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Dear Alliance for Equal Justice Colleagues:

As a new year begins, we at the Legal Foundation of Washington want to express our profound thanks to our grantees and partners for the amazing work in 2015 that has removed both individual and systemic barriers to the civil justice system. Because we have the benefit of reading your grant reports and applications, visiting your programs, and providing technical assistance to further your missions, we have a unique perspective on what our community has accomplished this year. It is so exciting to see the needle moving forward in the areas of: fairness in school disciplinary practices, removal of barriers to successful reentry, protections for piece rate workers, and representation for immigrant youth. The Alliance for Equal Justice is making progress. We are incredibly proud of the work that you did in 2015 to advance equal justice in our state.

From our perspective, here are some of the opportunities and challenges we see for the Alliance and for LFW in 2016.

Civil Legal Needs Study Update and State Planning

Our 90 day roll-out of the Civil Legal Needs Study Update is complete. During the campaign, we placed articles and editorials in over [15 media outlets](#) across the state. This effort will be the basis for a request for a significant funding increase from the Legislature both in the upcoming supplemental session and in 2017 for the 2017-19 biennial budget. The Civil Legal Needs Study tells us that we need an additional \$15.5 million per year in funding to close the justice gap identified in the study. We have our work cut out for us.

The Civil Legal Needs Study will also greatly inform the Access to Justice Board's state planning process, which has already begun and will be completed by the end of 2016. The principal purpose of the State Plan is to guide the collective efforts of the Alliance in order to expand access to the civil justice system and identify and eliminate barriers that perpetuate poverty and deny justice. The plan is intended to articulate

Alliance agreement about its core functions, strategic goals and existing gaps. The state planning team has been told by the ATJ Board's Delivery Systems Committee to assume there will not be new resources, in which case, if there are significant changes to the delivery system proposed in the new State Plan, resources may have to be allocated differently in the future. The LFW Board will look to the State Plan for guidance as it makes its resource allocation decisions for 2017.

#### Merger of LFW/LAW Fund Complete

Effective January 1, 2016, the merger between the Legal Foundation and LAW Fund is complete. After several years of planning, we are confident that as we move forward as a single organization with a common purpose, we will be more efficient, effective and cohesive in building support for all legal aid programs in our state.

The role of the Legal Foundation has changed over time. We were created by the Supreme Court over thirty years ago to take in revenue from the Interest on Lawyers' Trust Accounts (IOLTA) program and grant it out to organizations that provide civil legal aid. Over the years, sometimes because of crisis and sometimes because of opportunity, we have evolved into a resource developer, an educator of the public and elected officials, a provider of technical assistance to our grantees on a range of issues, as well as a grant maker. In 2016 we will engage in our own strategic planning process to help develop our capacity in the areas of resource development, communications and technical assistance.

#### Area of Uncertainty: IOLTA and One-Time Funds

We all celebrated when the Federal Reserve increased key interest rates last month to .25% as a signal that the long depression on IOLTA revenue may be lifting. While we think a modest interest rate increase, along with our comparability rule implemented in 2008, will have a helpful impact on that revenue stream, it will take a series of these interest rates hikes to have much of an impact on our ability to increase grants. By way of comparison, in our benchmark year of 2007, IOLTA produced \$9.5 million in revenue and interest rates stood at about 4.5%. Most economic experts agree that it will be an extended period of time – years and years – before interest rates are that high again.

Nevertheless, given the complexity and uncertainty of IOLTA and in the spirit of transparency, we are exploring ways of sharing month-to-month revenue – IOLTA and other sources – on our website so programs can track the progress over the coming year.

The uncertainty of IOLTA funding is compounded by the final disbursements from several major sources of one-time funds. We are winding down the last of the Home Justice funds received from the Attorney General’s Office as part of a national settlement in 2012. Additionally, many of our regular grantees that received special funds from the Judd v. AT&T settlement to help incarcerated people will receive their final disbursement in 2016. We will work with programs to seek alternate funding to continue this important work, but the challenges of securing new revenue at the level of the Judd settlement are considerable.

#### One Thing to Count On: the Endowment for Equal Justice

As you may be aware, in 2015 the Endowment for Equal Justice made its first-ever disbursement of funds to LFW for use in our annual grant package. The amount of the first disbursement was \$394,000. For 2016 grants, the EEJ’s disbursement increased to \$550,000. (The increase is because of the increase in the EEJ’s fund balance, which stands around \$15M. The EEJ disburses about 4% of its income annually to LFW now that it has achieved its initial goal.)

Based on a development audit conducted last fall, the EEJ Board has set a bold, ambitious goal of reaching \$20 million by 2020. We will be in further communication with you later this year about the “20/20” campaign. The EEJ’s contribution to civil legal aid in our state is the revenue stream most certain to increase in the near future.

#### Upcoming Efforts

In the last eight years, distributions of cy pres – residual funds left over after a class action settlement has been distributed to class members – has become a major source of funding for civil legal aid. The court rule in our state that directs no less than 25% of class action residuals to civil

legal aid is the single largest reason we have been able to avoid devastating grant cuts as a result of the near-collapse of IOLTA.

We are always looking for opportunities to increase awareness about cycles among judges and members of the bar who are involved with class action lawsuits. In 2016, LFW may ask the court to increase the percentage of residuals to civil legal aid from 25% to 50%. Please let us know if you have an opinion about this.

In closing, thank you again – so, so much – for all that you do in our anti-poverty, equal justice movement. Every year, your collective work positively impacts the lives of tens of thousands of poor people in our state – making Washington a better place to live. Together, we look forward to meeting the opportunities and challenges that 2016 brings.

Sincerely,



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President



Caitlin Davis Carlson  
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