



MLSC

MARYLAND LEGAL SERVICES CORPORATION

IOLTA - INTEREST ON LAWYER TRUST ACCOUNTS

Testimony Concerning HB 31
“Courts - Surcharges and Payment to Rental Assistance Programs”
Submitted to the House Judiciary Committee
Hearing Date: February 17, 2021

Position: Support with Amendments

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Maryland Legal Services Corporation requests a favorable report with amendments for HB 31, enactment of which would increase certain filing fee surcharges that are directed to MLSC for the funding of civil legal aid.

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 enacted surcharges as a funding source for MLSC in 1998, and they currently make up MLSC’s largest funding source. However, MLSC’s two major revenue sources – IOLTA and these surcharges – 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. Without additional revenue, MLSC is therefore facing a dire funding situation that would require significant cuts to grants beginning in fiscal year 2022. 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.

Funding civil legal aid also makes economic sense. 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.

MLSC requests a technical amendment that would separate the proposed funding for rental assistance to its own surcharge, as opposed to being paired with the MLSC surcharge. This separation would bring the rental assistance surcharge in alignment with other filing fee surcharges, such as those that go toward the Baltimore City Sheriff and Circuit Court Real Property Records Improvement Fund.

MLSC would also request an amendment changing the effective date of the bill to July 1, 2021, in order to ensure available funds at the start of MLSC's fiscal year and avoid disruption in grant payments.

With these technical amendments, MLSC urges favorable consideration of HB 31.