

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6821**

**BILL NUMBER:** SB 363

**NOTE PREPARED:** Mar 25, 2005

**BILL AMENDED:** Mar 24, 2005

**SUBJECT:** Judicial Salaries.

**FIRST AUTHOR:** Sen. Broden

**FIRST SPONSOR:** Rep. Foley

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill has the following provisions:

- A. It increases judicial salaries.
- B. It provides for salary increases in years in which the General Assembly does not amend the statutory salary amount but members of the executive department of state government get a statewide salary increase or a cost-of-living salary increase. It provides that the automatic salary increase is the statewide average percentage increase received for that fiscal year by state employees in the executive branch who are in the same or a similar salary bracket. It requires the budget director to augment the appropriations for judicial salaries if necessary.
- C. It provides for an additional distribution to the Indiana Judges' Retirement Fund to fund pension increases related to the salary increase.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** (Revised) *Provisions A and B* would increase the salaries of 593 court officers by varying amounts. The added expenditures for each fiscal year beginning in FY 2006 would be at least \$13 M with additional salary expenditures depending on the salary increases received by executive branch employees in the same or similar salary range.

*Provision A* -- The following table shows the proposed salary increases.

		<b>No. of Officers</b>	<b>Salaries</b>			<b>% Increase</b>
			<b>Current</b>	<b>Proposed</b>	<b>Increase</b>	
<b>Justices, Judges, and Other Court Officers</b>	Supreme Court Justices	5	\$115,000	\$133,600	\$18,600	16%
	Court of Appeals Judges	16	\$110,000	\$129,800	\$19,800	18%
	Trial Court Judges	301	\$90,000	\$110,500	\$20,500	23%
	Magistrates	49	\$72,000	\$88,400	\$16,400	23%
	Juvenile Court Referees	17	\$30,607	\$47,007	\$16,400	54%
<b>Prosecuting Attorneys</b>	Full-Time	71	\$90,000	\$110,500	\$20,500	23%
	Part-Time at 66%	9	\$59,400	\$72,930	\$13,530	23%
	Part-Time at 60%	10	\$54,000	\$66,300	\$12,300	23%
<b>Deputy Prosecuting Attorneys</b>	Full-Time	72	\$67,500	\$82,875	\$15,375	23%
	Deputies at 66%	22	\$44,550	\$54,698	\$10,148	23%
	Deputies at 60%	<u>21</u>	\$40,500	\$49,725	\$9,225	23%
Total Number		<u>593</u>				

Increasing the salaries of trial court judges will also increase the salaries of other court officers which are linked in statute.

- The salaries of magistrates are defined in statute as 80% of the salary of a trial court judge (IC 33-23-5-10).
- The salaries of juvenile court magistrates are also 80% of the salary of trial court judges, but the county pays \$41,393 of the total salary (IC 33-38-5-7). The county share would remain unchanged.
- The salaries of the prosecuting attorneys are the same as the salaries of the judges of the circuit court (IC 33-14-7-5).
- Deputy prosecuting attorneys receive 75% of the salaries of prosecuting attorneys (IC 33-39-6-2).

Prosecuting attorneys may elect to work part time. If they do, then their salary will either be 60% or 66% of the salary of a full-time prosecuting attorney, depending on whether there are correctional facilities or state mental facilities located in the county in which they serve.

The total cost of this proposal includes the judicial officers' increased salaries and the subsequent increase in the state's contribution to Social Security, FICA, life and disability insurance premiums, and retirement programs.

The impact on the state General Fund is described in the following table.

<b>Net Effect On State General Fund</b>			
<b>Judicial Officer</b>	<b>Expense Item</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Justices, Judges, and Magistrates</b>	Salaries	\$7,695,500	\$7,695,500
	Life and Disability Insurance	\$203,161	\$203,161
	Social Security and Medicare	\$180,727	\$180,727
	Added PERF Contributions for Magistrates	\$78,064	\$78,064
	Judges' Retirement Fund	\$1,785,904	\$1,785,904
<b>Prosecuting Attorneys and Deputies</b>	Salaries	\$3,224,240	\$3,224,240
	Life and Disability Insurance	\$85,120	\$85,120
	Social Security and Medicare	\$156,413	\$156,413
	Prosecuting Attorneys' Retirement Fund	\$47,371	\$47,371
<b>Additional Expenditures:</b>		<b><u>\$13,456,500</u></b>	<b><u>\$13,456,500</u></b>
Added Income Tax Revenue		\$371,271	\$371,271
<b>Additional Revenue:</b>		<b><u>\$371,271</u></b>	<b><u>\$371,271</u></b>
<b>NET EFFECT ON STATE GENERAL FUND:</b>		<b><u>(\$13,085,229)</u></b>	<b><u>(\$13,085,229)</u></b>

The bill also changes a formula in IC 33-37-7-9 to provide an additional \$889,869 semi-annually (or \$1,779,737 annually) to the Judges' Retirement Fund. The other funds listed in the chapter will receive a nominal increase in revenue.

