

Memorandum in Strong Support S.9130 (Ryan) / A.10253 (Solages) Protect IOLA Funds

On behalf of New York Lawyers for the Public Interest (NYLPI), we are writing to express our strong support for S.9130/A.10253 to prevent the future diversion of funding from the Interest on Lawyers Account (IOLA) Fund by removing it from the annual budget process and allowing the IOLA Board of Trustees to act on their authority to make appropriations to legal services organizations to help close the access to justice gap for low-income New Yorkers. The bill will protect the IOLA Fund and ensure that its funds are held in trust to support civil legal services for New Yorkers in need.

IOLA is a dedicated fund designed to deliver civil legal services to low-income New Yorkers. Its revenue comes from interest earned on lawyers' trust accounts – not taxes. In a last-minute reversal in the final FY2025 Executive Budget, Governor Hochul diverted \$55 million from IOLA. This unprecedented raid was the first time in over 40 years that IOLA's revenue was used for purposes outside of the stated intent of its enabling statute. Ethics opinions approving attorney use of IOLA accounts were expressly predicated on the IOLA Fund enhancing civil legal services to low-income New Yorkers. Diversion of any IOLA interest could jeopardize the legal profession's ethical basis for participating in the IOLA Fund. Any shift of IOLA revenue to pay for other government programs – however needed – could destroy IOLA as a vital source of support for legal services for New Yorkers in need.

To protect the true purpose of the IOLA Fund, S.9130/A.10253 will prevent further raids from IOLA by removing it from the appropriations process. The bill will allow the IOLA Board of Trustees to make grants outside of the inherently political budget process, with timely decisions based on actual needs presented across the State. It will enable the IOLA Fund Board of Trustees to address the legal needs of low-income New Yorkers as they arise. For example, the IOLA Fund was unable to increase its grants last year to address the legal crisis that emerged for recent arrivals in New York because IOLA was limited by budget appropriation decisions made in mid-2022, before the historic increase in interest rates.

The raid on the IOLA Fund sets a disastrous precedent, which is why the entire legal community – including New York State Bar Association, NYC Bar Association, many county bar associations, the New York Legal Services Coalition, dozens of law firms from across the state, and 60 large law firm and corporate legal department leaders – spoke out so strongly against the initial proposal earlier in the budget process. IOLA currently supports 80 not-for-profit organizations who serve the most vulnerable New Yorkers. They closed over 307,000 legal cases, benefitted more than 639,000 low-income people, and generated over \$3.5 billion dollars and 8,000 jobs for the State. The integrity of IOLA must be preserved so that the work to close the justice gap in New York can continue.

For these reasons, NYLPI supports the immediate passage of S.9130 (Ryan) / A.10253 (Solages).

For more information, contact McGregor Smyth, Executive Director, at msmyth@nylpi.org.

Founded nearly 50 years ago, New York Lawyers for the Public Interest (NYLPI) pursues equality and justice for all New Yorkers. Our work activates the power of New York communities as they lead the fight to make equal justice a reality. We strive to create equal access to healthcare, achieve equality of opportunity and self-determination for people with disabilities, ensure immigrant opportunity, strengthen local non-profits, and secure environmental justice for low-income communities of color.