

# FISCAL NOTE

**Bill #:** SB176

**Title:** Revise district court funding

**Primary**

**Sponsor:** Walter McNutt

**Status:** 3<sup>rd</sup> Reading

\_\_\_\_\_  
Sponsor signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chuck Swysgood, Budget Director

\_\_\_\_\_  
Date

## Fiscal Summary

	<b><u>FY2002 Difference</u></b>	<b><u>FY2003 Difference</u></b>
<b>Expenditures:</b>		
General Fund (01)	\$21,803,090	\$22,642,177
State Special (02)	(6,300,000)	(6,400,000)
<b>Revenue:</b>		
General Fund (01)	\$8,206,941	\$8,306,941
State Special Revenue (02)	\$(6,300,000)	\$(6,400,000)
<b>Net Impact on General Fund Balance:</b>	<b>\$(13,596,149)</b>	<b>\$(14,335,236)</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

## Fiscal Analysis

SB176 proposes that, excluding the Clerk of District Court and their staff, the state fund district courts with state general fund revenue and that the district courts be part of the state Judicial Branch of Government. A more detailed analysis of this concept can be found in the report "Simplification In the 21<sup>st</sup> Century – Findings and Recommendations" produced for the Court Funding and Structure Committee (authorized by the 1999 Legislature in SB184).

### ASSUMPTIONS:

#### **District Court Costs Transferred From County Government to the State**

1. The transition from county to state funding will be effective July 1, 2001.
2. The state will fund 100% of the district courts, with the exclusion of Clerks of District Court, their staff and operating expenses.

(continued)

3. Expenditures transferred to the state can be categorized into three groups; Personal Services, Purchased Services, and Supplies and Equipment. Estimates for the expenditures for each group are derived from a survey of county commissioners detailing information on district court expenditures. The expenditures represent fiscal year 1998 amounts and are adjusted to fiscal year 2002 and 2003.
4. The amount of personal services transferred to the state is estimated to be \$11,970,392 in fiscal year 1998 dollars. Approximately 265 FTE will become state Judicial Branch employees. The state would pay salaries and operating costs of these employees. Employees would come onto the state's payroll system at their current salary. Increasing the fiscal year 1998 value by 3% annually results in estimated costs of personal services of \$13,080,371 for fiscal year 2001.
5. These employees will receive the pay increases proposed in HB13, which include 4% annually effective January 1 of 2002 and 2003. Employer health insurance contribution is increased \$30 per employee per month effective January 1 2002, and a further \$41 per employee per month effective January 1, 2003. Pay increases add \$314,300 in FY02 and \$955,900 in FY03.
6. The amount of purchased services transferred to the state is estimated to be \$6,697,665 in fiscal year 1998 dollars. Purchased services are predominately purchased professional services. This fiscal year 1998 value is also increased 3% annually to result in estimated costs of personal services of \$7,538,281 for fiscal year 2002 and \$7,764,429 in fiscal year 2003.
7. The estimated expenditure in fiscal year 1998 for supplies and equipment is \$218,854. This value increased by 2.1% for fiscal year 1999; 6.2% for fiscal year 2000; 1.3% for fiscal year 2001; 0.6% for fiscal year 2002; and 0.4% for fiscal year 2003 (price index for state and local government non-compensation items, WEFA). This results in estimated costs for supplies and equipment of \$241,831 in fiscal year 2002 and \$242,799 in fiscal year 2003.
8. Additional costs not included in the survey of county commissioners is the cost of the 22nd Judicial District created by the 1999 Legislature in SB273. It is estimated that personal services will be \$183,000 in fiscal year 2001 and costs for supplies is estimated to be \$30,180 in fiscal year 2002 and \$30,301 in fiscal year 2003.

**FISCAL IMPACT - District Court Costs Transferred From County Government to the State:**

	<u>FY2002</u>	<u>FY2003</u>
	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>		
Personal Services	\$13,080,371	\$13,080,371
HB13 Pay increases	314,300	955,900
Purchased Services	\$7,538,281	\$7,764,429
Supplies and Equipment	\$241,831	\$242,799
New Judicial District Personal Services	\$183,000	\$183,000
New Judicial District Supplies and Eq	<u>\$30,180</u>	<u>\$30,301</u>
TOTAL	\$21,387,963	\$22,256,800
<u>Funding:</u>		
General Fund (01)	\$21,387,963	\$22,256,800

**Executive Branch Agency Impacts**

1. The creation of a state district court fund may change the incentives for choices made by county attorneys in involuntary commitment cases and by judges in involuntary commitments and criminal cases involving a possible insanity defense. For example, a county attorney may be more likely to use a local hospital (rather

(continued)

than the less expensive state hospital) for an emergency detention under 53-21-129 if he/she knows the state rather than the county will pay the bill. On the other hand, a judge may be more likely to send a defendant needing a psychiatric evaluation under 46-14-202 to the state hospital (which for this service is more expensive) than to use local professionals. It is difficult to predict how behaviors might be changed but there could be increased costs to the court fund and/or to Montana State Hospital if the change in the funding source changes these kinds of choices in mental health related cases. At this time the Department of Public Health and Human Services (DPHHS) is unable to quantify any amount.

