

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1437 (Delegate McHale)
Rules and Executive Nominations

Products Liability Actions - Punitive Damages

This bill alters the standards under which a court may award punitive damages in a products liability case, limits attorneys' fees, and provides that a portion of punitive damages go to the State.

This bill is effective July 1, 1996, and applies to all cases pending at that time or that have not exhausted all appeals.

Fiscal Summary

State Effect: Indeterminate increase in general fund revenues. No effect on expenditures.

Local Effect: None.

Fiscal Analysis

State Revenues: Under the bill, the plaintiff's attorney deducts fees from the punitive damage award, up to one-third of the award. The remaining amount is divided equally between the plaintiff and the general fund. Revenues could increase to the extent that the new standard for punitive damages leads to more punitive damage awards and the resulting payments to the general fund. The amount of revenue increase would depend upon the number and value of punitive awards paid and attorneys' fees in the cases and cannot be reliably estimated at this time. While punitive damages are uncommon, a single case with a substantial punitive damage award could increase general fund revenues significantly.

State Expenditures: The new standard for punitive damages may encourage more lawsuits as the potential recovery amount increases. Any such increase could be mitigated by the requirement that compensatory damages must be awarded before punitive damages. The new

standard for punitive damages could also lead to more cases being settled. This could ease the burden on the trial courts and the Court of Special Appeals. Any change in caseload, however, is not expected to affect the personnel requirements of the Judiciary.

Information Source(s): Judiciary (Administrative Office of the Courts), Maryland Trial Lawyers Association, Department of Fiscal Services

Fiscal Note History: First Reader - April 8, 1996

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