

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

House Bill 461
Judiciary

(Delegate Rosenberg, *et al.*)

District Court - Civil Jurisdiction - Amount in Controversy

This bill expands the District Court’s original civil jurisdiction by increasing the limit on the amount of debt or damages that may be claimed in contract, tort, or attachment before judgment cases from \$30,000 to \$50,000 (exclusive of interest, costs, and attorney’s fees).

Fiscal Summary

State Effect: Potential significant decrease in general fund and special fund revenues from civil case filing fees, depending on the number of cases that shift from the circuit courts to the District Court as a result of the bill. Potential significant increase in general fund expenditures for the District Court if the bill generates a significant increase in filings in the District Court.

Local Effect: Decrease in operational expenditures for the circuit courts, depending on the volume of cases that shift from the circuit courts to the District Court.

Small Business Effect: Potential minimal.

Analysis

Current Law: The District Court of Maryland was created by an amendment to the Maryland Constitution in 1970 and began operating as a court of record in 1971. Located in all counties and Baltimore City, it operates as a unified system with a statewide jurisdiction. The District Court has jurisdiction over a variety of civil and criminal cases of specific types.

Its exclusive civil jurisdiction of the District Court includes the following types of cases: (1) civil cases involving claims up to \$5,000; (2) landlord-tenant disputes; and (3) replevin claims. The District Court does not hear civil cases involving claims above \$30,000. In general, the District Court has concurrent jurisdiction with the circuit courts in claims for amounts above \$5,000 and up to \$30,000.

Background: Chapter 84 of 2007 increased the amount in controversy that determines the civil jurisdiction of the District Court from \$25,000 to \$30,000. There were 296,243 civil filings in the District Court and 78,893 civil (nonfamily law) filings in the circuit courts during fiscal 2014.

State/Local Fiscal Effect: General fund and special fund revenues decrease, perhaps significantly, depending on the number of cases that shift from the circuit courts to the District Court as a result of the bill. General fund expenditures increase, perhaps significantly, from the shifting of cases from the circuit courts to the District Court.

The magnitude of the shift in cases generated cannot be reliably estimated at this time and depends on the number of cases with damages totaling \$30,000 to \$50,000 filed in the District Court as a result of the bill and for which a defendant in the case does not request a jury trial. Despite the bill's provisions, (1) plaintiffs in some of these cases may wish to have jury trials, which are conducted in the circuit courts and (2) if a plaintiff files a case in the District Court and the amount in controversy exceeds \$15,000, a defendant may demand a jury trial and the case must be transferred to the circuit court.

The Judiciary advises that the bill may significantly affect the operations and finances of the District Court but was unable to provide an estimate of the number of cases filed in the circuit court with damages between \$30,000 and \$50,000 in time for the preparation of this fiscal and policy note.

The State pays for all costs associated with the District Court and for several expenses associated with the circuit courts, including judges' salaries, operations of the clerks' offices, law clerks, and stipends for jury service. Local governments fund the operating costs and administrative support of the circuit courts. In fiscal 2013, the State paid a total of \$158.5 million toward the total expenses of the circuit courts, while local governments contributed \$50.1 million.

Revenues from Filing Fees: Civil filing fees for both court systems are deposited into the State general fund. This bill likely reduces the total amount collected by the Judiciary in filing fees, since the base fee for a civil filing is \$80 in circuit court and \$20 in District Court, excluding special fund surcharges.

In addition to the base filing fees described above, the District Court and the circuit courts impose a surcharge, payable to the Maryland Legal Services Corporation (MLSC) Fund, for new civil filings. The District Court charges an \$18 surcharge, while the circuit courts charge a \$55 surcharge. Thus, special fund revenues may decrease from the shifting of cases under the bill. This decrease in special fund revenues may be somewhat mitigated to the extent that cases are appealed from the District Court to the circuit courts, since the circuit courts also charge a \$55 MLSC surcharge for appeals from the District Court.

