

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 70
Judiciary

(Delegates Baldwin and Mitchell)

Judicial Proceedings

District Court - Small Claim Actions

This bill increases the maximum amount of a small claim, over which the District Court of Maryland has exclusive jurisdiction, from \$2,500 to \$5,000. The bill also increases, from \$2,500 to \$5,000, the amount in controversy: (1) above which the District Court and circuit courts have concurrent jurisdiction in civil cases; and (2) for which a civil appeal from the District Court must be based on the District Court record. The bill provides that in a civil action in District Court, if the amount in controversy is \$2,500 or less, there shall be no formal pleadings.

The bill applies only to cases filed on or after the bill's October 1, 2002 effective date.

Fiscal Summary

State Effect: The District Court of Maryland could handle any additional workload resulting from the bill with existing budgeted resources. Any revenue increase for the District Court is not expected to be significant.

Local Effect: The bill would not significantly impact circuit court operations or finances.

Small Business Effect: Minimal.

Analysis

Current Law: A civil case with an amount in controversy of \$2,500 or less, exclusive of prejudgment or postjudgment interest, costs, and attorney's fees, must be filed in District

Court. These cases are considered to be “small claims.” Small claims actions must be placed on a special court docket designated solely for small claims; these claims are treated less formally, using court forms to file and defend the action. According to District Court rules, if a counter-claim, cross-claim, or third-party claim is filed in a small claim action and it causes the amount in controversy to exceed the jurisdictional limit for a small claims action (\$2,500), then the case must transfer to the regular civil docket.

The following individuals may represent a business entity and appear on its behalf in a small claims action without being a member of the bar:

- an officer of a corporation or an employee designated by an officer of a corporation;
- a partner in a business operated as a partnership or an employee designated by a partner; or
- an employee designated by the owner of a business operated as a sole proprietorship.

A civil case with an amount in controversy of more than \$2,500 and \$25,000 or less may be filed in either the District Court or circuit court. In a civil action in District Court, if the amount in controversy is \$1,000 or less, there are no formal pleadings.

An appeal from a civil action in the District Court in which the amount in controversy exceeds \$2,500 (exclusive of interest, costs, and attorney’s fees if applicable) must be heard based upon the District Court record rather than heard *de novo*.

State Fiscal Effect: Although this bill could result in additional case filings for the District Court, it is expected that the number of additional cases would not be large. Many cases with an amount in controversy of more than \$2,500 and \$5,000 or less are already filed in District Court. Consequently, any workload increase could be handled by the District Court with existing budgeted resources.

The upper limit of the District Court’s civil jurisdiction was increased from \$20,000 to \$25,000 effective in fiscal 1999. Although it was expected that District Court case filings would increase as a result of that legislation (HB 194 of 1998), civil case filings in the District Court actually decreased by approximately 3.25% from fiscal 1998 to fiscal 1999.

Any shift in caseload from the circuit court to the District Court would also result in a shift in fee revenue. The basic civil case filing fee in circuit court is currently \$90-\$100, and the basic civil case filing fee for a small claim in District Court is currently \$10 (\$20 for a large claim). However, any revenue shift resulting from this bill is not expected to significantly impact governmental finances.

Small Business Effect: This bill would increase the range of cases that could be considered small claims. Small businesses could therefore benefit from being able to file and litigate such claims in District Court without hiring an attorney to represent the entity.

Additional Information

Prior Introductions: This bill was introduced in the 2001 session as HB 546. It passed both houses but was vetoed by the Governor on the ground that insufficient evidence existed to warrant altering the current jurisdictional balance between the District Court and the circuit courts. The bill was introduced in the 2000 session as HB 416 and received an unfavorable report from the Judiciary Committee.

Cross File: None.

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

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