

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 706

(Delegate Menes, *et al.*)

Judiciary

Judicial Proceedings

Court Fees and Costs - Civil Cases - Maryland Legal Services Corporation Fund

This bill increases the surcharge on civil cases filed in circuit court from a maximum of \$10 to a maximum of \$20. For cases filed in the District Court, the surcharge increases from a maximum of \$2 to a maximum of \$5, for summary ejectment cases; and \$7 for all other civil cases. Money from the surcharge is deposited into the Maryland Legal Services Corporation (MLSC) Fund, which is used to finance civil legal services to indigents.

Fiscal Summary

State Effect: Special fund revenues could increase by \$2.2 million in FY 2005. Out-year estimates reflect annualization and assume a constant number of cases. No direct effect on expenditures.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	\$2.2	\$3.6	\$3.6	\$3.6	\$3.6
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$2.2	\$3.6	\$3.6	\$3.6	\$3.6

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current law: Court costs and charges for the circuit courts are set by the State Court Administrator with the approval of the Board of Public Works. The initial filing fee for a civil case in the circuit courts is \$80 plus the \$10 surcharge for MLSC.

Filing fees for civil cases in the District Court are as follows: \$4 for summary ejectments; \$10 for small claims; and \$20 for other civil actions. The District Court fee schedule notes that these fees “may include surcharge for Maryland Legal Services Corporation Fund.” The maximum surcharge for all District Court cases is currently \$2.

A judge may waive the prepayment of filing fees and costs in a civil case because of indigence.

Background: MLSC was established by the Maryland General Assembly in 1982. It receives and distributes funds to nonprofit grantees that provide legal assistance to eligible clients in civil cases. The MLSC fund and the surcharges on filing fees were established in 1998.

The Governor is required to appropriate at least \$500,000 annually in the State budget each year to support the activities of MLSC. This money comes from the State Unclaimed Property Fund. Additionally, lawyers are required to place small or short-term client trust funds into an IOLTA (Interest on Lawyer Trust Accounts) account, the interest on which is paid into the fund. In fiscal 2003, MLSC received \$500,000 in appropriated funds, \$3.9 million in IOLTA interest, and \$2.3 million from civil case surcharges, for a total of \$6.7 million.

State Revenues: The \$2.3 million received from surcharges in fiscal 2003 breaks down as follows:

Summary ejectment cases (450,000 cases @ \$2/case)	\$900,000
Other civil suits filed in District Court (300,000 cases @ \$2/case)	600,000
Civil cases filed in circuit court (80,000 cases @ \$10/case)	<u>800,000</u>
Total	\$2,300,000

Assuming the maximum surcharges are imposed and a constant number of cases in which the surcharge is imposed, revenues would increase to \$10,550,000 per year:

Summary ejectment cases (450,000 cases @ \$5/case)	\$2,250,000
Other civil cases filed in District Court (300,000 cases @ \$7/case)	2,100,000
Civil cases filed in circuit court (80,000 cases @ \$20/case)	<u>1,600,000</u>
Total	\$5,950,000

This is an increase of \$3,650,000 over the current level.

Because of the bill's October 1, 2004 effective date, the increase in special fund revenue for fiscal 2005 is \$2,162,500.

Small Business Effect: MLSC, a nonprofit organization, would obtain significant additional funds annually with which to finance civil legal services for indigents as a result of this bill.

Additional Information

Prior Introductions: None.

Cross File: SB 316 (Senator Green, *et al.*) – Judicial Proceedings.

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

Fiscal Note History: First Reader - February 23, 2004
mh/jr Revised - House Third Reader - March 29, 2004

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