

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 20
Judiciary

(Delegate Smigiel)

District Court - Small Claim Actions - Amount in Controversy

This bill increases, to \$10,000 from \$5,000, the maximum amount of small claim actions for which the District Court has exclusive jurisdiction. The bill also increases, to \$10,000 from \$5,000, the amount in controversy in a civil case above which: (1) the District Court and the circuit courts have concurrent jurisdiction; and (2) an appeal from the District Court must be determined by a circuit court based on the record from the District Court. The bill also increases, to \$5,000 from \$2,500, the amount in controversy above which formal pleadings are required.

The bill applies only to cases filed on or after the bill's October 1, 2008 effective date.

Fiscal Summary

State Effect: The bill would marginally increase case filings in the District Court, and decrease filings in the circuit courts. General fund revenues from filing fees could decrease marginally due to lower filing fees in the District Court.

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

Small Business Effect: Potential minimal.

Analysis

Current Law: A civil case in which the amount in controversy is \$5,000 or less may only be filed in the District Court. This type of case is considered a "small claim action."

A civil case in which the amount in controversy is more than \$5,000, but does not exceed \$30,000, is within the concurrent jurisdiction of the District Court and the appropriate circuit court and may be filed in either court by the plaintiff.

Formal pleadings are not required in a civil action in the District Court if the amount in controversy is \$2,500 or less.

An appeal from the District Court to a circuit court of a civil case, in which the amount in controversy exceeds \$5,000, is heard on the record made in the District Court, but an appeal of a small claim action is tried *de novo*.

Background: Chapter 54 of 2003 increased to \$5,000 (from \$2,500) the amount in controversy that determines maximum jurisdictional amount for small claim actions.

Chapter 54 of 2003 also increased to \$2,500 (from \$1,000) the maximum amount in controversy for cases in which formal pleadings are not required.

State/Local Fiscal Effect: The bill would marginally increase the number of cases brought in District Court, and reduce the number of cases brought in the circuit courts by a similar amount. Information regarding the number of small claims cases filed annually is not readily available.

The Judiciary advises that it cannot reliably estimate the number of cases that would move from circuit court to District Court as a result of this bill. Cases with an amount in controversy of more than \$5,000 and less than \$10,000 are already eligible to be filed in the District Court. 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 discernable impact on District Court operations. For example, in the first fiscal year after the last increase in jurisdictional amount (fiscal 2004), *all* civil filings in the District Court actually decreased by .7%. 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, the bill's changes could be handled with existing budgeted resources.

Civil filing fees for both court systems are deposited into the State general fund. The bill would probably reduce the total amount collected by the Judiciary in filing fees, since the base fee for a civil filing is \$80 in circuit courts and \$20 in the District Court, excluding special fund surcharges.

Small Business Effect: The bill would increase the range of cases that would be filed in the District Courts as small claims. District Court cases usually proceed more quickly and follow more simplified procedures than circuit court cases. Consequently, this bill could result in accelerated resolution and reduced legal costs for small businesses that file lawsuits for amounts involving between \$5,000 and \$10,000. The bill would also increase the number of cases that would require no formal pleadings, which could also benefit small businesses by eliminating the need to hire an attorney to represent the entity.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/jr

Analysis by: Jennifer K. Botts

Direct Inquiries to:
(410) 946-5510
(301) 970-5510