



MLSC

MARYLAND LEGAL SERVICES CORPORATION

IOLTA - INTEREST ON LAWYER TRUST ACCOUNTS

Testimony Concerning HB 693
“Courts - Surcharges and Payment to Special Funds”
Submitted to the House Judiciary Committee
Hearing Date: February 16, 2022

Position: Favorable with Amendments

Contact: Deb Seltzer, Executive Director, 410-576-9494 x1009, dseltzer@mlsc.org

Maryland Legal Services Corporation requests a favorable report with amendments on House Bill 693, enactment of which would increase surcharges on certain court filing fees and direct that funding to the provision 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 3.9 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 of major revenue sources – IOLTA and the surcharges – were significantly reduced by the COVID-19 pandemic due to near zero interest rates and a dramatic decrease in court filings. Court filings have continued to fluctuate in fiscal year 2022, and MLSC current projects filing fee surcharge revenue for FY22 will equal approximately two-thirds of pre-pandemic averages. Even with the increase in Abandoned Property Fund revenue passed by the Maryland General Assembly last year to stave off a funding crisis, MLSC’s total funding from the MLSC Fund has not recovered.

Furthermore, even before the pandemic, legal services providers did not have the capacity to meet all the civil legal needs of Maryland residents facing financial challenges and unable to afford legal help. At a minimum, it is vital that MLSC’s filing fee surcharge revenue remains stable, with the increase in the Circuit Court and District Court surcharge amounts balancing a potential decrease in the number of court filings at every level.

Established nonprofit legal aid providers help low-income Marylanders 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 both more prevalent and more 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.

House Bill 693 also provides a funding source for the new Access to Counsel in Evictions Program. As the administrator of the Program, MLSC looks forward to building on our previous eviction prevention

grants to ensure the Program proceeds effectively and efficiently, once funding is provided. When funded, the Program will provide legal representation as well as related tenant outreach and education, ensuring low-income tenants facing loss of housing know their rights and have an advocate to guide them through the court process. A stable funding source must be identified so that these life-changing services are available to all low-income Marylanders who need them.

With the amendment proposed by other advocates prohibiting the pass-through of the summary ejection surcharge onto tenants, MLSC urges favorable consideration of House Bill 693.