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BILL



ANALYSIS

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House Bill 6185 (Substitute S-1 as reported)
Sponsor: Representative Michael Nye
House Committee: Judiciary and Civil Rights
Senate Committee: Judiciary

CONTENT

The bill would amend the Revised Judicature Act (RJA) to reduce the required State General Fund (GF) contribution to the Court Equity Fund and revise the formula for determining allocations to Wayne County and Detroit from the Hold Harmless Fund. (Public Act 374 of 1996 amended the RJA to provide for the State funding of operational expenses in trial courts throughout the State. That Act also created the Hold Harmless Fund, through September 30, 2001, to provide supplemental support to certain courts that received greater funding in fiscal year (FY) 1995-96 than they will receive under the new State funding formula.)

Under the RJA, the State GF contribution to the Court Equity Fund is to be \$24 million in FY 1996-97 and increase by \$4 million per year, until FY 2001-02, so that the GF contribution will be \$44 million in FY 2001-02 and subsequent fiscal years. The bill provides, instead, that the required State GF contribution would be \$21,796,400 in FY 1996-97 and increase by \$4 million per year, until FY 2001-02, so that the GF contribution would be \$41,796,400 in FY 2001-02 and subsequent fiscal years.

Under the RJA's current formula, Wayne County is to receive from the Hold Harmless Fund \$22,820,300, plus the amount it received under Public Act 149 of 1995 (the judiciary budget bill for FY 1995-96) for reimbursement of compensation paid to jurors, minus the amount the county receives under the formula for distribution of the Court Equity Fund. (The \$22,820,300 represents the General Fund and State Court Fund (SCF) amounts allocated by the Supreme Court to the Third Circuit Court (Wayne County), the Detroit Recorder's Court, and Wayne County clerk services in FY 1995-96.) The bill provides, instead, that Wayne County would receive from the Hold Harmless Fund the total of all of the following, minus the sum of the amount Wayne County received from the Court Equity Fund and from the Friend of the Court incentive payment program: the amount of GF funds paid for, rather than allocated to, the Third Circuit Court, Detroit Recorder's Court, and Wayne County clerk services under Public Act 149 of 1995 for FY 1995-96; the amount of SCF funds paid for, rather than allocated to, the Third Circuit Court, Detroit Recorder's Court, and Wayne County clerk services under Public Act 149 for FY 1995-96; the amount of excess fees distributed under the Judges Retirement Act for the Third Circuit Court for FY 1995-96; \$1,438,900 received by Wayne County for reimbursement of juror fees under Public Act 149; 2% of the expenditures for salaries, wages, and Social Security and Medicare taxes for employees of the State Judicial Council (SJC) assigned to serve in the Third Circuit and Detroit Recorder's Courts for FY 1995-96.

Under the RJA's current formula, Detroit is to receive \$28,887,300 minus the sum of all of Federal drug funds allocated by the Supreme Court for FY 1995-96 to offset operational expenses of the 36th District Court; \$7,150,000 payable by the city to the State as the "fixed city obligation" for FY 1995-96; revenue due to the State from the Detroit parking violation bureau under the RJA for FY 1995-96, as determined by the audit of the State Auditor General; all court revenues received by the 36th District Court for FY 1995-96 and payable to the State under the RJA; and any funds from private sources. (The \$28,887,300 represents the amount allocated by the Supreme Court as expenses for the 36th District Court for FY 1995-96.) The bill provides, instead, that Detroit would receive all of the following minus the current deductions: the expenses for the 36th District Court for which the State was responsible and that the State paid out of appropriations under Public Act

149 of 1995 for FY 1995-96; \$387,000 for full-year funding for 12 promotions and eight new hires after August 1, 1996; and 2% of the expenditures for salaries, wages, and Social Security and Medicare taxes for employees of the SJC assigned to serve in the 36th District Court for FY 1995-96 plus 2% of the \$387,000 for the promotions and new hires described above.

MCL 600.151b

Legislative Analyst: P. Affholter

FISCAL IMPACT

Wayne County: As passed by the House, the bill would allow Wayne County to be eligible to receive additional funds from the hold harmless accounts. The amounts that the State-funded trial courts were to receive from the Court Equity Fund and Hold Harmless Fund would have been equal to the amount of State revenues allocated by the Supreme Court, which totaled \$22,820,300. This figure, however, did not reflect the actual expenditures and revenues for the Third Circuit and Recorder's Courts and Wayne County clerk services. When excess filing fees for judges retirement paid to the Third Circuit Court and the decrease in GF/GP use for expenditures are taken into account, it is estimated that the actual State revenues to Wayne County would be \$24.5 million. (This figure is still subject to outstanding invoices and other reportable revenue for FY 1995-96.)

In addition, the bill provides that 2% of expenditures for salaries and wages and FICA for State Judicial Council employees serving in the courts mentioned above would be included in the calculation of State revenues to Wayne County. This 2% cost is a result of a negotiated union contract for employees in FY 1996-97. The cost is estimated at \$664,722.

The Senate substitute provides that the amount Wayne County would receive from the Hold Harmless Fund would be based on the amount it received from the State in FY 1995-96 minus the amount it would receive from the Court Equity Fund and from the Friend of the Court incentive payment program. Wayne County previously did not receive incentive payments from this program because the Third Circuit Court was State-funded. However, as of October 1, 1996, the county became eligible for the 3% incentive payments. This new provision in the bill means that the county would be eligible for less funding from the Hold Harmless Fund than under the House-passed version. According to information received from the Family Independence Agency (FIA), which administers the program, it is estimated that Wayne County would be eligible for approximately \$1.8 million in State incentive payments in FY 1996-97.

Based on the current appropriation in the FIA budget bill, the amount each county is eligible for may have to be prorated due to Wayne County's eligibility. This would then reduce the amount that Wayne County would receive to approximately \$1.2 million, which would be included in calculating what it will not receive from the Hold Harmless Fund.

City of Detroit: The bill would remove the amount specified in the Act as actual expenditures of the 36th District court, which was based on Supreme Court allocations. Funding that the city would receive from the Hold Harmless Fund would be based on actual expenditures and State revenues for those expenditures in the 36th District Court. The most recent estimates from the Supreme Court Finance Office on actual expenditures total \$24,721,000, which is less than the allocated amount of \$28,887,300. The bill includes additional new expenditures (explained in the CONTENT) for which the State is responsible. These would total approximately an additional \$722,900. It does not appear, however, that the addition of these State revenues would increase the city's share of the Hold Harmless Fund. With actual expenditures being lower and court revenues being higher than amounts allocated, actual State payments including these new additions will be lower by approximately \$4 million

Date Completed: 12-10-96

Fiscal Analyst: M. Ortiz

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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.