

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 18 (Delegate Menes)
Judiciary

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 an appeal in a civil case from the District Court must be based on the District Court record. The bill also increases from \$1,000 to \$2,500 the amount in controversy in a civil action in which there are no formal pleadings.

The bill applies only to cases filed on or after the bill's October 1, 2003 effective date.

Fiscal Summary

State Effect: The District Court could handle any additional workload resulting from the bill with existing budgeted resources. Any revenue increase would be minimal.

Local Effect: The bill would not significantly impact circuit court operations or finances. Any revenue decrease would be minimal.

Small Business Effect: Potential minimal. The 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.

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 "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 claims 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.

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*.

Background: The small claims jurisdictional amount was last increased in 1987, from \$1,000 to \$2,500. The concurrent jurisdictional threshold of \$2,500 has remained unchanged since the District Court was created in 1971.

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. In addition, an increase in the number of small claims cases (and corresponding reduction in the number of nonsmall claims cases) is not expected to have a discernible impact on District Court operations. Although 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, cases with attorney representation (of which there presumably would be fewer) can be more complicated. Consequently, the bill's changes 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 courts to the District Court would also result in a shift in fee revenue; county revenues would decrease and State revenues would increase. 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.

Additional Information

Prior Introductions: This bill was introduced in the 2002 session as HB 70 and in the 2001 session as HB 546. Each bill 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. HB 416 in the 2000 session sought to increase from \$2,500 to \$10,000 the amount in controversy above which the District Court and circuit courts have concurrent jurisdiction in civil cases. That bill received an unfavorable report from the House Judiciary Committee.

Cross File: None, although SB 4 includes all of this bill's changes and addresses who may represent limited liability companies in small claims actions.

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

Fiscal Note History: First Reader - January 22, 2003
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