In fiscal 2014, the MLSC Fund received \$13.2 million in revenues from court filing fees. The total revenue of the fund was \$16.9 million in fiscal 2014.

Increase in the Number of Large Civil Cases in the District Court: The increased jurisdictional limit under the bill results in additional trials in the District Court, all of which are likely to be more complex than the typical District Court trial due to the high amount of damages involved. Civil cases involving a high amount of damages take longer to litigate because they tend to involve more witnesses and evidence. Increasing the volume of complex civil cases affects the District Court's ability to meet its caseflow standards, which were established to assist courts in their efficient and judicious management of cases.

The District Court has a caseflow standard goal of completing 98% of its large civil cases within 250 days. In fiscal 2013, the District Court completed 94% of its large civil cases within 250 days. The average case processing time for large civil cases completed within the standard was approximately 90 days in fiscal 2013, compared to approximately 390 days for cases that exceeded the time standard.

Depending on the volume of cases that shift to the District Court as a result of the bill, the District Court may need to hire additional clerical personnel to accommodate increased workloads.

Transcripts for Appeals from the District Court: An appeal from the District Court to the circuit courts is on the record for a civil action in which the amount in controversy exceeds \$5,000 exclusive of interest, costs, and attorney's fees if attorney's fees are recoverable by law or contract. A District Court transcript is required for appeals on the record.

The District Court requires individuals requesting transcripts to pay a \$75 deposit. Transcripts cost \$3 per page, which is deducted from the deposit. Requestors receive the remaining balance if their transcript costs are less than the \$75 deposit and are billed for remaining balances if their transcript costs exceed the \$75 deposit. The District Court advises that civil cases involving large claims (amount in dispute is greater than \$5,000 or greater than \$2,500 for a case filed before October 2003) generate the most transcripts.

The District Court has historically advised that each transcriber prepares an average of 4,268 transcript pages per year. Transcripts can range from 20 pages to 1,000 pages in length. Depending on the number of additional pages prepared for appeals in large civil cases as a result of the bill, the District Court may need to hire additional personnel for the transcripts office. The cost associated with hiring one additional transcriber in fiscal 2016 is \$45,514, which accounts for the bill's October 1, 2015 effective date and includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. The cost associated with one additional transcriber in fiscal 2017 is \$57,544.

Self-Help Resource Centers: The Judiciary also advises that because of the more streamlined procedures in the District Court, some of the litigants in these cases may decide to represent themselves, which may place a strain on the District Court's Self-Help Resource Center. Demand for services of the center has grown significantly in recent years. In 2010, the first full year of operation, the center served 4,597 individuals; in 2014, the center served 23,632 individuals. To meet this increased demand, the Judiciary opened a second center in Upper Marlboro in February 2015. The District Court, which is responsible for costs associated with the centers, spends approximately \$1.1 million each year on the centers.

While the bill may increase the demand for services from the Self-Help Resource Centers, these services are discretionary services provided by the District Court to the extent funds are available. Thus, unless the Judiciary receives additional State funding to meet the increased demand, this component of the bill's effect on the District Court is unlikely to affect overall expenditures for the Judiciary, assuming that the Judiciary does not reallocate funds from other services to meet any additional demand for the centers' services.

Decrease in Circuit Court Operational Expenditures: While the District Court may require additional personnel to handle the increased caseload stemming from the bill, local governments may experience a reduction in operational expenditures associated with processing these civil cases and may be able to reduce circuit court expenditures further by decreasing administrative support personnel. However, the extent to which this occurs depends on the magnitude of the shifting of cases from the circuit courts to the District Court.

Small Business Effect: District Court cases usually proceed more quickly and follow more simplified procedures than circuit court cases. Consequently, this bill may result in accelerated resolution and reduced legal costs for small businesses that file lawsuits involving between \$30,000 and \$50,000 in the District Court instead of the circuit courts.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts), *Maryland Legal Services Corporation 2014 Annual Report*, Department of Legislative Services

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