

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Joint Resolution 5 (Chair, Judicial Proceedings Committee)(By Request -
 Judicial Compensation Commission)

Budget and Taxation

Judicial Compensation Commission - Recommendations

This joint resolution proposes that judicial salaries increase for fiscal 2019 through 2022, pursuant to the recommendation of the Judicial Compensation Commission. Salaries recommended by the commission take effect automatically unless the resolution is adopted or amended by the General Assembly within 50 days of its introduction.

Fiscal Summary

State Effect: General fund expenditures increase by \$5.2 million in FY 2019. The Judiciary’s proposed FY 2019 budget includes \$5.6 million for this purpose. Out-years reflect future increases proposed in the joint resolution over current salary amounts. Proposed FY 2023 expenditures assume no increase over FY 2022 expenditures. Revenues are not affected.

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	5.2	14.5	18.6	22.5	22.5
Net Effect	(\$5.2)	(\$14.5)	(\$18.6)	(\$22.5)	(\$22.5)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Minimal increase in local government expenditures in the counties that tie the State’s Attorney’s salary to judicial salaries. Revenues are not affected.

Small Business Effect: None.

Analysis

Bill Summary: The current salaries and recommended salaries for each year are shown in **Exhibit 1**.

Exhibit 1 Current and Proposed Judicial Salaries

<u>Position</u>	<u>Current</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY2021</u>	<u>FY 2022</u>
Court of Appeals					
Chief Judge	\$195,433	\$205,433	\$215,433	\$222,933	\$230,433
Associate Judge	176,433	186,433	196,433	203,933	211,433
Court of Special Appeals					
Chief Judge	166,633	176,633	186,633	194,133	201,633
Associate Judge	163,633	173,633	183,633	191,133	198,633
Circuit Courts					
Judge	154,433	164,433	174,433	181,933	189,433
District Court					
Chief Judge	163,633	173,633	183,633	191,133	198,633
Associate Judge	141,333	151,333	161,333	168,833	176,333

Current Law: The Judicial Compensation Commission, established in 1980, is required to review judicial salaries and make recommendations to the Governor and the General Assembly once every four years. The General Assembly may amend a joint resolution from the commission to decrease, but not increase, any of the commission's salary recommendations. The General Assembly may not reduce a judge's salary below its current level. Failure to adopt or amend the joint resolution within 50 calendar days of its introduction results in adoption of the salaries recommended by the commission. If the General Assembly rejects any or all of the commission's recommendations, the affected judges' salaries remain unchanged, unless modified by other provisions of law.

General State employee salary increases apply to judges only in years in which judges' salaries are not increased in accordance with a resolution from the commission's recommendations.

The following officials have salaries that are tied to judicial salaries:

- the State Prosecutor and the Public Defender – not less than that of a circuit court judge;

- members of the Workers' Compensation Commission (WCC) – at least equal to a District Court judge, with the chair's salary being at least \$1,500 higher than the members' salaries; and
- State's Attorneys of various counties – a percentage of a circuit or District Court judge's salary, as discussed in further detail under local expenditures.

Background: Salaries for judges were last increased by Senate Joint Resolution 3 in 2012, which phased in a \$14,081 increase for all judges between fiscal 2014 and 2016. Although the commission also met in 2013, it did not recommend salary increases at that time. Accordingly, judicial salaries have remained unchanged since fiscal 2016.

The commission met two times in 2017 to consider salary recommendations. The commission finalized its recommendations to increase judicial salaries as specified in this resolution in December 2017.

State Expenditures: If the General Assembly passes the resolution as introduced or takes no action within the 50-day time period, the salary increases recommended by the commission take effect on July 1, 2018, resulting in a general fund expenditure increase of \$5,243,159 in fiscal 2019. While the proposal primarily increases expenditures for the Judiciary, other State agencies are impacted as discussed below.

Judiciary

This joint resolution proposes that the salaries of all Maryland judges (313) be increased over a four-year period by \$35,000. The proposed increases are phased in over the four-year period for all judges as follows:

- \$10,000 in fiscal 2019;
- \$10,000 in fiscal 2020;
- \$7,500 in fiscal 2021; and
- \$7,500 in fiscal 2022.

General fund expenditures increase by \$3,915,385 to account for increased salaries and fringe benefits. In addition to this impact, the Judiciary consistently relies on using retired judges to supplement current resources. The commission's proposal also impacts the cost of using these recalled judges, whose compensation is based on existing judicial salaries pursuant to statute. Based on the Judiciary's utilization of retired judges, the proposal is expected to increase costs by \$438,448 in fiscal 2019. Although magistrate compensation is not under the purview of the commission, the Judiciary's internal policy sets magistrate salaries at no less than 90% of a District Court judge's salary. Accordingly, expenditures also increase by \$744,402 in fiscal 2019 for increased compensation for magistrates. In total, general fund expenditures for the Judiciary increase in fiscal 2019 by \$5,098,235 for

judicial and magistrate salaries, increased compensation for the use of retired judges, and fringe benefits.

