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Recession takes a heavy toll on the Foundation's finances

By Mark D. Killian

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Severely impacted by dire economic times, [The Florida Bar Foundation](#) is considering seeking loans to be able to provide stable funding to the state's legal aid providers.



"IOTA revenue has dropped significantly during the recession," Foundation President Michele Cummings of Ft. Lauderdale told the Board of Governors in Palm Beach. "We have gone from \$44 million in [annual] revenue to \$5.7 million. It is an 88 percent drop; most of it is due to the lower interest rates."

Cummings said the statewide average net yield on IOTA accounts is now less than one-fourth of 1 percent, compared to 1.5 percent in FY 2007-08. She also said the federal fund target rate is not projected to increase to 1 percent until at least December 2012. But even a 1 percent return on IOTA accounts would only generate about \$13.6 million for the Foundation.

Without a boost in revenues, the Foundation will be forced to suspend or make significant cuts to its grant programs, she said.

"Most troubling will be cuts of approximately 50 percent — between now and 2013-14 — in our annual legal aid support grants," Cummings said. "These grants go to 31 local legal aid agencies serving all 67 counties in Florida."

The Foundation grants account for about one-third of the annual funding for those legal aid organizations. Without an increase in Foundation revenues, Cummings expects Florida's legal aid programs to begin cutting staff beginning in 2012.

Cummings said the Foundation "had the wisdom" to set aside a reserve fund during better economic times that was expected to carry it through four years of reduced IOTA income.

"Unfortunately, we did not capitalize enough reserve funds based on this recession."

Cummings said the Foundation currently has about \$20 million left in reserve, but that money won't be enough to sustain the Foundation's grants at current levels.

"We are working on ways to try to soften the blow and try to generate between \$13 and \$15 million," Cumming said.

"One of the things we are looking at is, hopefully, lines of credit from multiple banks and capital markets. Likely, we would not tap into those lines of credit until interest rates rise."

Once interest rates are back to pre-recession levels, IOTA income for the following 12 months should generate about \$44 million for the Foundation — “enough to refund our grants and pay the debt service on the loans,” Cummings said.

The challenge, Cummings said, will be to find Florida banks “whose leadership recognizes how important” legal aid services are and how reductions in those services negatively impact the communities they serve.

“We hope to identify banks and capital interest groups that are willing to take a risk with us,” Cummings said.

She said the Foundation will also step up efforts to get more Florida lawyers involved in its [fellows program](#).

Fellows' gifts become part of The Florida Bar Foundation Endowment Trust, which preserves the original gift and expends only endowment income. Florida Bar Foundation fellows pledge \$1,000 to the Foundation over five years. Government, nonprofit, and young lawyers have the option of extending the \$1,000 membership pledge over a 10-year period.

For more information about the Foundation Fellows Program, contact Annual Giving Manager Alicia Hodge at AHodge@flabarfdn.org or (800) 541-2195.

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