

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5683-01
Bill No.: HB 1864
Subject: Courts; Civil Procedure
Type: Original
Date: February 5, 2018

Bill Summary: This proposal modifies provisions relating to judgment interest rates.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
State Legal Expense Fund	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the State Courts Administrator (OSCA)** assume there may be some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Oversight inquired of OSCA further regarding the reduction in the interest rate on judgements. OSCA states that it is up to the party to collect the judgement and interest that is ordered by the court.

Officials at the **Office of the Attorney General (AGO)** assume that any potential costs arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriations if there is a significant increase in litigation.

Oversight inquired of the Office of Administration for a response. Oversight is currently waiting on a response from the Division of General Services.

Oversight notes the State Legal Expense Fund is used to pay liability claims against the state, its officers, or employees and related defense costs and to purchase certain insurance when deemed necessary. The Fund received an estimated appropriation of \$6,757,435 last year in order to make prompt judgement payments and not owe interest payments. Oversight assumes that lowering the interest rate on judgements from 9% to 5% could reduce the amount the State Legal Expense Fund may need to pay out in the future. Oversight will show the savings as \$0 to Unknown from the reduction of the interest payments.

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
	(10 Mo.)		
STATE LEGAL EXPENSE FUND			
<u>Savings</u> - reduction in the interest payments owed	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON THE STATE LEGAL EXPENSE FUND	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Currently, in non-tort actions, interest is allowed on all money due upon any judgment or court order from the date judgment is entered by the court until satisfaction of the judgment or order is made. Judgments and orders for money on contracts having more than 9% interest shall have the same interest rate for the judgment or order, and all other judgments and orders for money will have a 9% per year interest rate until satisfaction of the judgment or order is made. This bill changes the provisions, specifying that contracts having more than 5% interest shall have the same rate for the judgment or order, and all other judgments and orders for money shall have an annual interest rate at the lesser of 5% or the Federal Funds rate, as established by the Federal Reserve Board, plus 2%, until satisfaction of the judgment or order is made.

In tort actions, the interest rate currently allowed for judgments and orders is an annual interest rate equal to the intended Federal Funds Rate, as established by the Federal Reserve Board, plus 5%. This bill changes the provision to plus 2%. In no case shall the annual interest rate on any judgment or order exceed 5%. Similarly, in tort cases where there is a judgment for prejudgment interest, the provision is changed to plus 2% from plus 5%, and in no case shall the annual interest rate on any judgment or order exceed 5%.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of the State Courts Administrator
Office of the Attorney General

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director
February 5, 2018