

MEMORANDUM



DATE: October 12, 2016
TO: All Interested Parties
FROM: Robin R. Risko, Senior Fiscal Analyst
RE: Civil Filing Fee Fund

The Civil Filing Fee Fund was created by Public Act 138 of 2003, MCL 600.171, to consolidate a variety of previously assessed fees and their respective funds into one location. Revenue is derived from civil filing fees designated by law for deposit into the fund. Revenue from the fund is distributed to a variety of programs and fund sources on a percentage basis according to statute. All of the fund sources are created within the Department of Treasury and distributions from the fund are made on a monthly basis.

Funding Sources

Filing claims in civil court requires a variety of fees to be paid. Fees vary depending on the value of the civil case. In district court, civil filing fees range from \$25 for a claim up to \$600 to \$150 for a claim over \$10,000. In circuit and probate court, civil filing fees are \$150. A portion of filing fee revenue is transmitted to the state and deposited into the Civil Filing Fee Fund.

Distribution Formula

Revenue from the Civil Filing Fee Fund is distributed monthly in accordance with MCL 600.171. The chart below outlines distributions for FY 2014-15.

Figure 1 – FY 2014-15 Civil Filing Fee Fund Distributions

Funding Recipients	Distribution Rate	Amount Distributed (Millions)
Judiciary		
Community Dispute Resolution Program	5.2%	\$1.7
Judicial Technology Improvement Fund	11.1%	3.7
Court Equity Fund	8.2%	2.7
State Court Fund	48.5%	16.1
Judges' Retirement System/Court Fee Fund	24.0%	
Deposited in Judges' Retirement System*		2.6
Remainder transferred to Court Fee Fund		5.3
Legislative Retirement System	1.5%	0.5
State General Fund	1.5%	0.5
Total	100.0%	\$33.1

*Amount is determined by actuary
 Source: State Court Administrative Office

The remainder of this memorandum provides descriptions of each program and fund source that receives revenue from the Civil Filing Fee Fund.

Community Dispute Resolution Program

The Community Dispute Resolution Program was created by Public Act 260 of 1988, MCL 691.1551 to 691.1564, to provide conciliation, mediation, or other forms and techniques of voluntary dispute resolution as an alternative to lawsuits or trial. Dispute resolution services are provided by trained volunteers, who provide services in the following areas: contracts, general civil, and small claims matters; domestic relations and child welfare matters; truancy, special needs, and school matters; real estate and neighborhood matters; and guardianship and probate matters. Volunteers serve as trainers, outreach workers, administrators, workshop facilitators, and office assistants. Services are available at no cost to indigent participants.

There were 38,772 individuals involved in cases in FY 2014-15, with 16,279 of those cases disposed. Also in FY 2014-15, a resolution rate of 75% was realized when parties agreed to use program services to settle their disagreements. The average mediation period was 25 days and meetings lasted, on average, about 90 minutes.

The Community Dispute Resolution Program receives 5.2% of the funds distributed from the Civil Filing Fee Fund. In FY 2014-15, eighteen dispute resolution centers received roughly \$1.7 million in grant funding through the Community Dispute Resolution Fund, which is managed by the State Court Administrative Office.

Judicial Technology Improvement Fund

The Judicial Technology Improvement Fund was created by Public Act 78 of 2003, MCL 600.175, and is administered by the State Court Administrative Office's Judicial Information Systems division. The fund is used for development and ongoing support of an integrated statewide judicial information system, development and support of a statewide telecommunications infrastructure for criminal justice information systems, and for pursuing other technology innovations that will result in enhanced public service and access to local trial courts. Projects include the development, implementation, and oversight of new case management systems, electronic filing, on-line payment of fines and fees, data warehousing of pending and closed cases, web-based instructions for completion of court documents, and courtroom video technology.

The Judicial Technology Improvement Fund receives 11.1% of the Civil Filing Fee Fund's distributions. This totaled \$3.7 million in FY 2014-15.

Court Equity Fund

The Court Equity Fund was established by Public Act 374 of 1996, MCL 600.151b, to provide funding assistance to counties for trial court operations. The Court Equity Fund receives 8.2% of the Civil Filing Fee Fund's distributions. In FY 2014-15, the Civil Filing Fee Fund provided \$2.7 million of the Court Equity Fund's \$49.3 million total. Other FY 2014-15 sources of revenue include the Justice System Fund (\$11.1 million), the State Court Fund (\$22.9 million), the Court Fee Fund (\$2.2 million), and the state General Fund (\$10.4 million).

The fund is disbursed quarterly to county governments based on a statutory formula that establishes each county's share. The formula includes two factors: the caseload activity of the circuit and probate courts, and the number of judgeships in each county. The first factor, caseload activity, takes into account new cases filed for the most recent three years in a county's circuit and probate courts and

compares the county's proportion of these filings to the total filings for the state. The second factor compares the number of circuit, probate, and district court judges for each county to the total number of judges statewide.

State Court Fund

The State Court Fund was established by Public Act 189 of 1993, MCL 600.151a. The Civil Filing Fee Fund provides 48.5% of its balance to the State Court Fund, which also receives revenue from the Justice System Fund, service fees on child support payments, and other fees from trial courts (e.g., motion fees). In total, this fund collected \$29.6 million in FY 2014-15, with \$16.1 million of these funds originating from the Civil Filing Fee Fund.

Payments from the fund are made every three months and are distributed to three sources: the Court Equity Fund, Indigent Civil Legal Assistance, and the State Court Administrative Office. The Court Equity Fund receives the majority of these distributions, claiming the first \$1.6 million, as well as 76% of the remaining balance, to be used for operational expenses of trial courts. This totaled \$22.9 million in FY 2014-15.

Indigent Civil Legal Assistance receives 23% of the remaining balance, totaling \$6.4 million in FY 2014-15. Funding provides legal assistance and representation to indigent people involved in civil litigation. The State Court Administrative Office receives the remaining 1% of funds, approximately \$300,000 in FY 2014-15, for oversight, data collection, and court management assistance.

Judges' Retirement System and Court Fee Fund

The Judges' Retirement System, managed by the Office of Retirement Services in the Department of Technology, Management, and Budget, receives 24.0% of the Civil Filing Fee Fund's revenue, or \$7.9 million in FY 2014-15. Under MCL 38.2304(4), the retirement system deposits into the reserve for employer contributions the amount needed from these fees to sustain the required level of publicly financed contributions, based on the most recent actuarial valuation. This totaled \$2.6 million in FY 2014-15.

After withholding any necessary funds for the Judges' Retirement System, remaining funds are deposited into the Court Fee Fund under MCL 38.2217. To the extent that funds are available, MCL 38.2217 provides for distributions to address shortfalls in the Judges' Retirement System reserve for health benefits (\$0.2 million in FY 2014-15); the Court Equity Fund (\$2.2 million in FY 2014-15); and for operational expenses of the trial courts, including circuit and probate judges' salaries (\$2.8 million in FY 2014-15).

Legislative Retirement System

The Michigan Legislative Retirement System receives 1.5% of the balance of the Civil Filing Fee Fund, roughly \$500,000 in FY 2014-15, which accounts for about 11% of the retirement system's funding. The remaining amount is provided by the General Fund and the Justice System Fund.

The Legislative Retirement System is contained within the legislative branch, where it is administered by an 11-member board of former members of the legislature, as provided for by Public Act 261 of 1957, MCL 38.1001 to 38.1080. Investment services are provided by private investment managers and financial consultants. The revenue is used primarily to provide health care and other benefits to system members and their spouses, dependents, survivors, and beneficiaries.