



TO: MEMBERS OF THE JUDICIARY COMMITTEE
FROM: CONNECTICUT BAR FOUNDATION
DATE: MARCH 26, 2009
RE: SUPPORT FOR RAISED BILL NO. 1157

TESTIMONY OF HUGH MACGILL
PRESIDENT, CONNECTICUT BAR FOUNDATION
MARCH 26, 2009

Thank you for the opportunity to appear before you today. My name is Hugh Macgill and I am the President of the Connecticut Bar Foundation (the 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 urge you to support Raised Bill No. 1157. I speak on behalf of the Foundation.

We all hope we don't have much more to learn about the financial catastrophe. However, an important story about its impact on our entire community has appeared in piece-meal form in the media, and it is time to put the pieces together.

Many people know by now that the funds that support legal services for Connecticut's indigent have all but evaporated in the past year. Those funds come from interest on lawyers' trust accounts (IOLTA), where because of the amount of money involved or the time it sits in a bank would not earn a client any income. Legal services programs all over the United States depend on this funding. The funding itself in Connecticut, however, depends on a healthy real estate market and healthy interest rates. The tanking of the real estate market was the first sign of crisis, and current interest rates have never been lower. As a result, Connecticut's IOLTA income of \$20 million in 2007 fell to \$8 million in 2008 and will fall to about \$3.5 million in 2009. The Foundation has committed most of its reserves for the current year and nonetheless has been obliged to reduce all grants by 50%. Attorneys in the legal services programs have taken deep reductions in pay and hours, and administrators have agreed to 30% cuts, hoping to put off the day when final layoffs can no longer be avoided, and the programs themselves may be gutted.

The cynical (and comfortable) may ask, so what? The answer to that question is the other half of the story. Recently, rent-paying tenants in Connecticut found themselves thrown out on the street because their landlords had been foreclosed upon. The bank bailout legislation last fall contained language (with the blessing of Senator Dodd) prohibiting Fannie Mae and Freddie Mac from evicting "bona fide tenants" following foreclosure upon their landlords. The mortgage Goliaths ignored the law, and tenants knew nothing of its protection. Two legal aid attorneys in Hartford found the protective language in the law and their colleagues in New Haven carried the issue

further, forcing Fannie Mae, and more recently, Freddie Mac, to offer leases to tenants, instead of the sidewalk. Together they brought Goliath down, an astonishing triumph. The law alone did not protect the tenants. Legal aid attorneys, as vigilant on behalf of their clients as corporate attorneys are for theirs, were the watchdogs. There is a "trickle-up" to the watchdogs' work: higher income tenants also benefit from Fannie Mae's turn-around. Neighborhood property owners no longer need fear the impact of a boarded-up house next door on their property values. The entire state benefits, as keeping responsible tenants in foreclosed buildings will help stave off further urban blight in this severe recession.

But because IOLTA funding has collapsed, one of the Hartford lawyers who helped engineer the triumph has already received a pink slip, and more will follow. As the number of lawyers falls, do we imagine there are fewer people who need their help than there were a few years ago? Obviously this cannot be so. The 10% of our population economically and socially marginalized, chronically plagued by domestic violence, language problems, deteriorating family structure, and employment and housing discrimination, now must add unemployment and homelessness to their tribulations. And their watchdogs are being laid off. Access to justice for all our citizens is at the very core of any such contract. In these times, how can the comfortable decently enjoy their advantages without knowing they have done everything they can to assure equal opportunity for everyone else to become similarly comfortable?

We face a dreadful deficit this year. What money can be found to save legal services? No one imagines we can maintain existing levels of service. But as all of us with a stake in this crisis scramble to find a bit of help here and a bit more there, we know that it is crucial to the health of our society that we preserve the core integrity of our legal services programs, and their accumulated professional experience and social wisdom, so that when better times do return, there will remain a sound foundation upon which we can re-build. And so we now we come before you seeking increases in the fees enumerated in Raised Bill No. 1157 and ask that half of the funds generated by these increases be allocated to the Foundation to provide legal services to the poor, and the remaining half of the funds be allocated to technology projects within the Judicial Branch. A list of states that currently allocate court fees is attached.

Again, on behalf of the Foundation, I urge you to support this proposed legislation. The President has spoken of the responsibilities of citizenship. Preservation of those programs which do the most to help the neediest, in time of greatest need, must rank high among those responsibilities. But can Connecticut do it? If we grasp our responsibility gladly, not grudgingly, and all work together, surely Connecticut's answer must be: Yes, we can.

03/26/09

States in Which Court Fees Support Legal Services

Under \$3,000,000	\$3,000,000 to \$5,999,999	\$6,000,000 or More
Arizona	California	Florida
Georgia	Kentucky	Maryland
Hawaii	Missouri	Michigan
Illinois	Nevada	New Jersey
Kansas	Oregon	Ohio
Louisiana	Tennessee	Pennsylvania
Maine	Texas	Virginia
Mississippi		Washington
Montana		
Nebraska		
New Mexico		
New York		
North Carolina		
North Dakota		
Rhode Island		
South Carolina		
West Virginia		

