

**Legal Services Programs in Louisiana:  
Their Economic Impact on the State of Louisiana**

**Prepared for**

**Louisiana State Bar Association**

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## Introduction and Purpose

Access to legal aid is paramount in achieving societal goals that uphold basic democratic values as well as allowing all segments of society to benefit fully from the rule of law. Basic legal services, without some form of public support, have become prohibitively expensive for less-advantaged citizens, but it is still necessary that they have access to the services in order to fulfill legal obligations. In its report, *Documenting the Justice Gap in America*, the Legal Services Corporation finds that less than twenty percent of the legal needs of low-income Americans are being met. Throughout the general population, there is an attorney for every 525 persons; among the low-income population, this ratio declines to one for every 6,861 persons. The study also found that half of those seeking assistance did not receive it.

The Legal Services Corporation (LSC) is a 501(c)(3) nonprofit that provides civil legal aid in approximately 920,447 cases handled in 2009 through its many programs around the nation. Legal assistance is provided to persons at or below 125 percent of the federal poverty standard or in 2010 an income of \$27,563 for a family of four. Three out of four of the clients are women, many of whom have children and are struggling to maintain adequate support for these children. Most often, the LSC provides assistance in family law (nationally a third of the cases), housing and foreclosure cases (nationally a quarter of all cases), consumer issues (twelve percent of all national cases), and income maintenance (nationally approximately eleven percent of all cases). The organization was established by the Legal Services Corporation Act of 1974 by the Congress of the United States. A board of eleven individuals appointed by the President and confirmed by the Senate governs the organization.

In Louisiana, the LSC reaches residents through four programs: the Acadiana Legal Service Corporation, the Capital Area Legal Services Corporation, Legal Services of North Louisiana, Inc, and Southeast Louisiana Legal Services, Inc. The regions of the state covered by each legal services corporation are illustrated in Map 1. Services are provided through 14 offices around the state (designated by the stars in Map 1) – three each in Legal Services of North Louisiana and Acadiana Legal Service programs, and four each in the Capital Area Legal Services and Southeast Louisiana Legal Services programs.

Providing legal assistance to low-income individuals is not primarily intended to spur economic activity. The objective of legal aid to the poor is to promote equal access to justice. Such access enables individuals to exercise their rights as citizens to achieve fair outcomes unbiased by their economic situation. And, this is even more significant presently given that the national poverty rate is expected to reach 15 percent in 2010 and this national trend will be repeated in states throughout the country. Nevertheless, there are economic effects when individuals are required to miss work to resolve issues, when individuals receive payments for which they are legally eligible, or when an individual gets other legal issues resolved. This net new spending in the state serves as a stimulus for economic activities throughout the community.

Moreover, a national group like the LSC impacts the state economy as an employer through the sponsorship of agencies that provide access to legal services. This report aims to outline the economic impact of these legal service programs throughout the state. These are important consequences to consider, but they are by no means the deciding factor for the existence of such programs. Nevertheless, all components of a program should be considered during an evaluation, and because the purported impacts of the LSC activity are quantifiable, they should be noted. In this report these impacts are discussed as indirect and direct influences upon the state economy.

Net new spending by the legal services corporations in Louisiana is based on calendar 2009 budget of the corporations. The budget provides information on the various sources of the dollars that are used by the legal staffs to assist eligible clients. Net new spending based on the outcomes of the cases closed by the legal staffs of the various legal services corporations in Louisiana is based on a survey of all cases closed between mid-August 2010 to mid-

November 2010 that resulted in monetary benefits, either in terms of new dollars being allocated to the clients or the clients being awarded an avoidance of charges thereby freeing up dollars that can be spent in other ways.

### **The Legal Services Programs in Louisiana**

In 2009 the legal services programs in Louisiana handled 19,049 cases for families and individuals qualifying for the programs.<sup>1</sup> The percentage of cases in the four regions of the state and the percentage of persons qualified within each region are illustrated in Figure 1. Southeast Louisiana has 32 percent of all persons qualified for the legal services program and over 40 percent of the total cases closed in 2009, while Acadiana had approximately 25 percent of all persons qualified for the legal services program and just under 20 percent of the cases closed in 2009. The Capital Area region with 18 percent of persons qualified for the program and North Louisiana with 25 percent of persons qualified for the program had close to the same percentage of persons qualified for the program and percentage of cases closed in 2009.

