

**TESTIMONY OF HUGH MACGILL
PRESIDENT, CONNECTICUT BAR FOUNDATION
FEBRUARY 23, 2009**

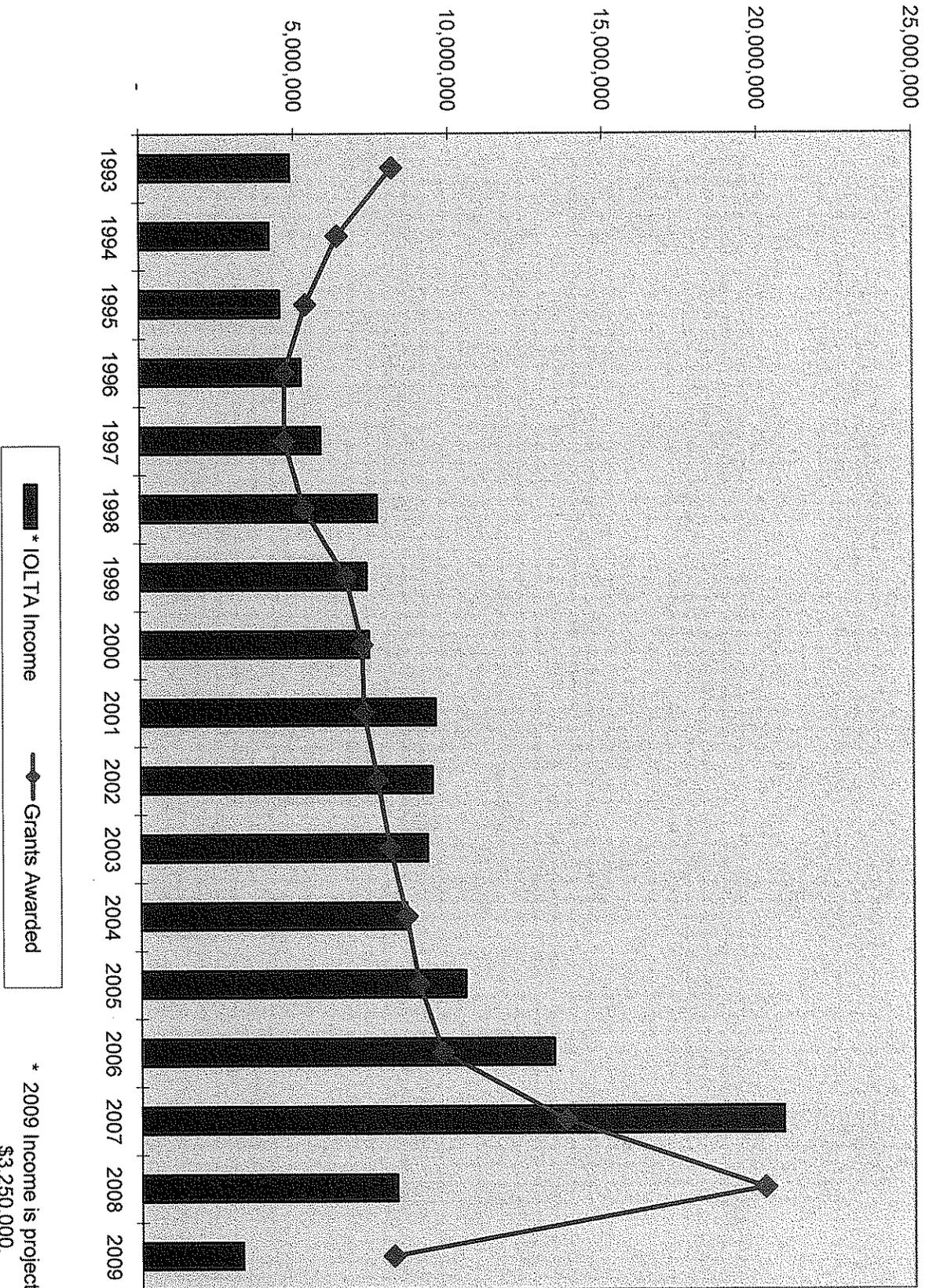
Good evening members of the committee. Thank you for the opportunity to appear before you this evening. My name is Hugh Macgill and I am the President of the Connecticut Bar Foundation, the non-profit agency designated by the judges of the superior court to administer the Interest on Lawyers' Trust Accounts (IOLTA) program in Connecticut.

I would like to speak briefly on the following four issues on the crisis in legal aid for low-income people in Connecticut: Revenue, Grants, Need, and Resources in other states.

