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Poor Texans May Lose Legal Aid Services Due to Funding Crisis

*Texas Access to Justice Commission, Texas Access to Justice Foundation and
Supreme Court of Texas Announce Funding Shortfall and Possible Remedies*

AUSTIN, Texas—The Texas Access to Justice Commission, Texas Access to Justice Foundation and the Texas Supreme Court hosted a news conference today at the state Capitol to underscore a funding crisis in the Texas legal aid system. At the conference, findings from a new economic impact study by The Perryman Group were highlighted and a comprehensive legislative plan to address the funding crisis was announced.

Texas Legal Aid System Funding Crisis

Natural disasters, including Hurricane Ike and others, combined with a rise in poverty due to the continuing downward spiral of the national economy, have vastly increased the number of low-income Texans in need of free civil legal services. Concurrently, the precipitous drop in interest rates has hugely impacted the amount of money available to provide these vital services.

Interest on Lawyers' Trust Accounts (IOLTA) is a significant source of funding for legal aid in Texas, and recent declines in interest rates have had a major impact on IOLTA funds. In 2007, IOLTA revenue was projected to reach \$28 million, but totaled only \$20 million. With major interest rate declines during 2008, IOLTA revenue fell to \$12.2 million, and is expected to continue to fall in 2009, with a projected total of only \$1.5 million. These declines in funding are expected to significantly impact legal aid services in the state.

“The legal aid system in Texas is in crisis, and help from the legislature is direly needed,” James B. Sales of Houston, chairman of the Texas Access to Justice Commission, said. “Limited resources and a rapidly increasing poverty population are challenges that are virtually insurmountable given the current funding forecast.”

Texas Supreme Court Justice Harriet O'Neill noted “Legal aid often means the difference between life and death, living in a home or on the streets, being self-sufficient or needing to rely on governmental agencies.”

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Foundation Chair Richard L. Tate of Richmond concurred: “Without additional funding sources, many of the 40 legal aid organizations funded by the Texas Access to Justice Foundation will face major budget shortfalls next year. In turn, thousands of poor Texans will no longer receive the legal services they need to resolve serious issues impacting their daily lives.”

About 5.1 million low-income people in Texas qualify for legal aid services. The state ranks just 43rd in the nation in per capita revenue spent to provide civil legal aid, and the legal aid system is able to provide help for only 20 percent to 25 percent of the legal needs of low-income and poor Texans who need and seek legal help.

Legislative Remedies Proposed

Representative Pete Gallego, who is a member of the Texas Access to Justice Foundation board, spoke at the briefing in support of adequate funding for legal aid in Texas. “The Legislature plays an important role in assisting in this crisis in legal aid funding to ensure that all Texans have access to our justice system.”

Several bills will be filed during this session that will help address the funding shortfall. Among those proposed is a general appropriation to address the nearly \$37 million shortfall for the biennium, an enhancement of basic civil legal services fees currently collected from justice and county courts, and support of an allocation of funds to access to justice—in the amount of a \$5 million per year allocation for civil legal assistance for sexual assault victims—from the fees imposed on sexually oriented businesses.

Findings from Economic Impact Report by The Perryman Group

A study to determine the economic impact of the legal aid delivery system in Texas was commissioned by the Texas Access to Justice Commission, and findings were announced today. The study was conducted by Dr. Ray Perryman of The Perryman Group.

The study examined the economic impact of legal aid currently being provided as well as the potential effect of expanding funding for legal aid. Currently, legal aid services lead to a sizeable stimulus to the Texas economy. The estimated gain in business activity equals an annual \$457.6 million in spending, \$219.7 million in output (total value of goods and services produced) and 3,171 jobs.

For every direct dollar spent in the state for indigent civil legal services, the overall annual gains to the economy are estimated at \$7.42 in total spending, \$3.56 in output and \$2.20 in personal income. This activity generates about \$30.5 million in yearly fiscal revenues to state and local governmental entities, which is well above the roughly \$4.8 million in contributions.

There is a large unmet need for legal aid, and increased funding (and, thus assistance) would lead to further gains in business activity in addition to the other social benefits of more equitable access.

A copy of the full economic impact report from The Perryman Group is available at www.TexasATJ.org.

*The **Texas Access to Justice Commission** was created in 2001 by the Supreme Court of Texas to develop and implement policy initiatives designed to expand access to and enhance the quality of justice in civil legal matters for low-income Texans. The Commission has created several initiatives to increase resources and awareness of legal aid. For more information, please visit www.TexasATJ.org.*

*The **Texas Access to Justice Foundation** (www.teajf.org), created by the Supreme Court of Texas in 1984, is the primary state-based funding source for the provision of civil legal aid in Texas. The organization is committed to the vision that all Texans will have equal access to justice, regardless of their income. The Foundation administers a variety of funding sources, which are earmarked to assist nonprofit organizations in providing legal aid to approximately 100,000 Texans each year.*