The types of cases taken by the legal services corporation include those related to family issues, consumer problems, housing conflicts, income maintenance, education, employment, and health situations. As indicated in Figure 2 family issues dominated the types of cases closed in 2009 with over 50 percent of the cases in Acadiana, Capital Area, and North Louisiana being family-oriented, while in Southeast Louisiana just over 30 percent of its cases were family-oriented. In Southeast Louisiana housing issues accounted for almost 25 percent of the total cases closed in 2009, an amount that is not necessarily surprising given that southeast Louisiana is still dealing with housing problems related to Hurricane Katrina.

Many of these cases will have monetary implications for the clients, either through direct payments to or exempted payments from the clients. These monetary implications for the clients associated with the legal services programs have additional economic impacts on the communities in which the clients live in Louisiana.

The legal services programs in Louisiana are financed by distributions from the national Legal Services Corporation, which accounts for roughly 65 percent of all funding for all regions. Other sources of funding include interest on lawyers' trust accounts, state, local and nonprofit contributions, and carryovers from previous years. The funding sources for the legal services corporations are illustrated in Figure 3. The source of funding is a significant factor in examining the economic impact within the state since the funding from the Legal Services Corporation is considered net new dollars flowing into the state, dollars that would not otherwise be spent in Louisiana. Dollars granted from the state or from local governments or nonprofits within the state obviously would be spent elsewhere in the state if not spent on the legal services programs. It should be noted that the state appropriated funding for the legal services corporations in fiscal 2009 (July 2008 through June 2009), but did not appropriate any state funding in fiscal 2010 (July 2009 through June 2010). State appropriated dollars spent in calendar 2009 amounted to approximately 1.6 percent of all dollars spent on the legal services programs in Louisiana and about 9.8 percent of all dollars from state, local, and nonprofit organizations in Louisiana.

### **Estimated Economic Impact of Legal Services Programs in Louisiana**

The legal services programs introduce net new spending into the state in a number of ways. First and most clearly, the Legal Services Corporation directs dollars to be spent in Louisiana based on the number of persons in the state that meet the standard of being at or below 125 percent of the federal poverty threshold. In 2008 this amounted to over 850,000 persons, or just over 20 percent of the state's population. In 2009 the LSC directed \$8,441,342 to Louisiana distributed as follows: \$2,140,390 going to Acadiana Legal Service Corporation; \$1,587,141 to the Capital Area Legal Services Corporation; \$2,008,274 to the Legal Services of North Louisiana, Inc.; and \$2,705,589 to the Southeast Louisiana Legal Services, Inc. This amounts to about 63.5 percent of all dollars spent on legal assistance

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<sup>1</sup>There were an estimated 917,537 eligible households in the state of Louisiana for 2009.

to the poor in Louisiana. The economic impact of this direct spending on legal services in Louisiana, dollars that would not otherwise be spent in Louisiana unless this program existed, is presented in Table 1.

**Table 1**  
**Economic Impact of Net New Spending by Legal Services Corporation in Louisiana**

	Economic Input	Economic Activity	Personal Earnings	Jobs Created and Supported	State and Local Tax Collections
Acadiana Legal Service	\$2,140,390	\$3,959,722	\$1,217,882	48	\$161,978
Capital Area Legal Services	\$1,587,141	\$2,936,211	\$903,083	36	\$120,110
Legal Services of North Louisiana	\$2,008,214	\$3,715,196	\$1,142,674	45	\$151,976
Southeast Louisiana Legal Services	\$2,705,597	\$5,005,354	\$1,539,485	61	\$204,751
State	\$8,441,342	\$15,616,483	\$4,803,124	189	\$638,815

The direct net new spending of \$8.4 million by the Legal Services Corporation stimulates just over \$15.6 million in economic activities in the state, personal earnings of just over \$4.8 million, the creation and support of 189 jobs, and an additional \$638,815 in net new state and local tax collections. The direct new spending creates a wave of economic activity within the state, but, even more importantly, the legal services provided within Louisiana create a new amount of net new dollars that would not be flowing to Louisiana citizens without the legal assistance of attorneys associated with the four programs throughout the state.

