

# Policy Memorandum

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JANUARY 5, 2004**

**SUBJECT:** Potential Revenue From Add-On Court Fees

## **Analysis Prepared by John Matthews**

The basic task is to project potential revenue to the State from a 15 percent add-on fee for civil filings and 25 percent for criminal filings, i.e., the revenue associated with HB869. In particular, the task is to confirm the estimates provided by the Administrative Office of the Courts (henceforth referred to as Court). That report uses the following information:

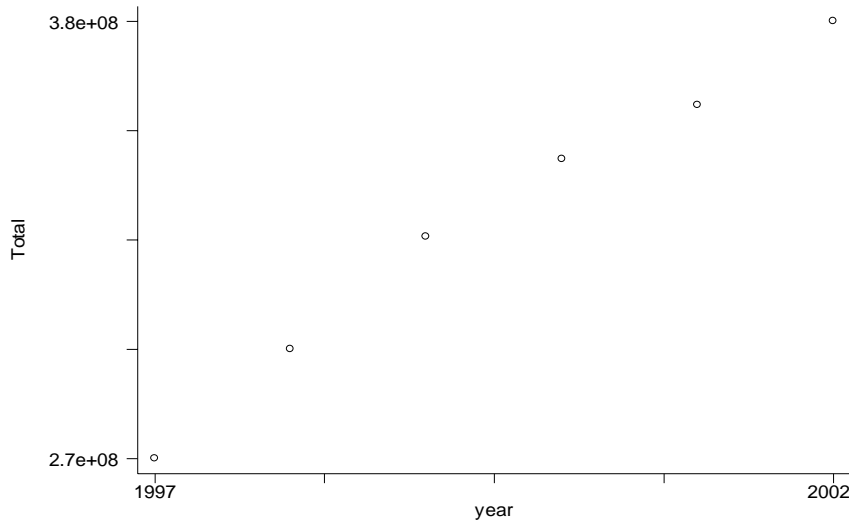
- Base court fees (2000) of \$351,555,804.
- An assumed 3.5% annual growth rate.
- The analysis' 2004 projection is \$327,141,987 (\$363,856,117 less \$36,714,130 in civil filing fees).

The DCA database we receive from Paul Lycett each year was used to 1) confirm the Court's number and 2) create an historical base for projection. The numbers we got from the series of DCA databases are in the table below:

### **CITY AND COUNTY REVENUES "FINES, FORFEITURES, AND COURT FEES" FROM DCA SUPPLIED DATABASES**

	<b>County</b>	<b>City</b>	<b>Total</b>
1997	180,801,360	87,558,008	268,359,368
1998	181,528,745	115,527,888	297,056,633
1999	198,777,665	127,844,437	326,622,102
2000	210,747,753	136,327,463	347,075,216
2001	219,617,764	123,604,046	343,221,810
2002	236,630,864	146,694,952	383,325,816

This growth in fee revenue is steady and very regular, as is seen in the following graph of total revenue per year.



We regressed the total revenue against the years and found statistical support for the notion that the revenue is steady and predictable, at least based on the trend from 1997 to 2002.

. reg total year				Number of obs = 6		
Source	SS	df	MS	F (1, 4)	= 257.22	
Model	8.8699e+15	1	8.8699e+15	Prob > F	= 0.0001	
Residual	1.3793e+14	4	3.4484e+13	R-squared	= 0.9847	
Total	9.0078e+15	5	1.8016e+15	Adj R-squared	= 0.9809	
				Root MSE	= 5.9e+06	
total	Coef.	Std. Err.	t	P >  t	[95% Conf. Interval]	
year	2.25e+07	1403740	16.04	0.000	186e+07	2.64e+07
_cons	-4.47e+10	2.81e+09	-15.92	0.000	-5.25e+10	-3.69e+10

The regression shows steady growth of court fines of about \$22.5 million per year. Based on this growth and actual reported court fine revenues of more than \$383 million in 2002, the projected 2004 fine and fee revenue would be about \$428 million. This is \$65 million more than presented in the Court's analysis.