Other Impacted Agencies

The commission's recommendation of a \$10,000 increase for circuit court judges in fiscal 2019 also increases the salaries of the State Prosecutor and the Public Defender by that amount. Including fringe benefits, the total increase in fiscal 2019 to fund both of these salary increases is \$24,154.

The 10 members of WCC, whose salaries correspond with that of a District Court judge, will also each receive the \$10,000 increase. Accordingly, general fund expenditures increase by \$120,770 in fiscal 2019 for salaries and benefits.

Out-year Expenditures

Out-year expenditures for the Judicial Branch, as well as other State agencies affected by the resolution, reflect the salary and fringe benefit costs due to the salary increases proposed through fiscal 2022. A large impact of this effect (\$4.8 million) occurs in fiscal 2020, the first year in which contribution rates for the judicial retirement system will be recalibrated to reflect the new compensation plan. By fiscal 2022, when the salary proposals are fully implemented, total general fund expenditures for the Judiciary as well as other State agencies affected by the resolution increase by \$22,539,075. **Exhibit 2** shows the projected cost of adopting the commission's recommendations over the next four-year period. Because the Judicial Compensation Commission may make additional recommendations, the fiscal 2023 estimate remains constant with that of fiscal 2022 and is not shown separately in the exhibit. The projected fiscal impact also does not factor in the costs of any additional judgeships that may be added.

Exhibit 2
Incremental Impact of Judicial Compensation Commission Recommendations
Fiscal 2019-2022

	<u>Proposed</u> <u>2019</u>	<u>Proposed</u> <u>2020</u>	<u>Proposed</u> <u>2021</u>	<u>Proposed</u> <u>2022</u>
Salaries ¹	\$3,250,000	\$3,250,000	\$2,437,500	\$2,437,500
Social Security	47,125	47,125	35,344	35,344
Pensions ²	763,184	4,763,184	717,388	527,388
Compensation for magistrates ³	744,402	787,643	580,690	580,690
Compensation for senior judges ⁴	438,448	438,448	328,836	328,836
Annual Incremental Total	\$5,243,159	\$9,286,400	\$4,099,758	\$3,909,758
Cumulative Impact		\$14,529,559	\$18,629,317	\$22,539,075

¹Includes salary increases for the Public Defender, State Prosecutor, and members of the Workers' Compensation Commission. Does not include incremental costs for State's attorneys, whose salaries are also tied to judicial salaries but are funded locally.

²Impact on judicial pensions is based on an actuarial estimate prepared based on the recommended salary increases. The contribution rate for regular employees is assumed to be 19.32%.

³The Judiciary's budget request for fiscal 2019 includes these funds based on internal branch policy. Magistrate compensation is not under the purview of the Judicial Compensation Commission, but the request arises directly from the recommendation.

⁴Compensation for recalled judges is tied to judicial salaries by statute.

Source: Bolton Partners, Inc.; Maryland Judiciary; Department of Legislative Services

Local Expenditures: Minimum salaries of State's Attorneys in 16 counties are tied to the salaries of judges. Those counties and the relationships are as listed in **Exhibit 3**. Salaries for State's Attorneys in the remaining jurisdictions are either set locally or specified in State law and are not tied to judicial salaries.

Exhibit 3
Local State's Attorneys' Salaries

<u>County</u>	<u>Percentage of Judge's Salary*</u>
Allegany	90%
Calvert	90%
Caroline	80%
Carroll	80% ¹
Cecil	95%
Charles ²	100%
Dorchester	80%
Harford	100% ²
Howard	100%
Kent	80%
Queen Anne's	100%
St. Mary's	100% ^{2,3}
Talbot	80%
Washington	90%
Wicomico	90%
Worcester	90%

*Percentage of a District Court judge's salary, unless otherwise specified.

¹80% through December 3, 2018; 90% beginning December 4, 2018; and 100% beginning December 3, 2019.

²Beginning with the next term of office.

³Percentage of a circuit court judge's salary.

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: HJ 3 (The Speaker)(By Request) - Appropriations.

Information Source(s): Judiciary (Administrative Office of the Courts); Bolton Partners, Inc.; Department of Legislative Services

Fiscal Note History: First Reader - February 6, 2018
mag/kdm

Analysis by: Jennifer K. Botts

Direct Inquiries to:
(410) 946-5510
(301) 970-5510