Figure 4 provides information on the types of cases closed by the legal services corporations in Louisiana and the dollars either received or saved by the clients. Statewide, the services provided clients with \$58.4 million saved or received, most of which came from services related to consumer issues or income maintenance. These are dollars that can be spent in the local communities around the state.

The dollars received or saved by the clients are potentially spent within their local communities. This is an increase in net new spending in the communities that would not be there if not for the legal issues resolved by the legal services corporations based on the assumption that all of the monetary benefits will be stimulated by sources outside of the state. This is simply an assumption and not an absolute, so it will be useful to consider a range of economic impacts that will be forthcoming due to the work of the legal services corporations. The most obvious cases in which dollars might be transferred from one Louisiana citizen to another Louisiana citizen would be family issues that involve divorces, separation, and child custody and consumer cases that involve bankruptcy, debt repayment, and other such budgetary issues. Together, family and consumer cases make up approximately of 35 percent of all monetary benefits received. This being the case, it is reasonable to estimate that from 65 percent to 100 percent of the economic impact of the closing of legal cases will contribute to an economic impact in the state of Louisiana.

The economic impact of the direct input of the monetary benefits captured by the legal services corporations for their clients is illustrated in Table 2 if 100 percent of all spending can be counted as net new spending or if 65 percent of all spending can be counted as net new spending. Net new spending includes both dollars gained for the clients such as additional social security payments and dollars that the clients do not have to pay.

In 2010, it is estimated based on case closings from mid-August 2010 to mid-November 2010 and assuming that 100 percent of the total gains from closing the cases can be counted as net new spending that the monetary benefits accruing to clients serviced by programs of the Legal Services Corporation in Louisiana amounted to approximately \$58.4 million resulting in almost \$108 million of economic activities in the state, *including* the initial spending of the \$58.4 million. The overall economic activities associated with the burst of net new spending from clients of the legal services corporation led to personal earnings of \$33.2 million, state and local tax collections of just over \$4.4 million, and the creation and support of 1,309 jobs in the state.

**Table 2**  
**Economic Impact of Net New Spending/Savings Due to**  
**Case Closing by Legal Services Corporation**

	Economic Input	Economic Activity	Personal Earnings	Jobs Created and Supported	State and Local Tax Collections
State, 100% Impact of Net New Spending	\$58,363,797	\$107,973,024	\$33,209,000	1,309	\$4,416,797
State, 65% Impact of Net New Spending	\$37,936,468	\$70,182,465	\$21,585,850	851	\$2,870,918

These estimates will potentially be reduced by 35 percent if all of the consumer and family monetary benefits in Louisiana are merely transfers from one Louisiana resident to another. In this case the initial economic input will be \$37.9 million leading to overall economic activity of \$70.135 million, statewide personal earnings of \$21.6 million, and state and local tax collections of \$2.9 million. An estimated 851 new jobs will be created and supported by this spending activity. The statewide reduction in net economic impact will be shared among the regions proportionately to the types of cases closed in the regions.

Another way of quantifying the economic effectiveness of the legal services corporations' activities in Louisiana is to compare the state and local tax collections related to the increased economic activities to the dollars invested in the legal services corporations by the state, local governments, and local nonprofits. The net new state and local taxes collected will be state and local taxes that would otherwise not be collected compared to state and local contributions, both governmental and nonprofit dollars that could have been spent for another service. This benefit-cost ratio is illustrated in Figure 5. The state's benefit-cost ratio is almost 2.4, meaning that for every dollar of local expenditures, the state is getting back \$2.40. The benefit-cost ratio of 1.0 in Figure 5 merely provides a benchmark if the additional state and local tax collections related to the economic activities associated with the legal services corporations are exactly equal to the contributions of state and local governments and local nonprofits to the legal assistance programs.

The computations in Figure 5 are based on 100 percent of all monetary benefits being counted as net new spending in Louisiana. If it is more accurate to estimate that only 65 percent of the monetary benefits should be counted as net new spending in the state, as opposed to just moving dollars from one individual or family in Louisiana to another individual or family, then the state's benefit-cost ratio would be 1.55.

