



MLSC

MARYLAND LEGAL SERVICES CORPORATION

IOLTA - INTEREST ON LAWYER TRUST ACCOUNTS

Testimony Concerning HB 514
“Maryland Legal Services Corporation Funding - Abandoned Property”
Submitted to the House Appropriations Committee
Hearing Date: February 10, 2021

Position: Support

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Maryland Legal Services Corporation requests a favorable report on HB 514, enactment of which would increase MLSC’s annual distribution from the Abandoned Property Fund from \$2 million to \$8 million.

MLSC’s mission is to ensure low-income Marylanders have access to stable, efficient and effective civil legal assistance through the distribution of funds to nonprofit legal services organizations. It currently funds 36 organizations to work toward that mission across the entire state. The Maryland General Assembly created MLSC in 1982 to administer the state’s Interest on Lawyer Trust Accounts (IOLTA) program, and since that time MLSC grantees have assisted nearly 3.7 million Marylanders with a wide variety of civil legal needs.

The Maryland General Assembly identified the Abandoned Property Fund as a funding source for MLSC in 1984. At that time, the distribution to MLSC accounted for approximately 17% of Abandoned Property Fund annual revenue, whereas the enactment of HB 514 would direct less than 7% of the Fund’s current annual revenue to MLSC.

MLSC’s two major revenue sources – IOLTA and surcharges on certain court filing fees – were significantly reduced by the COVID-19 pandemic due to near zero interest rates and a dramatic decrease in court filings. The Federal Reserve has indicated they will keep interest rates near zero for several more years, meaning that MLSC cannot rely on IOLTA as a significant source of funding for civil legal aid into the foreseeable future.

MLSC is therefore facing a dire funding situation that would require significant cuts to grants beginning in fiscal year 2022. Due to the inverse relationship between the economy and MLSC’s statutory funding sources, we currently project that our FY22 income will be at least \$6 million lower than pre-pandemic levels – a loss of about 30%. At the same time, Marylanders will continue to turn to legal services providers for help with their legal problems, many of which have been exacerbated due to the effects of COVID-19.

Established nonprofit legal aid providers can help Marylanders navigate challenges caused or exacerbated by the pandemic. These providers help with a wide range of issues, including eviction and foreclosure; protection from domestic violence and elder abuse; bankruptcy and debt collection; child support and custody; and access to unemployment, health and other benefits. The pandemic has made these issues even more prevalent and complicated. Having an experienced advocate can make a tremendous difference for a low-income Marylander who, if not for civil legal aid, would be forced to navigate the legal system alone.

Providing more funding through the Abandoned Property Fund will mean Maryland’s civil legal aid delivery system can sustain vital services that affect housing, economic stability, physical safety and more. Not only do these services help people in need, but they also reduce strain on the court system and streamline interactions with state agencies, saving valuable time and funds.

In fact, multiple studies have shown that every dollar invested in civil legal services results in a \$6 return in the form of economic activity, cost savings and increased productivity – a total return of hundreds of millions of dollars each year. Investing in civil legal aid is the kind of stimulus our economy and Maryland families need amid this crisis.

When the Maryland General Assembly created MLSC in 1982, they found, among other things, that “there is a need to provide equal access to the system of justice for individuals seeking redress of grievances” and that “the funding of legal assistance programs for those who are unable to afford legal counsel will serve the ends of justice and the general welfare of the public.” HB 514 would be an important tool in stabilizing Maryland’s civil legal aid delivery system and serving the ends of justice.

MLSC urges favorable consideration of HB 514.

Appendix: MLSC Fund Projected Revenue

MLSC Fund Revenue: FY17-FY21 (Projected)