- Funding for legal services from the IOLTA program has collapsed. IOLTA revenue decreased from \$20,764,522 in 2007 to \$8,254,577 in 2008, to a projection of \$3,250,000 in 2009, or a **decrease of 84%**. The factors that caused this catastrophic decrease are (1) the precipitous decline in bank interest rates, (2) the impact of the economic downturn on balances in lawyers' clients' accounts, and (3) the horrific fall of the real estate market in Connecticut. Unfortunately, many economists project a continuation of these factors for at least the next 12 months.
- Grant levels have been as follows: in 2007 the Connecticut Bar Foundation Board of Directors awarded total grants and scholarships of \$17,725,844, in 2008 the award was \$20,118,242, and for 2009 the grants fell catastrophically to \$8,140,587. In order to meet our grant awards during the past two years of steeply declining revenues, the board supplemented the grants with funds from our Stabilization Fund. At the end of 2009, we will have almost depleted this fund.
- The need for basic civil legal aid for our most vulnerable residents during these bad economic times is increasing dramatically. Requests for help for tenants confronted with homelessness as a result of foreclosures, victims of domestic violence, children with special needs and health issues, senior citizens, and people with a variety of disabilities are among the issues that confront the low-income community every day, and the resources to help with these needs have been dramatically reduced, thus increasing the work load of numerous agencies of the state and local governments. A survey commissioned by the CBF and conducted by the University of Connecticut Center for Survey Research last summer, before the economic downturn, indicated massive unmet need for legal services. As we enter 2009, the need is much greater.
- Resources. In Connecticut, unlike the majority of states, IOLTA is the main funding source for legal services for low-income people. This reliance on IOLTA has created a situation here that is much worse than in most states. In 2008, 32 states provided funds for legal aid from filing fees or other court fees and fines, and 20 states provided both direct state appropriations and filing fee funds for legal aid. We at the CBF respectfully request that the committee approve the funding requested for the protection of legal assistance for low-income people.

Thank you for your consideration. I would be happy to answer any questions.

**Connecticut Bar Foundation
IOLTA Grants and Income
1993 - 2009**



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Finding Aid for Legal Aid

Helping those who can't legally afford to defend themselves has gotten even more difficult.

The meltdown of the nation's economy has left few untouched, but it has been particularly difficult for Connecticut's legal aid providers, who rely on interest from real estate escrow accounts to fund their work for the poor. With the failure of the housing market, that money has dried up, leaving legal aid facing budget cuts and layoffs.

The program for funding legal aid is IOLTA, or Interest on Lawyers Trust Accounts. Under IOLTA, short-term funds that attorneys hold for house purchases and other transactions are commingled in accounts paying interest to the Connecticut Bar Foundation. The bar

foundation then uses that money to fund legal aid providers including Connecticut Legal Services, New Haven Legal Assistance and Greater Hartford Legal Aid.

Sandy Klebanoff, executive director of the bar foundation, says IOLTA took in \$20 million in 2007—a record high. But in 2008, total funding fell to just \$8 million, and Klebanoff expects a mere \$4 million this year.

"It's just awful," she says. "We had to cut our grants in half for 2009, which has led to projected layoffs."

"We're looking at a budget deficit of over \$4 million," says Steve Eppler-Epstein, executive director of Middletown-based Connecticut Legal Services (CLS). "We've run small deficits before, but never anything as severe as this."

Eppler-Epstein says his staff of 56 attorneys and 29 support and administrative personnel agreed to 20 percent pay cuts on Jan. 1, with managers taking even deeper cuts of up to 35 percent. Without help from the state or some other entity, CLS will be forced to lay off 25 to 30 employees (about a third of its staff) by July 1.

With offices in Stamford, Bridgeport, Waterbury, New Britain, New London and Willimantic, CLS covers the parts of the state not served by New Haven Legal Assistance and Greater Hartford Legal Aid. Both of those organizations are hurting as well.

Elam Lantz, executive director of Greater Hartford Legal Aid, says he implemented 5 percent salary cuts across the board on Jan. 1, and that he will lay off six of his 30 attorneys at the end of this month. Among those being laid off is Stephanie DeAmbrose, who worked on the landmark case last fall that led to Fannie Mae no longer automatically evicting tenants from foreclosed properties. The change was implemented nationwide and received widespread media coverage. "From Connecticut, we've changed the nation," says Lantz.

At New Haven Legal Assistance, where attorneys voluntarily took a 20 percent pay cut, executive director Pat Kaplan worries that more and more of the poor will go without help at a time when they need it as never before. "People have rights, but without lawyers they have no way of accessing those rights," says Kaplan. "The justice system doesn't work unless there are lawyers for low-income people."

Jean Aranha, a CLS attorney who specializes in elder law, points out that the majority of legal aid cases go unpublicized but are critically important nonetheless, like the 70-year-old Vietnam veteran she recently helped get the Medicare benefits, food stamps and cash assistance he was entitled to but wasn't receiving. "Cases like Fannie Mae make big headlines and affect a lot of people, but small cases affect one person enormously," says Aranha.

Rep. Michael P. Lawlor (D-East Haven), who is House chairman of the Judiciary Committee, is confident legislators will provide at least short-term assistance to keep legal aid providers afloat until the economy improves. "With luck, now that [President] Obama has taken over, things will get better in a year or two," he says.