These estimates are permanent and ongoing as long as the legal services corporations are funded and continue to operate similarly to what they are currently doing.

Finally, the state provided a small appropriation to the legal services corporations in Louisiana in fiscal 2009. The state appropriation does not encourage additional federal dollars since the federal formula is not related to the state's allocation to this program. However, as an example, an additional state allocation of \$100,000 will not cost the state \$100,000. In addition to providing access to legal support for the poor, the state allocation also leads to monetary benefits to its citizens that suggest that approximately \$33,000 in net new state and local tax collections will be forthcoming. Hence, the true cost of the additional state allocation is less than \$70,000 since net new state and local tax collections are forthcoming.

## Summary

Louisiana has four legal services corporations handling almost 20,000 cases in 2009 with a budget of just over \$13 million and with \$8.5 million distributed by the Legal Services Corporation, a national entity funded by the U.S. Congress. The remainder of the budget was collected from state and local governments, nonprofits, interest on lawyer trust accounts, and carryovers from the previous year.

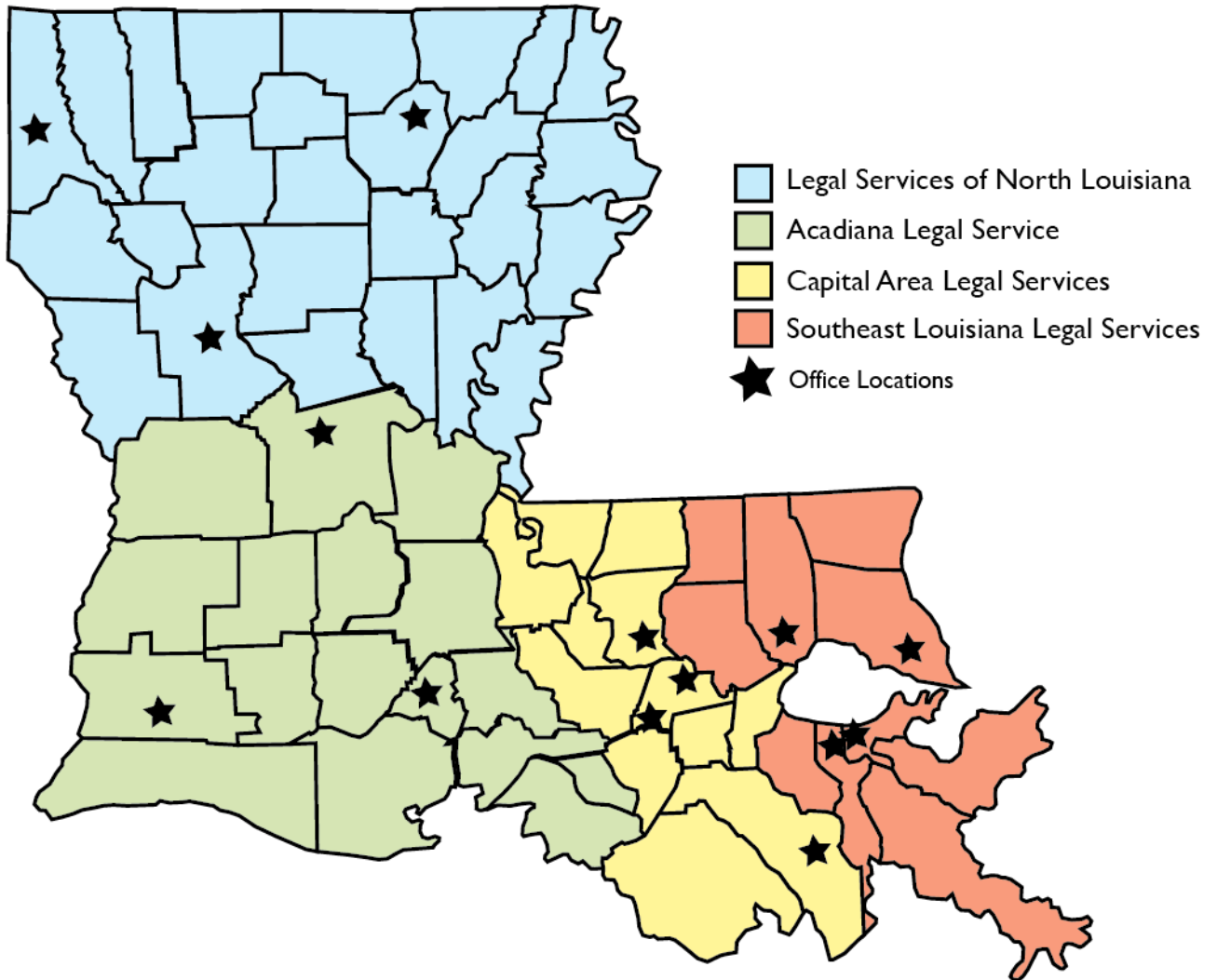
In 2010 the four legal services corporations assisted their clients in either acquiring or retaining over \$58 million. This monetary benefit initiates a series of economic transactions that will have a positive impact on the Louisiana economy.

