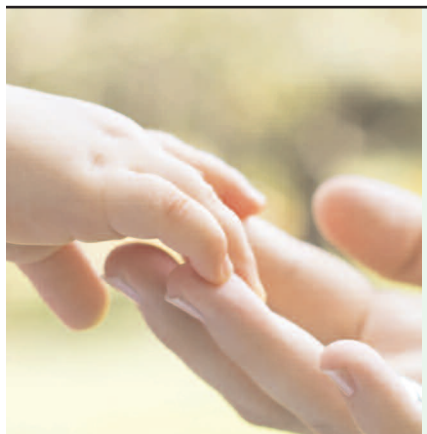
—Chief Justice Carol W. Hunstein,
Supreme Court of Georgia¹

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.³

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.⁴

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.⁵

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.

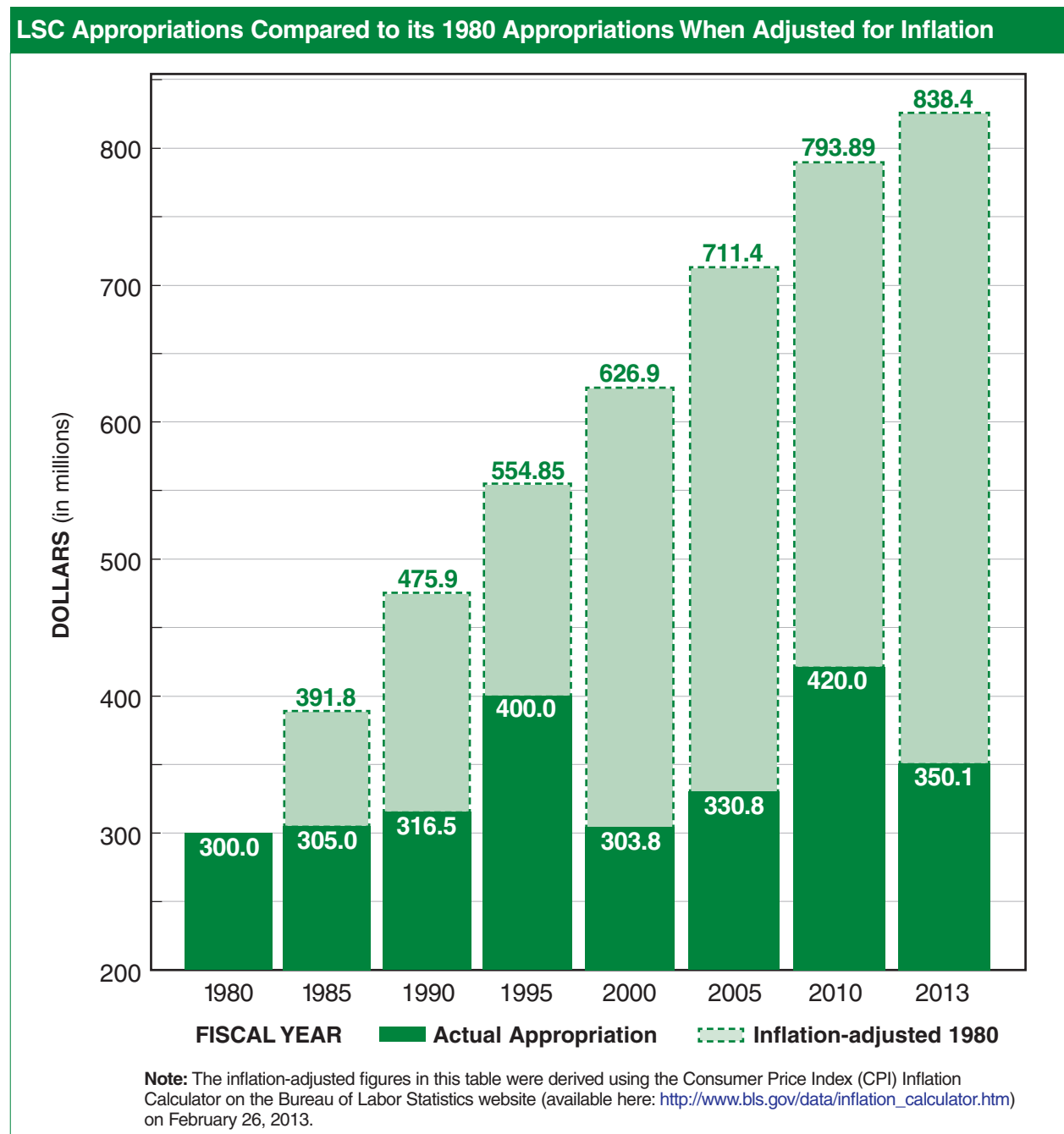


Children exit foster care faster when their parents are represented in child welfare proceedings. In Washington State, for example, the rate at which children were reunited with their parents was 11% higher when the parents were represented by lawyers. The rate of adoption also nearly doubled because 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.⁶

