

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 1238
Judiciary

(Delegate Dumais)

Judicial Proceedings

Maryland Legal Services Corporation Fund - Net Interest Earnings

This bill adds the Maryland Legal Services Corporation (MLSC) Fund to the list of special funds and accounts exempted from the requirement that all interest earned on special funds of the State be credited to the general fund. The bill also establishes that no interest charge must be made against the fund if the average daily net cash balance for the month is less than zero.

Fiscal Summary

State Effect: General fund revenues decrease minimally to reflect the bill's prohibition against charging interest against the MLSC fund when there is a negative balance. Minimal decrease in general fund revenues from interest earned on the MLSC fund; special fund revenues increase by amounts that offset general fund decreases from interest earned.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A provision of Chapter 397 of 2011 (Budget Reconciliation and Financing Act) credited all interest earned on special funds of the State to the general fund except for special funds and accounts that are specifically identified and exempted from the requirement or where doing so would be inconsistent with a federal law, grant agreement, or other federal requirement or with the terms of a gift or settlement

agreement, beginning in fiscal 2012. A similar provision in Chapter 484 of 2010 captured special fund interest for the general fund for fiscal 2010 and 2011 only.

Background: MLSC was established by the Maryland General Assembly in 1982. It receives and distributes funds to nonprofit grantees that provide legal assistance to eligible clients in civil cases. Grant revenue is generated by the MLSC Fund and stems from a variety of sources, including a surcharge on specified circuit and District Court filing fees, interest on lawyer trust accounts, and a mandatory \$500,000 appropriation from abandoned property funds. Since MLSC's creation, it has made grants of more than \$164 million.

State Fiscal Effect: According to the Judiciary, there are occasions when the MLSC fund has a negative balance and, beginning in fiscal 2012, the Treasurer started charging interest even when the balance was negative. The Judiciary advises that as of the end of January 2012, \$8,568 in interest had been charged to the MLSC fund. Assuming that the interest amount remains constant, under current law approximately \$14,800 in interest annually would be charged against the MLSC fund and credited to the general fund. Under the bill, this interest will no longer be charged and any interest earned in the future will be credited to the MLSC fund instead of the general fund. Information regarding the amount of interest annually earned on the MLSC fund is not readily available; however, the Judiciary advises that the fiscal impact is expected to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Judiciary (Administrative Office of the Courts), Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2012
ncs/kdm

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