The economic impact is estimated to range from \$70 million to \$107 million in terms of total economic transactions, estimated personal earnings of \$21.6 to \$33.2 million, and state and local tax collections ranging from \$2.9 million to \$4.4 million. This input of dollars into the Louisiana economy will create and support between 851 and 1,309 net new jobs. The low end of the range assumes that 65 percent of all net new spending in the state due to the activities of the legal services corporations will be spending that occurs in Louisiana only because of the legal activities of the legal services corporations. The high end of the range assumes that all spending in Louisiana relating to the legal activities of the legal services corporations will be net new spending—that is, the spending will not be transferring dollars from one Louisiana citizen to another Louisiana citizen.

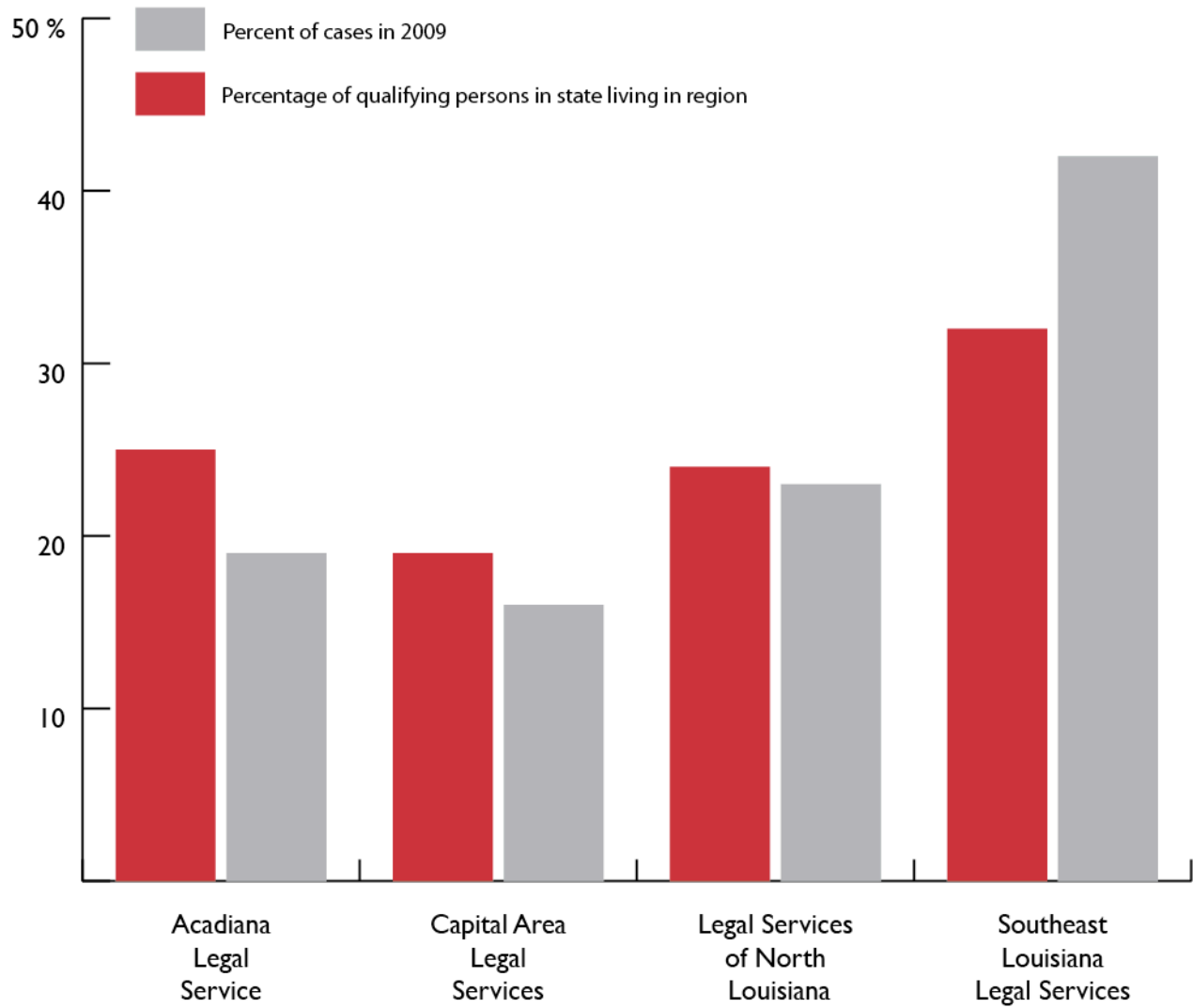
The benefit-cost ratio ranges from 1.55 to 2.40, again depending on the assumption regarding the amount of net new spending related to the closing of cases by the legal services corporations in Louisiana.

