

**New York State IOLA Fund Statement in Support of S9130 (Ryan),
An act to amend the state finance law, in relation to allowing certain payments from
the IOLA fund to be made without appropriation by law.**

May 2, 2024

In the New York State FY2025 Enacted Budget, \$55 million was removed from the Interest on Lawyers Account Fund (IOLA). This was the first time in IOLA's 40-year history that its revenue was used for purposes outside the stated intent of its enabling statute. Reports have indicated an understanding between the Governor's Office and the Legislature that the removal of IOLA Funds was a one-time only action.

To help protect IOLA funds in the future, S9130 (Ryan) would amend Section 97-v of the State Finance Law to allow IOLA appropriations to occur outside the budget process and ensure that IOLA's original legislative intent is honored. The amendment would ensure that IOLA funds are used solely for their designated purpose of providing civil legal services to the most vulnerable low-income New Yorkers and preserve the IOLA program's legal and ethical foundations. The IOLA Fund strongly supports S9130 (Ryan).

Created in 1984 and governed by a Board of Trustees appointed by government leaders, IOLA's enabling statute, State Finance Law §97-v, provides that its revenue "*shall be distributed ...as grants and contracts to not-for-profit tax exempt entities for the purpose of delivering civil legal services to the poor.*" Employing an open, competitive RFP process aligned with its statutory requirements, IOLA allocates the vast majority of its revenue across the State based on the census data of residents living in poverty. IOLA makes grants to not-for-profit organizations that aid low-income New Yorkers with civil legal problems bearing on the essentials of life: food, shelter, jobs and access to health care.

IOLA revenues do not come from taxes, but from the interest generated on attorney trust accounts when attorneys act on their fundamental ethical responsibility as fiduciaries for their clients' money. Attorneys use IOLA accounts to facilitate their day-to-day law office operations and currently there are about 50,000 IOLA accounts in nearly 200 participating banks. New York attorneys and banks are only able to use IOLA accounts because of legal ethics opinions, an IRS private letter ruling, and a U.S. Supreme Court ruling validating the IOLA program. These endorsements were predicated on IOLA supporting legal services for low-income people. There is a real concern that using IOLA funds for other government programs - however needed - could undermine the legal and ethical foundation of IOLA and jeopardize the entire IOLA program.

S9130 (Ryan) will ensure that the IOLA Board of Trustees is able to act on its authority to make appropriations to legal services organizations, in line with the state's intentions when IOLA was created, and to do so outside of 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.