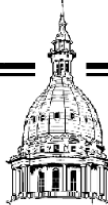




Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 6185 (Substitute H-1 as passed by the House)
House Bill 6204 (as passed by the House)
Sponsor: Representative Michael Nye
House Committee: Judiciary and Civil Rights
Senate Committee: Judiciary

Date Completed: 12-2-96

CONTENT

House Bills 6185 (H-1) and 6204 would amend the Revised Judicature Act (RJA) and the Judges Retirement Act, respectively, to do all of the following:

- **Revise the formula for determining Wayne County's allocation from the Hold Harmless Fund.**
- **Require that the State Treasurer transmit money in the Court Fee Fund to the Court Equity Fund for operational expenses of trial courts.**
- **Require that a new member of the Judges Retirement System contribute 9% of his or her compensation toward retirement and health benefits.**

House Bill 6185 (H-1)

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, 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 (GF) 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 amount Wayne County receives under the RJA's formula for distribution of the Court Equity Fund:

- 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 assigned to serve in the Third Circuit and Detroit Recorder's Courts for FY 1995-96.

House Bill 6204

Court Fee Fund

The Judges Retirement Act requires that the Michigan Judges Retirement System transmit to the State Treasurer all court fees received by the executive secretary for deposit in the retirement system's reserve for employer contributions. If the retirement system determines that the amount deposited, in addition to other publicly financed contributions, equals the amount needed to sustain the required level of publicly financed contributions, the executive secretary must transmit to the Treasurer the remainder of the court fees received during the fiscal year for deposit into the Court Fee Fund. The State Treasurer must disburse the money in the Court Fee Fund for "state-financed trial courts". (This term was used, prior to the enactment of Public Act 374 of 1996, to refer to the Third Circuit Court, the Detroit Recorder's, and 36th District Court (Detroit).)

The bill would require, instead, that the State Treasurer transmit money in the Court Fee Fund to the Court Equity Fund for operational expenses of trial courts. (Public Act 374 created the Court Equity Fund to allocate State revenues to trial courts in all 83 counties.)

Judges' Contributions

The Judges Retirement Act requires that each member, upon taking office and as long as he or she remains in office, make financial contributions to the retirement system. The contribution amount is 3.5%, 5%, or 7% of the member's compensation, depending upon membership in various retirement plans offered under the Act.

The bill would require that a member of the Judges Retirement System who first became a member on or after the bill's effective date contribute an additional amount, so that his or her contribution toward retirement and health benefits under the Act equaled 9% of his or her compensation.

MCL 600.151b (H.B. 6185)
38.2217 et al. (H.B. 6204)

Legislative Analyst: P. Affholter

FISCAL IMPACT

House Bill 6185 (H-1)

The bill would allow Wayne County 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 also 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.

House Bill 6204

The bill would make up for a current shortfall in the Court Equity Fund by redirecting excess court filing fees for judges retirement from the Court Fee Fund to the Court Equity Fund. This is estimated to be \$2.2 million in FY 1996-97, and would provide for the total \$50,004,000 budgeted in the judicial budget.

The bill also would change the current contribution rate for judges toward retirement and health benefits to 9%. Currently, members of the Judges Retirement System pay between 3.5% and 7%. This new rate would mean additional revenue for judges' retirement and additional revenue for the Court Equity Fund since in the past the retirement fund has been overfunded. The additional funds, however, would depend on the number of new members.

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.