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BILL ANALYSIS

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House Bill 5158 (Substitute S-3 as reported by the Committee of the Whole)
Sponsor: Representative Michael Nye
House Committee: Judiciary and Civil Rights
Senate Committee: Judiciary

CONTENT

The bill would amend the Revised Judicature Act (RJA) to change the trial court funding formula; phase out State General Fund support for Detroit and Wayne County trial courts; merge the Detroit Recorder's Court into the Third Circuit Court; revise the method of determining judges' salaries, and provide for 100% State funding of those salaries, including direct payments to judges at specified levels and reimbursements to local units for additional salary amounts paid by court funding units; allow a county or group of counties to create a "local court management council", to coordinate the delivery of court services; create the "Trial Court Assessment Commission" and require it, every other year, to make recommendations to the Legislature regarding the number of trial court judges needed, the number of district courts needed, court consolidation, converting probate judgeships to circuit judgeships, and assignment of court personnel; and require the Supreme Court to create a "Judicial Performance Commission".

Specifically the bill would revise the formula for distribution of money in the State Court Fund, which is generated from certain court fees. Money in the Fund, after specific allocations for indigent civil legal assistance, alleviation of the Court of Appeals' backlog, and certain State Court Administrative Office functions, would be distributed according to a formula based 85% on population and 15% on caseload. The bill also would reduce the level of State General Fund (GF) support for the 36th District Court (Detroit), the Third Circuit Court (Wayne County), and the Detroit Recorder's Court over a 10-year period. In FY 1996-97, those courts could receive up to 90% of their FY 1995-96 GF allocation and that percentage would be reduced by 10 points each year, through FY 2004-05. Beginning in FY 2005-06, the 1995-96 level of GF funding for trial courts, plus any new unrestricted GF funding, would be allocated to all trial courts in the State based on the 85/15 funding formula that the bill would establish for the State Court Fund. During the years that funding reductions were phased in for the 36th District, Third Circuit, and Recorder's Courts, the remainder of the trial court allocations from the FY 1995-96 GF level, plus any new unrestricted GF allocations, would have to be allocated to all other trial courts in the State based on the 85/15 funding formula.

The bill would abolish the Detroit Recorder's Court as of October 1, 2001, and merge it with the Third Circuit Court, unless the City of Detroit, alone or together with Wayne County, agreed by October 1, 1997, to assume responsibility for the operation and maintenance of the Court. Effective October 1, 1997, the bill would abolish the State Judicial Council (which serves as the funding unit for the 36th District, Third Circuit, and Detroit Recorder's Courts, and is the State employer of those courts' employees). State Judicial Council employees assigned to the 36th District Court would become employees of the City of Detroit and the city would be the court's funding unit; Council employees serving in the Third Circuit and Recorder's Courts would become employees of Wayne County and the county would be the funding unit for those courts. (If the City of Detroit agreed to assume financial responsibility for the Recorder's Court, Wayne County

employees serving in Recorder's Court would become employees of Detroit, effective October 1, 2001.)

The bill is tie-barred to Senate Bill 1052, which would establish the "family division of circuit court" (family court) and require each judicial circuit to have a family court. The family court would have sole and exclusive jurisdiction over matters such as divorce; adoption; juvenile delinquency, abuse, and neglect; guardians and conservators; name changes; emancipation of minors; child custody; paternity; and child support. The family court also would have concurrent jurisdiction with the district court over cases under the RJA involving personal protection orders.

MCL 600.151a et al.

Legislative Analyst: P. Affholter

FISCAL IMPACT

State. The fiscal impact on the State is indeterminate. Some sections of the bill would produce savings to the State while other sections would increase State costs. Savings would occur if the State Judicial Council were abolished. The State would no longer incur costs for the Council management or for the employment of the Third Circuit, 36th District, and Recorder's Court employees, effective October 1, 1997. In the area of employee salaries, however, the State would not realize those savings, as the General Fund dollars would be redirected to provide funding to all of the trial courts in the State. The State also would incur additional costs for the full assumption of judges' salaries. This is estimated to be approximately \$3 million for fiscal year 1996-97.

The bill also would result in a loss of funds to the State General Fund by redirecting revenue from district court costs from the General Fund and to the Court Equity Fund. The loss is estimated to be approximately \$7 million in FY 1996-97. The funds instead would be used to provide additional funding to the trial courts in the State. \$24,000,000 in General funds will also be part of the court equity fund effective October 1, 1996, increasing by \$20 million over five years, while \$20 million of general funds will be used beginning October 1, 1996, to hold harmless counties and cities who would lose under the new formula for the Court Equity Fund. This hold harmless amount will be reduced to zero over five years. These additional General funds would be offset in part by the General funds presently allocated to the State funded courts.

Local. For all counties excluding Wayne, there would be savings from the State's full assumption of judges' salaries. Counties would also see an increase in funding for civil legal assistance, and trial court operations. Effective October 1, 1997, civil legal assistance would pick up the full 23% of the State Court Fund without the \$2,000,000 that would otherwise go to the Court of Appeals for reduction of its backlog.

The proceeds of the State Court Fund would increase and become part of the Court Equity Fund, allowing counties that do not now receive money from this Fund to receive some of the funding based on the new formula. The Fund would include the current State Court Fund estimate for FY 1996-97 of \$19,004,000 for the out-State and State-funded trial courts, \$7,000,000 from the portion of costs assessed by the district court and \$24,000,000 of General Funds. This is a total of \$50,004,000, which would be distributed under the bill to all funding units based on the new formula. With the additional \$20,000,000 hold harmless funds this is a total of \$70,004,000 for trial courts.

Wayne County and the City of Detroit would incur additional cost as they would become responsible for court employees who would no longer be employees of the State Judicial Council. Although the General Fund dollars received by the county for court operations would be eliminated,

the new formula, and the hold harmless provision would allow Wayne County for the first two years to receive the same amount of State funds.

Although the bill abolishes the Recorder's court and merges it with the third circuit court, it is indeterminate as to additional costs that might result from the merger. Currently the county of Wayne is the funding unit for both the third circuit and recorders court, therefore with or without the merger, the county would be responsible for any additional expenses not paid for by the State.

Since House Bill 5158 is tie-barred to the Judiciary budget, the impact on the fiscal year 1996-97 budget is approximately an additional \$16 million in General Fund appropriations.

Date Completed: 7-1-96

Fiscal Analyst: M. Bain

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.