Funding Has Declined

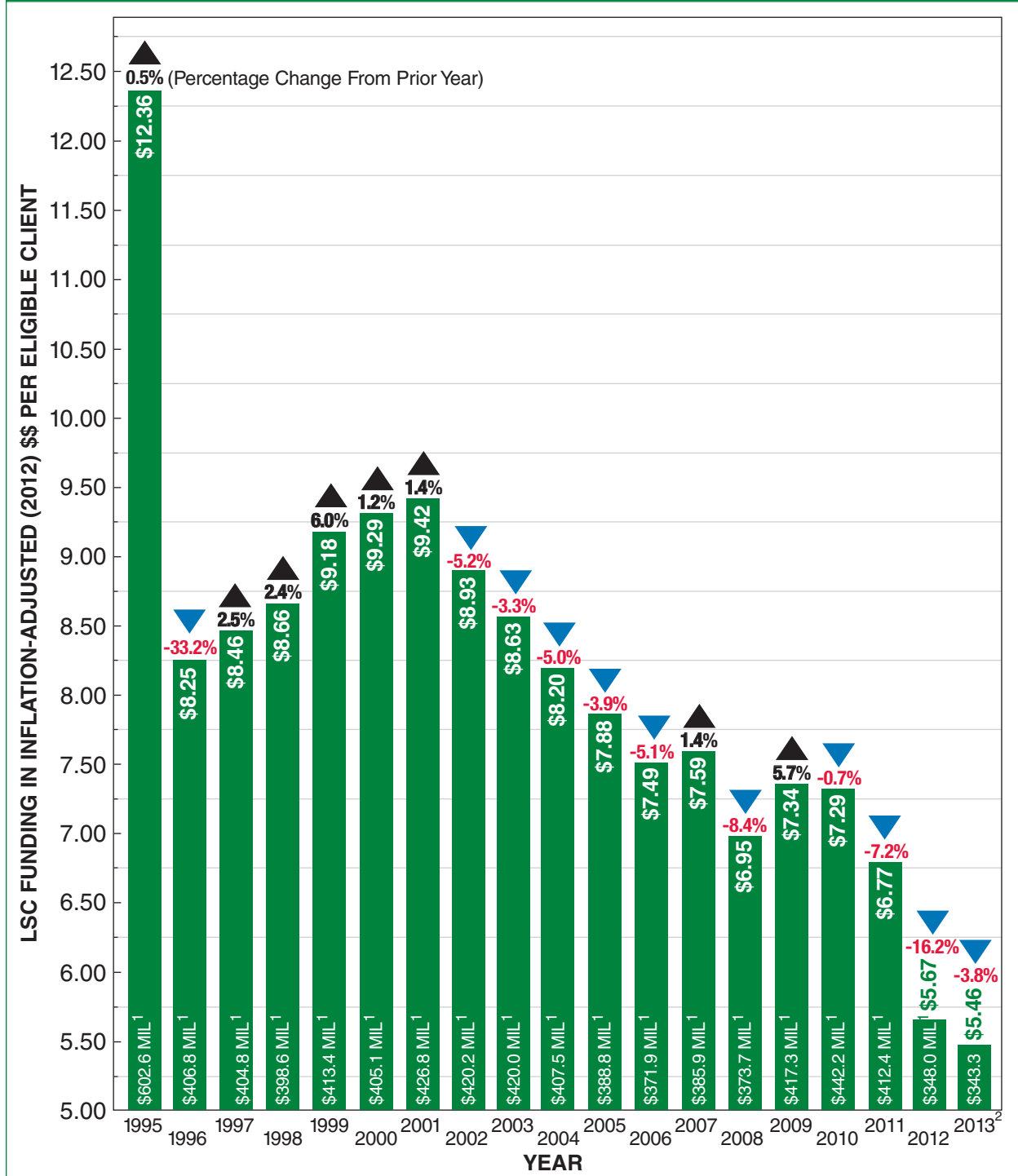
Despite the quantitative benefits of legal aid, funding is declining. LSC received its largest appropriation, \$420 million, in FY 2010. Since that time, LSC's appropriation has been reduced by more than 17%. The reduction has been particularly tough on LSC grantees. In 2010, LSC funding represented 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.⁷ 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 (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.

¹Annual Appropriation Adjusted for Inflation in 2012 Dollars.

²Annual 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.