

Interest on Lawyer Account Fund of the State of New York

Funding civil legal assistance for low-income New Yorkers since 1984

RENEWED NYS BUDGET ‘SWEEP’ OF IOLA FUNDS WOULD BE DISASTROUS

NEW YORK, NEW YORK – April 17, 2024. A late breaking proposal from Governor Kathy Hochul would ‘sweep’ \$55 million from the Interest on Lawyers Account Fund (IOLA). The initial executive budget proposed a sweep of \$100M from IOLA to the general fund, which was rescinded in the 30-day amendments on February 15. This diversion of non-taxpayer dollars has been resurrected.

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. The sweep would be the first time in history that IOLA funds have been diverted to any other purpose and would set 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 Coalitions, 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.

“If the funds are not being used as directed, it would be a huge disincentive for private attorneys to utilize IOLA accounts. It could end the IOLA Fund completely for New York State,” said **Christopher O’Malley, IOLA Fund Executive Director.**

The Governor’s new proposal would move \$40 million of IOLA revenue to the Homeowner Protection Program (HOPP), and \$15 million to the Emergency Rental Assistance Program (ERAP). \$55 million represents a significant amount – more than the total annual amount that the IOLA Fund currently makes in grants for civil legal services.

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 the most vulnerable New Yorkers. “Fundamentally, this would take non-taxpayer dollars from low-income New Yorkers who need access to civil legal services,” **Kristin Brown, President of the New York Legal Services Coalition.** “Diverting any IOLA interest could undermine the ethical basis of the IOLA Fund and run the risk of turning IOLA into the government’s private slush fund if we do not take steps to protect it,” she added.

About IOLA. IOLA currently supports 81 non-profit legal organizations in every region of the state to serve low-income New Yorkers with civil legal problems affecting their most basic needs, such as food, shelter, jobs and access to health care. In the last year, IOLA grantees closed over 307,000 cases benefiting nearly 640,000 New Yorkers and generating over \$3.5B of economic benefit to New York. At no time in IOLA’s 40-year history -- despite the budget fluctuations facing the state through those years -- have these funds been diverted to any other purpose. Every state, along with the District of Columbia, Puerto Rico, and the Virgin Islands, operates a similar program.

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