<b>Semi-Annual Deposits Into Court-Related Programs Under IC 33-37-7-9</b>					
<b>Funds:</b>	<b>Current Law</b>		<b>Proposed Change</b>		<b>Difference</b>
	<b>Percent</b>	<b>Distribution</b>	<b>Percent</b>	<b>Distribution</b>	
Family Violence & Victim Assistance	11.08%	\$742,832	9.78%	\$743,007	\$175
Indiana Judges' Retirement	25.21%	\$1,690,143	33.96%	\$2,580,012	\$889,869
Law Enforcement Academy Building	3.52%	\$235,990	3.11%	\$236,273	\$283
Law Enforcement Training	14.19%	\$951,334	12.53%	\$951,930	\$596
Violent Crime Victims Compensation	16.50%	\$1,106,202	14.57%	\$1,106,913	\$711
Motor Vehicle Highway	26.95%	\$1,806,797	23.79%	\$1,807,376	\$579
Fish and Wildlife	0.32%	\$21,454	0.29%	\$22,032	\$578
IN Judicial Center Drug & Alc. Programs	2.23%	\$149,505	1.97%	\$149,665	\$160
<b>TOTALS</b>	<b>100.00%</b>	<b>\$6,704,257</b>	<b>100.00%</b>	<b>\$7,597,209</b>	<b>\$892,952</b>

*Provision B* – The additional expenditures that would result from this bill would depend on the salary increase granted to other state employees. The following table shows added net expenditures for each 1% increase. The additional expenditures would be somewhat offset by the additional income tax revenue. Between FY 2001 and 2005, salary adjustments for state employees in the executive branch ranged from no salary increase in 2002 to an increase of 4% in 2001.

<b>Net General Fund Expenditures for Salary Increases of Judicial Officers Based on Percentage Adjustments</b>					
<b>Percent Adjustment:</b>	<b>1%</b>	<b>2%</b>	<b>3%</b>	<b>4%</b>	<b>5%</b>
Justices, Judges, and Other Court Officers	\$360,283	\$720,566	\$1,080,848	\$1,441,131	\$1,801,414
Prosecuting Attorneys and Deputies	\$152,156	\$304,312	\$456,468	\$608,624	\$760,780
Net Additional Income Tax Revenue	(\$16,482)	(\$32,964)	(\$49,446)	(\$65,928)	(\$82,410)
<b>Total Expenditures</b>	<b>\$495,957</b>	<b>\$991,914</b>	<b>\$1,487,870</b>	<b>\$1,983,827</b>	<b>\$2,479,784</b>

The estimated cost of increasing these salaries by 1% is estimated to increase salary expenditures by \$512,000. These costs include increased salaries and the subsequent increase in the state's contribution to Social Security, FICA, and life and disability insurance premiums.

<b>Estimated Increase in State Expenditures By 1% Increase in Salaries of Justices and Judges</b>		
<b>Justices, Judges, and Other Court Officers</b>	Salaries	\$343,210
	Life and Disability Insurance	\$9,061
	Social Security and Medicare	\$8,012
	Judges Retirement Fund	\$0
<b>Prosecuting Attorneys</b>	Salaries	\$141,552
	Life and Disability Insurance	\$3,737
	Social Security and Medicare	\$6,867
	Pros. Attys. Retirement Fund	\$0
<b>Additional Expenditures</b>		<b>\$512,439</b>

[Note: Actuarial projections assume little short-term impact on either the Judges Retirement Fund or the Prosecuting Attorneys Retirement Fund if the annual increase is less than 5%.]

**Explanation of State Revenues:** *Provision B* -- Approximately \$16,000 would be collected by the state in Individual Adjusted Gross Income taxes for each 1% of additional salaries resulting from this bill. The tax rate is 3.4%.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) would collect more revenue because of the salary increases. The amount would likely be small and depend on the number of judicial officers in the county.

**State Agencies Affected:** Office of State Court Administration.

**Local Agencies Affected:** Counties imposing local option income taxes.

**Information Sources:** Office of State Court Administration.

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