To estimate the civil filing fee the Court called several courts to determine the split between civil fees and criminal fines. As a check of this, we first assumed that court fines and fees for municipalities are entirely fines (mostly traffic). We calculated municipal fines per capita and applied that to the non-municipal population to estimate fine revenues for county governments. We get an estimated civil fees that is slightly larger than that reported in the Court's analysis. We conclude that the Court's split between criminal fines and civil fees is reasonable. Thus, we use the same proportion of civil and criminal court fees and fines. After making a proportional deduction of about \$43 million for civil filing fees, we get a figure of \$385,105,508 for fines revenue projected for 2004. Using the same method for estimating HB 869 revenue, we get:

Estimated HB 869 revenue from Civil Filing Fees (\$6,482,896)

- 15% of civil filing fees \$ 6,482,896
- less 50.8% payment to beneficiary funds (3,293,311)
- New revenue \$ 3,189,585

Estimated HB 869 revenue from Fines (\$385,105,508)

- 25% of fines \$ 96,276,626
- less 50.8% payment to beneficiary funds (48,908,526)
- New revenue \$ 47,368,100

Before adding the Court's estimate of "additional revenue from capped beneficiary funds" of \$19 million, our estimate shows revenue from HB 869 about \$7 million higher than the analysis done by the Court. Because we have followed the steps from the analysis, the difference is due entirely to the fact that we used the more complete DCA historical records instead of one point in time.

There are always questions about the accuracy and consistency of the DCA data, arising as it does from local governments who may not treat the reports as high priorities. We were able to find a few local budget reports on the web and a few budget books in our library. This spot check shows that there may be some inaccuracies in the DCA data, but does not help to show how big the problem might be. It may not be a problem, but simply a matter of accounting definitions:

- Cherokee County's 2004 Revenue budget is posted at [www.cherokeega.com/depts/admin](http://www.cherokeega.com/depts/admin). This document shows actual 2001 Fines and Forfeitures revenue of \$3,881,350. The DCA database has \$640,083 for Cherokee County in 2001.
- The Clayton County Sheriff posts its accounting reports at <http://claytonsheriff.com/accounti.htm>. This report includes state and superior court fines and forfeitures as well as bonds (bail) and other sources of revenue. For 2001, the sheriff's accounting report shows a total revenue of \$7,030,891. The DCA report shows fines and fees of \$9,485,887.
- Hart County (<http://www.hartcountyga.org/budget2003.html>) figures are more in-line. Their FY 2002 budget (not actual) for fines, etc., was \$390,000. The DCA report shows \$527,095.
- Whitfield County ([http://www.whitfieldcountygga.com/Admin/2004budget\\_files/sheet001.htm](http://www.whitfieldcountygga.com/Admin/2004budget_files/sheet001.htm)) has a 2004 revenue budget of \$1,405,000 for fines and forfeitures. Their 2002 DCA report indicates 2002 revenue from this source to be \$4,219,229

- Cobb County's on-line budget summary, found at <http://www.cobbcounty.org/> budget shows "fines and forfeitures" of \$10.4 million for 2001 and \$10.5 million for 2002. The Cobb County CAFRs for the same years show \$14.4 million and \$18.2 million respectively.
- In 1998 Fulton County reported "Fines and Fees" of \$15.1 to DCA and showed "Courts and Law Enforcement" revenue of \$16.5 million in its budget.
- The DeKalb County budget showed fines and fees revenue of \$18.5 million for 1998. The DCA report has DeKalb's revenue for ostensibly the same category at \$22.7 million.
- For 2003, the Gwinnett County on-line budget <http://www.co.gwinnett.ga.us/departments/boc/pdf/2003bib.pdf> shows "Judicial Revenues" of \$20.0 million for 2003. The DCA report contains a report of \$18.8 million in "fines and fees" for 2002.

As can be seen, in many cases the revenue numbers from county budget information is reasonably close to that reported to DCA; but in some cases there are notable differences. As mentioned, the differences, both large and small, are most likely due to differences in definitions. But, if this is to be used as a revenue source for both county governments and the state government, the legislation should contain a fixed definition to which all adhere for purposes of standard auditing and accountability as well as equity considerations.

In addition, we have found that counties may not report fees and costs associated with civil cases separate from those arising from criminal cases. Drafters of legislation may wish to add reporting requirements that distinguish civil and criminal fines, fees, and costs. Finally, inclusion of a provision for State audits of county and municipal revenues included in HB869 should be considered.