



# MLSC

MARYLAND LEGAL SERVICES CORPORATION

IOLTA - INTEREST ON LAWYER TRUST ACCOUNTS

**Testimony Concerning SB 516  
“Cannabis Reform”  
Submitted to the Senate Finance Committee  
Hearing Date: March 9, 2023**

**Position: Favorable with Amendment**

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Maryland Legal Services Corporation respectfully requests an amendment to SB 516 to direct a portion of cannabis sales and use tax revenue to the MLSC Fund. The MLSC Fund was created by the General Assembly to fund important civil legal services, and directing revenue in this manner would play an important role in helping the General Assembly reach its social equity goals.

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 41 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 program, and since that time MLSC grantees have assisted approximately 4 million Marylanders with a wide variety of civil legal needs.

MLSC’s grantees serve the very communities most impacted by cannabis prohibition and seek to address a range of legal issues that have resulted from cannabis enforcement and community disinvestment, such as criminal record expungement, unstable housing, debt problems, barriers to employment and more. Like cannabis enforcement, civil legal issues tend to disproportionately impact communities of color. In fiscal year 2022, more than 75% of grantees’ clients were people of color.

At the same time, our nonprofit grantees have had difficulty recruiting and retaining staff in light of the current tight labor market. Nonprofits have traditionally offered lower salaries than their for-profit and government counterparts, and that gap has recently grown. MLSC has long invested in the operations of our grantees, helping them keep the lights on and keep the lights of justice burning. We recognize that the staff is the heartbeat of civil legal aid, and that client communities are best served by well-staffed, well-trained, stable organizations. In fact, thanks to strong IOLTA revenue, we have just made supplemental grants targeted at bringing grantee salaries closer to that of other publicly funded, public interest attorneys in Maryland.

However, IOLTA revenue is based on interest rates and will not remain at its current level forever. While rates are projected to be high for another year or two, an additional, stable funding source will be needed to maintain that funding when rates begin to fall. The timing of the implementation of the cannabis sales and use tax offers an opportunity to continue that investment in civil legal aid. By directing a portion of the tax revenue to the existing MLSC Fund, the General Assembly will help nonprofit legal services providers recruit and retain their staff, thereby helping thousands of Marylanders every year address their economic security, family stability and physical safety.

MLSC is grateful for the tremendous amount of thoughtful work that went into developing SB 516 and proposes that a civil legal aid funding amendment would further the goals of the State. We urge favorable consideration of this amendment.

**Proposed amendments:**

On page 80, after line 19, insert:

**“(5) 10% to the Maryland Legal Services Corporation Fund established under § 11-402 of the Human Services Article;”**;

and in lines 20 and 23, strike “(5)” and “(6)”, respectively, and substitute “(6)” and “(7)”, respectively.

On page 85, after line 27, insert:

**Article – Human Services**

11-402.

(a) There is a Maryland Legal Services Corporation Fund.

(b) The Administrative Office of the Courts shall administer the Fund.

(c) The Fund is a special, nonlapsing fund that is not subject to § 7-302 of the State Finance and Procurement Article.

(d) The Fund consists of:

(1) money deposited to the Fund from the surcharge assessed in civil cases under §§ 7-202 and 7-301 of the Courts Article;

(2) money distributed to the Fund under § 17-317 of the Commercial Law Article;

(3) interest on attorney trust accounts paid to the Fund under § 10-303 of the Business Occupations and Professions Article; [and]

**(4) REVENUE DISTRIBUTED TO THE FUND IN ACCORDANCE WITH § 8 2-1302.2 OF THE TAX – GENERAL ARTICLE; AND**

[(4)] (5) investment earnings of the Fund.

(e) The Corporation shall use the Fund to provide funding for civil legal services to indigents under this title.

(f) The Treasurer shall:

1. invest and reinvest the Fund in the same manner as other State funds;

and

2. credit any investment earnings to the Fund and may not charge interest against the Fund if the average daily net cash balance for the month is less than zero.

(g) Expenditures from the Fund shall be made in accordance with an appropriation requested by the Judicial Branch of the State government under § 7-108 of the State Finance and Procurement Article and approved by the General Assembly in the State budget or by the budget amendment procedure under § 7-208.1 of the State Finance and Procurement Article.