

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

House Bill 1446 (Delegate Shriver)  
Judiciary

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Court Administration - Collection of Fees - Privatization

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This bill permits the State Court Administrator to enter into contracts with private contractors to collect court-ordered fines, fees, and costs in Baltimore City and Montgomery County criminal cases.

The bill requires the State Court Administrator to report on the program to the Chief Judge of the Court of Appeals, the Chief Judge of the District Court of Maryland, the Governor, and the General Assembly by October 1, 1997. This bill is effective on July 1, 1996, and terminates on June 30, 2000.

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Fiscal Summary

**State Effect:** Indeterminate effect on general and special fund revenues. Indeterminate effect on general fund expenditures.

**Local Effect:** Potential indeterminate decrease in Baltimore City and Montgomery County revenues. No effect on expenditures.

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Fiscal Analysis

**Background:** Restitution, fines and court costs in criminal cases are collected by the clerks of the courts and the Division of Parole and Probation.

In fiscal 1995 the Division of Parole and Probation (DPP) was ordered to collect \$27.0 million in fines, costs, fees, and restitution from 21,110 offenders. Of this amount, DPP collected \$4.7 million. As many offenders pay over time and some may be currently incarcerated with no means to earn money, this figure does not represent the total amount that will be collected. About 30% of these funds were collected from Baltimore City and

Montgomery County. In Baltimore City the division was ordered to collect \$6.0 million from 5,174 offenders, and in Montgomery County the division was ordered to collect \$2.4 million from 1,673 offenders.

**State Revenues:** Any change in revenue would depend on (1) the amount of restitution and court fees imposed by the courts; (2) the vendor's success at obtaining payment; and (3) the percentage that a vendor retains. Any such change cannot be reliably estimated at this time. It is assumed that a private vendor would not be retained if the contract did not require the vendor to collect more than the clerks and the Division of Parole and Probation (DPP).

The clerks of the courts collect a variety of fees and fines which go to the general fund and other funds. Some of these fees are collected before the final decision in a case. If the vendor received a portion of these fees, general fund revenues could decrease. However, to the extent that the vendor is more successful in collecting funds than the DPP, these revenues could increase.

The DPP adds a 2% collection fee on restitution that it collects from offenders. In fiscal 1995 the DPP collected \$67,800 from this fee. To the extent that this fee is collected by DPP in Baltimore City and Montgomery County, general fund revenues would decrease. For illustrative purposes, assuming a constant amount of revenue and 30% of this amount is from Baltimore City and Montgomery County, general fund revenues could decrease by \$20,400 annually.

In addition, the DPP collected \$1.3 million in other costs and fees. Some of these amounts went to special funds such as the Criminal Injuries Compensation Fund and the Victims of Crime Fund, and some went to the general fund. As the bill requires that the vendor's compensation be a percentage of the funds collected, these fund revenues could decline. Assuming 30% of these funds came from Baltimore City and Montgomery County, annual revenues could decline by \$13,000 for each 1% the vendor retains. However, to the extent that the vendor is more successful in collecting funds than the DPP, these revenues could increase.

The vendor is required to offer employment at a comparable benefit rate to any State employee displaced by privatization. To the extent this provision increases the cost of business for a vendor, the amount retained by the vendor will be higher, and State revenues will be lower.

**State Expenditures:** The bill permits the Court of Appeals to establish a standing master position to hear issues relating to collection under the bill. Assuming a standing master is paid the equivalent of an Administrative Law Judge, general fund expenditures could increase by \$33,900 for salary and fringe benefits in fiscal 1997, accounting for the October 1 effective date, and by \$45,200 annually thereafter.

Current law prohibits the State from reducing the amount of restitution awarded to a victim without the victim's consent. The bill specifies that the vendor's payment shall be a percentage of the amount collected by the vendor. The State would presumably have to make up the difference between the amount collected by the vendor and the amount the vendor remits to the victim. Assuming the vendor collects \$1.1 million in restitution in Baltimore City and Montgomery County annually, general fund expenditures could increase \$11,000 for each 1% the vendor retains. This expenditure would be reduced to the extent that the victim agrees to a lower restitution payment.

The DPP has eight employees in the collections unit. A decrease of 30% of their workload could eliminate the need for two of these positions, or caseloads could be reallocated to increase the collection rate in the other 22 jurisdictions. Salaries and fringe benefits for two fiscal clerks in the DPP amount to \$53,500 in fiscal 1997.

**Local Revenues:** The clerks of the courts collect a variety of fees and fines. Most of these revenues in the circuit courts go to the local jurisdiction. Some of these fees, such as the appearance fee in the Baltimore City Circuit Court, are collected before the final decision in a case. If the vendor received a portion of these fees, local revenue could decrease. Any such decrease could be at least partially offset to the extent that these fees are not paid and the vendor is more successful than the State at recovering these fees. The amount of any such change cannot be reliably estimated at this time.

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**Information Source(s):** Department of Public Safety and Correctional Services (Division of Parole and Probation), Judiciary (Administrative Office of the Courts), Department of Fiscal Services

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