

Why We Need to Fix the Legal Services Restriction on State, Local, and Private Money

Background -- The restriction on state, local, and private money encumbers non-LSC dollars. This restriction prevents LSC-recipient programs from using any non-LSC dollars, including individual donations, foundation grants, and state and local government funds, for any service or activity that the program is barred from doing with LSC dollars. Under LSC's "program integrity regulation," 45 CFR § 1610, if a legal services program wishes to spend private funds on these restricted services or activities, it must set up a separate office and duplicate overhead, personnel and administrative costs.

1. **The restriction on state, local, and private money wastes precious public funds** -- In many states, justice planners have had to set up entirely separate organizations and law offices, funded by state and local public funders and private charitable sources, to do the work that LSC-funded programs cannot do, resulting in wasteful duplication of overhead, personnel and administrative costs. Federal dollars that could finance more client services are also eaten up by the costs of running duplicate offices.
2. **Individuals and families are suffering because of the restriction on state, local, and private money** -- Even though some private, state and local funds are available for civil legal aid, it is usually not enough money to finance physically separate legal services offices to provide legal assistance to those people who cannot be served with LSC dollars. People have nowhere to go to address their legal needs and whole communities go unserved.
3. **The restriction interferes with choices of state, local and private charitable donors about how to spend their money** -- The restriction on state, local, and private money ties up \$389 million in non-LSC funding annually, much of it from state and local governments. Nationally, 53.8 percent of the funds that go to LSC-funded organizations come from non-LSC sources. States are not able to fund the programs they have determined will most effectively ensure the smooth functioning of their courts. Nor can public and private funders provide resources to LSC recipients to undertake work and serve clients that the funders have determined to be priorities.
4. **The restriction makes LSC-funded organizations less appealing to state and private funders** -- State funders and private foundations want their contributions to have as much of an impact as possible. Since the restriction on state, local, and private money limits the scope of work undertaken by legal services organizations, they become less attractive to state civil justice funders and private grant-making institutions that want to fund full-service providers.
5. **There is an easy, no-cost, fix that solves all these problems while leaving the restrictions on LSC funds intact** -- The provision of legal services for the poor can be made more efficient with a no-cost change in language to the Commerce, Justice, and Science appropriation that leaves the Congressionally-mandated restrictions on LSC funds intact. LSC funds will continue to be strictly accounted for and the restrictions will continue to be fully applicable to those funds.
6. **Legal aid programs should be treated in the same way as other non-profits** -- Non-profits that receive part of their funding from LSC are treated much more stringently than most other government-funded non-profits, including faith-based organizations. While other non-profits must strictly account for their government funds and use those funds consistent with any restrictions that have been imposed on them through legislation or by the agencies that provide them, they are not forced to operate activities funded by other sources out of separate offices. Lifting the restriction on state, local, and private money would ensure that LSC funds are spent in the way Congress has intended while permitting legal services programs to spend other funds free of the LSC restrictions and the wasteful requirements of the program integrity rules.