The benefit-cost ratio is only related to cases in which monetary benefits are derived through the closing of a case. It should be noted that there are many other outcomes of cases that may not result in a monetary benefit, but will result in an outcome that improves the quality of life for the individual and household. This report focused on the monetary benefits related to the cases involving the legal services programs in Louisiana, but, in no way, was this an attempt to minimize other legal outcomes that add to the overall quality of life for a client.

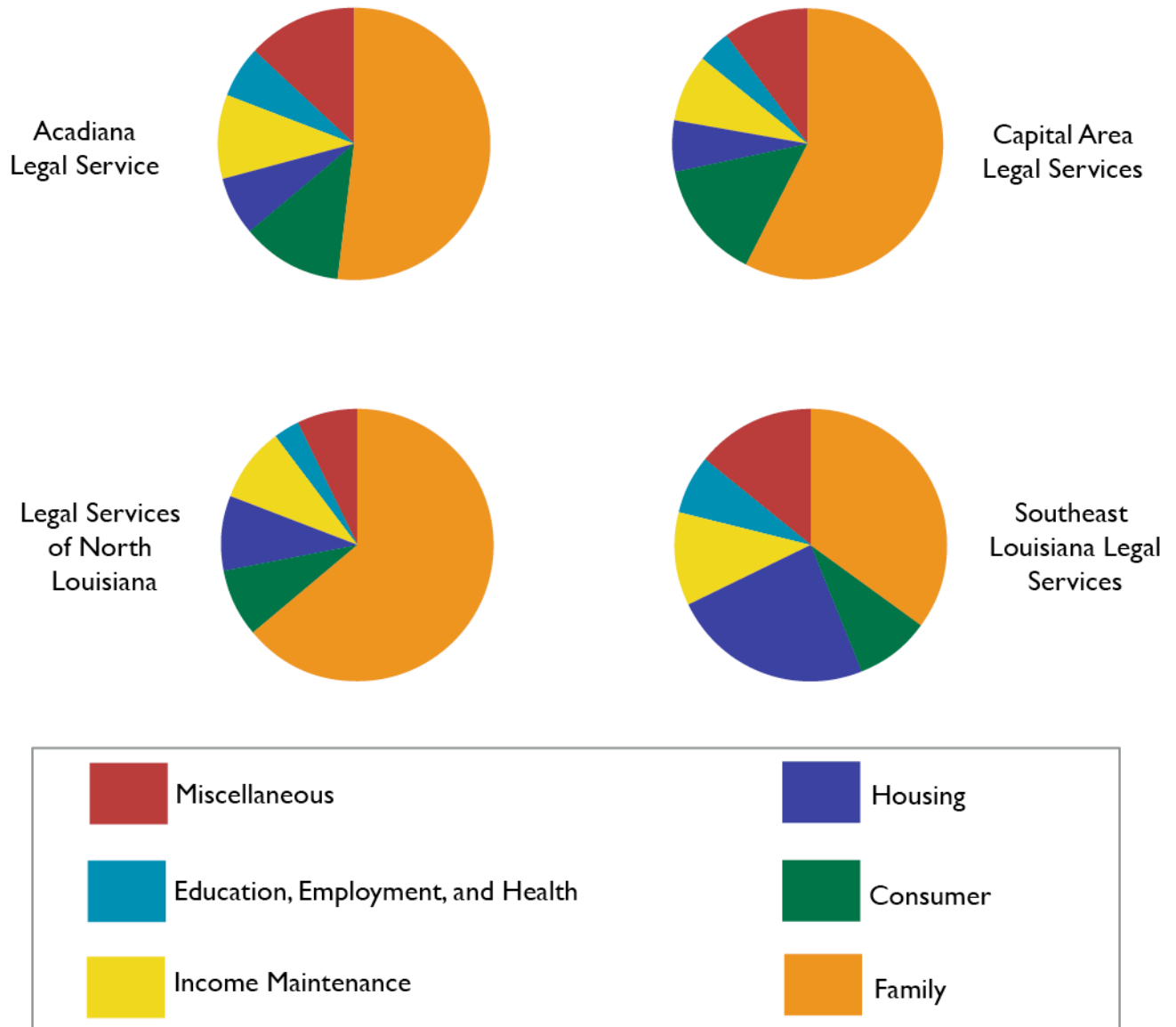
**Map I.** Louisiana Legal Services Network



