

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 157

(Senator Brochin, *et al.*)

Judicial Proceedings

Judiciary

Courts - Small Claims - Jurisdictional Limit

This bill increases the maximum amount in controversy in a civil action for which the District Court has exclusive jurisdiction, from \$5,000 to \$7,500. The bill also increases from \$5,000 to \$7,500, the amount in controversy (1) above which the District Court and the circuit courts have concurrent jurisdiction in civil cases and (2) for which an appeal of a judgment in a civil case from the District Court must be based on the District Court record. However, the bill retains the District Court's exclusive jurisdiction over a landlord/tenant action in which the amount of rent does not exceed \$5,000. **The bill applies to cases filed on or after the bill's October 1, 2018 effective date.**

Fiscal Summary

State Effect: Minimal increase in general fund revenues and minimal decrease in special fund revenues from cases shifting from the circuit courts to the District Court. Any increase in workload for the District Court can be handled with existing resources.

Local Effect: Minimal decrease in local revenues from cases shifting from the circuit courts to the District Court. The bill is not expected to materially affect local expenditures.

Small Business Effect: Potential minimal, as discussed below.

Analysis

Current Law: A civil case involving an amount in controversy of \$5,000 or less *must* be filed in the District Court. In general, a plaintiff may file a suit in "small claims court" if (1) the amount in controversy is \$5,000 or less; (2) the claim is only for money; and (3) there are no plans to request discovery, such as interrogatories, etc. Small claims are

often filed *pro se* (self-representation) and are handled less formally. The rules of procedure and evidence are simplified in small claims court to make it easier for parties to represent themselves.

A case involving more than \$30,000 must be filed in circuit court. A plaintiff may elect to file a case involving an amount more than \$5,000 and not more than \$30,000 in the District Court or a circuit court. However, if the amount in controversy exceeds \$15,000, any party to the case has the right to demand a jury trial. Jury trials always take place in the circuit courts.

Replevin cases, landlord/tenant cases, municipal infraction, and zoning violations, no matter how much money is involved, must be filed in the District Court.

An appeal from a civil action in the District Court in which the amount in controversy exceeds \$5,000 must be heard by the circuit court on the District Court record rather than heard *de novo*.

Background: According to the *Maryland Judiciary Statistical Abstract – Fiscal Year 2016*, the latest information available, an estimated 300,152 civil cases were filed in the District Court and 69,383 civil cases were filed in the circuit courts during fiscal 2016. An estimated 637,128 landlord/tenant actions were filed in the District Court during fiscal 2016. For purposes of the District Court figures, “civil cases” includes several categories of cases not affected by the bill (*e.g.*, domestic violence case filings, peace order case filings, and civil citations). In 2003, the maximum amount in controversy that determines the exclusive jurisdiction of the District Court in civil cases was increased from \$2,500 to \$5,000.

State Revenues: General fund revenues increase minimally due to a shift of civil filings from the circuit courts to the District Court. Special fund revenues for the Maryland Legal Services Corporation Fund (MLSC) and the Circuit Court Real Property Records Improvement Fund also decrease minimally from cases shifting from the circuit court to the District Court.

The bill affects cases with an amount in controversy between \$5,000 and \$7,500 and has the potential to cause two types of shifts in cases: (1) cases currently designated as large claims cases, with higher filing fees in the District Court shifting to small claims status in the District Court, with lower filing fees; and (2) cases moving from the circuit courts to the District Court. This analysis assumes that a significant portion of plaintiffs in cases with amounts in controversy between \$5,000 and \$7,500 already choose to file in the District Court rather than the circuit courts. Cases that shift from the circuit courts to the District Court as a result of the bill are most likely cases for which a circuit court plaintiff must file in the District Court under the bill’s provisions due to the amount in controversy.

Any shift in caseloads from the circuit courts to the District Court results in a shift in fee revenues; local revenues decrease and State revenues increase. Claims between \$5,000 and \$7,500 are currently considered large claims in the District Court but would be small claims under the bill (and subject to a lower filing fee). However, any impact on filing fee revenues from both of these factors is not expected to significantly impact State finances. The basic civil case filing fee in the circuit court is \$165. The basic civil case filing fee in the District Court is \$34 for a small claim and \$46 for a large claim.

Both the District Court and circuit court filing fees include surcharges for MLSC and the Circuit Court Real Property Records Improvement Fund, as noted below. The District Court small claims and large claims filing fees include an \$18 MLSC surcharge and an \$8 Circuit Court Real Property Records Improvement Fund surcharge. The circuit court filing fee includes a \$55 MLSC surcharge and a \$30 Circuit Court Real Property Records Improvement Fund surcharge. Thus, special fund revenues for these funds decrease minimally from cases shifting from the circuit courts to the District Court.

State Expenditures: Although the bill may result in additional case filings in the District Court, information is not readily available on the exact number of cases that might be shifted from the circuit courts to the District Court as a result of the bill. However, because many cases with an amount in controversy of more than \$5,000 and less than \$7,500 are already filed in the District Court, any increase in the number of small claims cases (and corresponding reduction in large claims cases) is not expected to have a significant impact on District Court operations, including assisting *pro se* litigants, updating court procedures and materials, and preparation of transcripts for appeals to the circuit courts.

Small claims cases, which are often filed *pro se*, may require personnel in the District Court clerk's office to answer questions and assist litigants to some extent. The District Court also maintains four Self-Help Resource Centers, which provide assistance to individuals who plan to represent themselves in court in a variety of matters, including small claims (\$5,000 or less) and large claims cases (up to \$30,000). According to the Judiciary, these centers assisted 13,383 unrepresented individuals with small claims during calendar 2017.

Small Business Effect: The bill increases the range of cases considered small claims. Small businesses may benefit from being able to file and litigate such claims in District Court without hiring an attorney to represent the entity. Attorneys who represent clients in cases that receive small claims status as a result of the bill and are filed *pro se* may also be impacted.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts); Department of Legislative Services

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