

# Interest on Lawyer Account Fund of the State of New York

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

## **Remarks of Christine M. Fecko, Presented to the New York State Chief Judge’s Hearing on Civil Legal Services: Albany, New York (September 18, 2025).**

Chief Judge Wilson, Chief Administrative Judge Zayas, Presiding Justices Renwick, LaSalle, Garry, and Whalen, and New York State Bar President Ms. Sweet,

Good afternoon. My name is Christine Fecko and I am the Executive Director of the New York State IOLA Fund and a member of the Permanent Commission on Access to Justice.

The IOLA Fund is a public fiduciary fund dedicated to supporting civil legal aid organizations across New York which we do primarily through general operating grants. Alongside our partners at the Office of Court Administration, in FY25, the IOLA and JCLS grant programs together provided nearly \$200 million in funding to over 90 nonprofit legal services providers. The legal services sector employs over 5,700 people and coordinates over 40,000 pro bono volunteers. In FY25 alone, IOLA-funded programs served over 1.1 million New Yorkers and closed over 330,000 cases.

I have been asked to present about the impact of federal funding cuts and program restrictions on the legal services community in New York and the people served by these organizations. In response to this request, I offer a clear message: recent and anticipated additional federal funding cuts and restrictions pose a serious threat to the civil legal services safety net in New York State. This moment requires urgency. The erosion of federal support for civil legal services threatens not only our sector – it threatens the bedrock principle of equal justice for all.

In their Fiscal Year 2025 reports to IOLA, our grantees disclosed receiving \$137 million in federal funding—representing 14% of all civil legal services funding in the state. This funding, from sources like the Legal Services Corporation (LSC), the Department of Justice, and the Department of Housing and Urban Development, supports more than 50 legal aid organizations that serve low-income New Yorkers.

These funds are critical. They sustain programs that help people secure the essentials of life: family safety, housing stability, access to education, disability services, employment rights, immigration relief, and public benefits. And they are now in jeopardy.

The Legal Services Corporation – the largest source of federal funding in New York and providing a total of \$34 million in FY25 – has been zeroed out in the President’s Executive

Budget. New York's LSC funded organizations provide a full range of legal services to low-income people in every county and, in FY25, collectively assisted over 450,000 New Yorkers with their legal problems. Any LSC cut would be devastating.

LSC itself has advised its grantees to expect, at a minimum, a 20% funding cut via the FY26 federal budget process. This would be a loss of \$6.8 million to New York and, according to LSC's data, would result in over 90,000 fewer New Yorkers, including over 16,000 fewer children, receiving legal assistance.

LSC, however, is but one piece of the federal funding puzzle. Funding from three federal agencies: the Department of Justice, Department of Health and Human Services, and the Department of Housing and Urban Development accounts for \$81.7 million—or nearly 60%—of the federal money supporting civil legal services in New York. Grant funding from five additional agencies: the IRS, Social Security Administration, Departments of Education, Treasury and Veterans Affairs account for another \$13.5 million.

The future of all this funding is entirely unclear. News of federal funding cuts is hazy and complicated by competing court injunctions and appeals. IOLA's understanding of the data, however, leads us to estimate that up to \$80 million in funding to New York civil legal services nonprofits is at significant risk of loss. The timing is also unclear. Some cuts have already happened, some are pending challenges in court, others are likely to come in the FY26 federal budget, and others may be felt in future years.

The primary way I arrive at the \$80 million number is by considering the federal agencies most likely to cut or eliminate funding. In addition to the potential cut to LSC, it is reasonable to expect the potential elimination of funding from the Departments of Justice, Health & Human Services, Treasury, Education, the Social Security Administration, and the IRS. Let me briefly touch on why I single out these federal funders.

- The Department of Justice has frozen \$3.8 billion in grants and cancelled \$811 million in previously awarded grants, affecting services for victims of domestic violence and other victims of crime. DOJ has also frozen \$34 million in its Legal Orientation Program, affecting immigration legal services.
- The Department of Health and Human Services grants largely support immigration, refugee resettlement, and legal services to people living with HIV or AIDS. The current federal administration has already deprioritized these issues and drastically reduced their funding, including the termination of \$370 million in funding for legal services for unaccompanied minors.
- The Social Security Administration supports legal assistance to people with disabilities and the elderly. Likewise, the Department of the Treasury provides pass-through funding to New York State that supports a wide array of grants that assist the neediest New

Yorkers. The recent targeting of other safety net programs like Medicaid and SNAP – and the open hostility recently demonstrated toward homeless populations in Washington DC – would suggest that these grants are at high risk.

- The IRS has had its operational budget slashed and the Department of Education may be wholly eliminated. For this reason, these federal agencies seem likely to drop their grant programs.

Where would this leave New York? Unfortunately, the programs I just detailed serve the most vulnerable among us: the elderly, those with disabilities, victims of violence, immigrants, and homeless New Yorkers.

Another way to consider federal cuts is to think about how they may be concentrated and undermine particular New York legal nonprofits. Looking at the data, there are 20 legal aid providers in New York that receive 20% or more of their funding from the federal government. To lose that much of your budget could pose an existential risk to those 20 organizations, which provide immigration services, domestic violence advocacy, disability support and general legal services throughout the state.