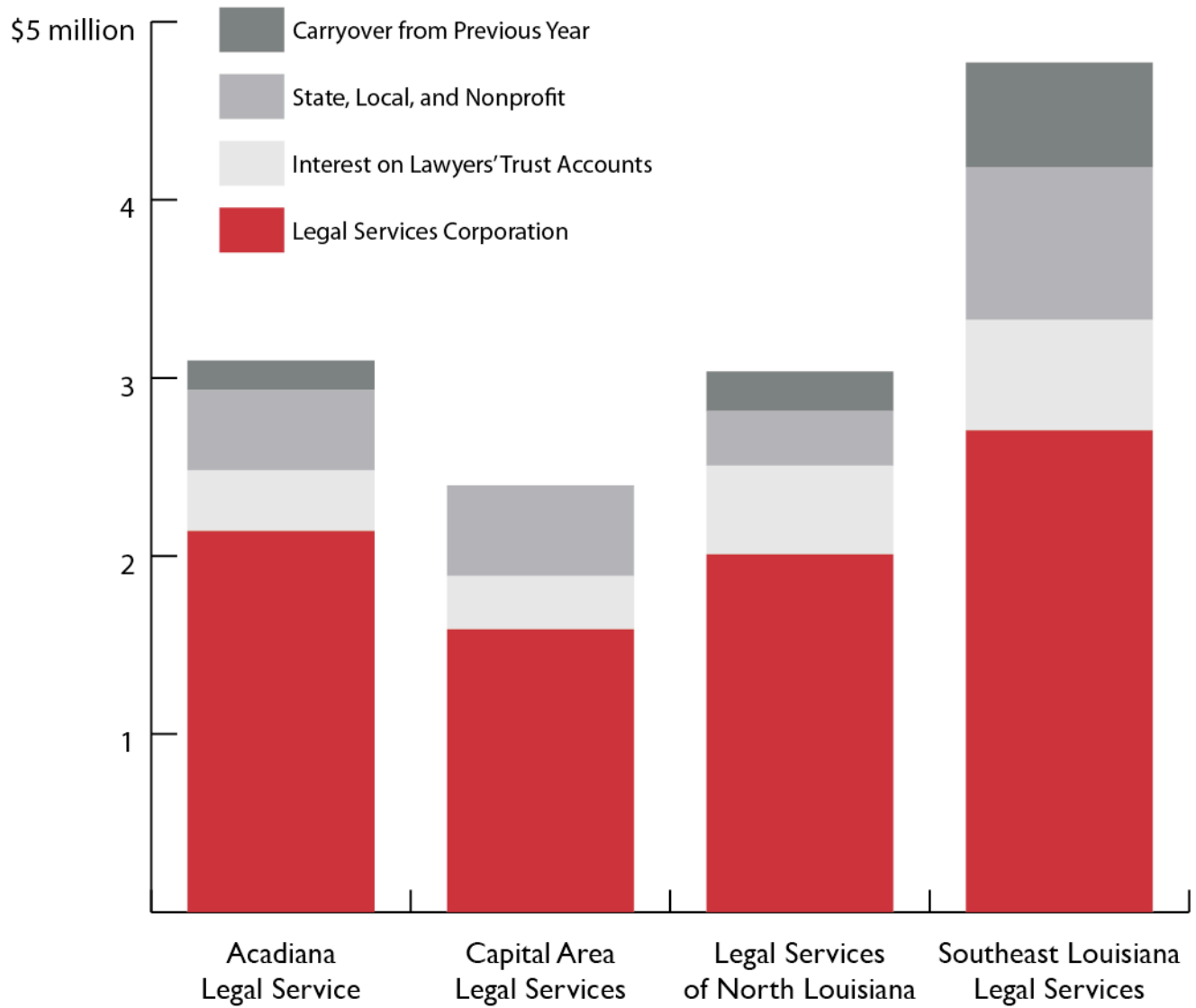
**Figure 1.** Legal Services Programs and Eligible Persons Per Region