2. DPHHS assumes that SB176 will not eliminate the process of billing for emergency detention (53-21-129) court ordered detention (53-21-124) and psychiatric evaluation (46-14-202) services provided at Montana State Hospital. It is important that these services do not become “free” and therefore create an incentive to over-use them.
3. The Department of Corrections currently pays for expenses of trials for offenses committed in prison in accordance with 7-6-2427, MCA and 53-30-110, MCA. Therefore, this bill will not have a fiscal impact on the department.

### **Judicial Branch Administrative Costs**

1. Approximately 265 FTE will become state Judicial Branch employees. Judges will remain elected officials and continue as state employees. The state will assume the cost of district court judge’s staff, including secretaries, court reporters, juvenile probation officers, special masters to the judge and law clerks.
2. Office space will continue to be provided to the courts by county government, together with cleaning, utilities (electricity, heat and air), and maintenance.
3. Payment and expenses for the District Court Council will be absorbed without additional costs.
4. Expenses that are paid now on a daily basis by county government would be paid by the Judiciary central processing unit in the Administrative Office of the courts. An increase of 8.50 FTE will be required including 1.00 FTE District Courts administrator, 1.00 FTE support staff, and 6.50 FTE accounting, budget and payroll staff. The total personal services cost will be \$304,481.
5. Operating expenses have historically been 20% resulting in operating expenses of \$60,896. This assumes space will be available on the Capitol Complex and rent will be paid at the budgeted rate for the new Districts Courts Administrative Office.
6. One-time costs of \$3,500 per FTE or \$29,750 are budgeted in the first year for personal computers, software, computer/desk work areas and chairs.
7. The District Court Reimbursement program no longer exists – currently record revenue and expenses in state special revenue.

### FISCAL IMPACT –Judicial branch administrative costs

	FY2002 <u>Difference</u>	FY2003 <u>Difference</u>
FTE	8.5	8.5
<u>Expenditures:</u>		
Personal Services	324,481	324,335
Operating Expenses	60,896	60,896
Equipment	29,750	
Grants	<u>(6,300,000)</u>	<u>(6,400,000)</u>
TOTAL	(5,884,873)	(6,014,623)

Funding:

General Fund	415,127	385,377
State Special	(6,300,000)	(6,400,000)

**Revenue Transferred to the State General Fund**

1. Under current law various fees are collected and allocated to county government in support of district court operations. Under the proposal many of these fees would be remitted to the state general fund. It is estimated that the state would receive \$1,906,941 from these revenue sources in fiscal year 2002 and in fiscal year 2003.
2. The 10% district court fee on registration fees for light vehicles, currently forwarded to a state special revenue account, is forwarded to the state general fund under the proposal. It is estimated that this amount will be \$6,300,000 in fiscal year 2002 and \$6,400,000 in fiscal year 2003.

FISCAL IMPACT – Revenue Transferred from County Government to the State:

Revenues:

General Fund (01)	\$8,206,941	\$8,306,941
State Special Revenue (02)	\$(6,300,000)	\$(6,400,000)

**Net Impact to Fund Balance (Revenue minus Expenditure) – All changes**

General Fund (01)	\$(13,596,149)	\$(14,335,236)
State Special Revenue (02)	0	0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The impact of the proposal, in and of itself, is significant to county governments. In fiscal year 2002 it is estimated that the costs for district courts (excluding judges and clerk of district court personnel) is \$21,387,963. The funding for this expenditure comes from the state special revenue account, district court fees, and county government. The state special revenue account contributes \$6,300,000 and district court fees contribute \$1,906,941. County governments contribute the remaining \$13,181,022. Under SB176 county government would see a reduction of \$13,181,022 in expenditures

TECHNICAL NOTES:

SB176 and HB124 were intended by the sponsoring agencies to be revenue neutral in combination, however, there is no provision in SB176 binding its approval to HB124.