Looking more deeply at the organizational risk, we see nonprofit providers in Western New York and NYC at particular risk. Five large providers in Western New York receive between 20-27% of their funding from the federal government, which is a large regional concentration of federal support. NYC funding is at risk because the current administration has threatened to cut all federal funding to NYC because it is a sanctuary city. If that were to happen, 27 civil legal aid providers located in NYC could face significant cuts. We have already seen unilateral cuts to a particular location, for instance, when a political dispute led the current administration to suspend federal funding to the State of Maine.

It's impossible for anyone to predict the extent of federal cuts, or know which federal agencies will make cuts, when they will hit, and how they may fall along regional lines within New York. I can share a few recent specifics:

- \$425,000 in fair housing grants were suspended in Western New York.
- \$600,000 in refugee resettlement funding was eliminated in Central New York.
- AmeriCorps programs that employ dozens of people across New York State were abruptly terminated, leaving legal aid organizations scrambling to continue intake and outreach services.

These aren't just numbers. They represent evictions that could have been prevented, benefits that could have been restored, and families that could have remained safe and housed.

In addition to outright cuts, new federal restrictions are sowing fear and confusion among legal aid providers. Recent grant conditions issued by the Department of Justice and HUD prohibit the use of federal funds for a long list of activities such as: community engagement; research; diversity, equity, and inclusion (DEI) initiatives; issues classified as "social justice" problems; and programs seen as unsupportive of law enforcement or prioritizing immigrants.

In some cases, grants have been frozen simply because providers used words like "race" or "equity" in their reports. These grant conditions are expected to be adopted by additional federal funders beyond DOJ and HUD.

The chilling effect is real. In their efforts to comply and preserve remaining funding, providers are changing their community outreach and adjusting services – even at the expense of mission integrity.

Beyond the legal aid providers themselves, Executive Orders have rattled the pro bono model. For example, we have seen Executive Orders that punish law firms for representing clients disfavored by the current Administration and that broadly target the immigration bar. New York's large network of private law firm attorneys who routinely expand our ability to reach underserved populations is no longer reliable. In certain regions, in certain cases, pro bono has retreated.

Two recent federal actions are expected to exacerbate these trends:

1. An August 7 Executive Order now requires each federal agency to appoint a senior political appointee to approve all grant awards, ensuring alignment with "national interest" and requires that grant contracts permit immediate termination for convenience if the grant no longer advances agency priorities or national interest.
2. A bill was recently proposed – that the President supports – that would conduct a new federal census, removing non-citizens from the count. This would skew population data used to allocate grant funds. Cities like New York, Buffalo, and Albany and rural New York communities with sizable refugee and migrant farmworkers could lose millions in funding due to artificially deflated population metrics.

The situation is made worse by growing legal needs across the state. The passage of HR-1 on July 4 is expected to trigger waves of need over the next five years. Governor Hochul's office estimates that more than 2 million New Yorkers will lose health insurance coverage, and an additional 1.3 million will lose Medicaid coverage due to new eligibility and verification hurdles.

An estimated 300,000 New York households are projected to lose all or part of their SNAP benefits.

When people lose essential benefits or face confusing new rules, they turn to legal aid. But they will now be met by organizations that are understaffed, underfunded, and overwhelmed.

When federal support falters, state support will be more critical than ever. IOLA remains steadfast in its commitment. We recently awarded \$561.5 million in 5-year general operating grants. This important investment includes built-in increases for providers over the next 5 years. Many of our grantees have reported that these increases will help in achieving pay parity, which is key to stabilizing the legal services workforce in New York. While this support is timely, increased IOLA funding has already been budgeted by our providers. Our funding will not fill the gaps left by federal cuts. This is yet another reason why continued investment in civil legal services is vital.

Moreover, state dollars alone cannot backfill the scale of federal disinvestment we are seeing. Without action, thousands more New Yorkers – low-income families, seniors, people with disabilities, veterans, and immigrants – will be locked out of the legal system.

We must meet this moment with ingenuity. IOLA is doing just that through its Justice Infrastructure Project, which boldly seeks to ensure that every New Yorker with a legal problem has clear and timely access to high quality legal information, advice, or representation. Over the past 18 months, IOLA has worked with New York legal services organizations, community-based organizations, national experts, and other stakeholders to identify ways to achieve this goal. Through an iterative process, IOLA has honed its vision to develop (1) a statewide support function for legal services organizations and (2) enhanced legal information and referral for the public. IOLA views these two new functions as increasing coordination among providers, closing service delivery gaps, and leveraging technology to ensure broad access to timely and trustworthy legal information.

The Justice Infrastructure Project is an example of how government can invest to make services more effective and reach more people. With the expectation of decreasing resources upon us, efficiency is important. With its goal of statewide support, the Project seeks to increase effectiveness and resilience of our nonprofit legal aid organizations, which are best able to deploy resources to assist our most vulnerable neighbors.

I believe IOLA and OCA share in this goal: a resilient civil legal system that serves all in need. I look forward to our continued work together in pursuit of this goal.

Thank you for your time and for your ongoing commitment to justice for all New Yorkers.