**Figure 2.** Types of Cases Closed in 2009 by Legal Services Corporations in Louisiana

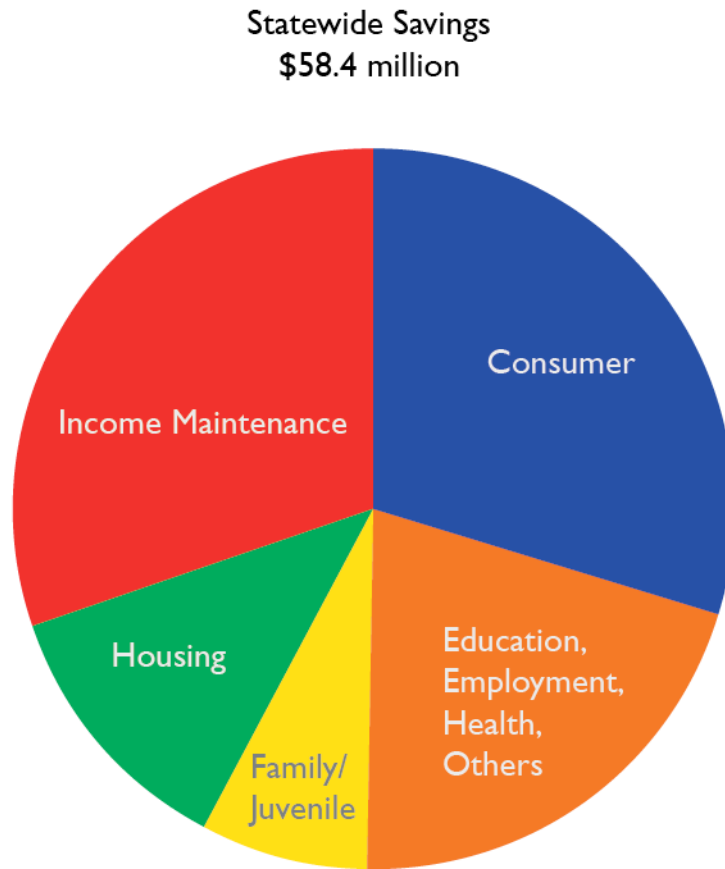


**Figure 3.** Paying for Legal Services Corporations in Louisiana



**Figure 4.** Dollars Received and/or Saved for Clients By Types of Cases (2010)

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**Figure 5.** Benefit-Cost Ratio for Legal Services Corporations in Louisiana

