



MLSC

MARYLAND LEGAL SERVICES CORPORATION

IOLTA - INTEREST ON LAWYER TRUST ACCOUNTS

**Testimony Concerning SB 232
“Civil Cases – Surcharges”
Submitted to the Senate Judicial Proceedings Committee
Hearing Date: January 26, 2021**

Position: Support

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Maryland Legal Services Corporation requests a favorable report on SB 232, enactment of which would institute modest increases to 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 3.7 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.

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 small increases on filing fee surcharges 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.

Even with these modest increases, Maryland’s filing fees would both remain at or below national averages. Additionally, low-income clients served by MLSC grantees and other approved legal services providers receive an automatic filing fee waiver.

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.” SB 232 would be an important tool in serving the ends of justice.

MLSC urges favorable consideration of SB 232.

Appendix: MLSC Fund Projected Revenue

MLSC Fund Revenue: FY17-FY21 (Projected)

