

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

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**FISCAL IMPACT STATEMENT**

**LS 6821**

**BILL NUMBER:** SB 363

**NOTE PREPARED:** Apr 29, 2005

**BILL AMENDED:** Apr 25, 2005

**SUBJECT:** Judicial Salaries.

**FIRST AUTHOR:** Sen. Broden

**FIRST SPONSOR:** Rep. Foley

**BILL STATUS:** Enrolled

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

**IMPACT:** State & Local

**Summary of Legislation:** This bill increases salaries of justices, judges, prosecuting attorneys, deputy prosecuting attorneys, and certain magistrates. It also provides for salary adjustments in years in which the General Assembly does not enact an increase.

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

**Explanation of State Expenditures:** This bill would increase the salaries of 593 court officers by varying amounts. The added expenditures for each fiscal year would be at least \$13.45 M beginning in FY 2006. In future years, additional salary expenditures would depend on the salary increases executive branch employees in the same or similar salary range would receive. The following table shows the proposed salary increases.

		No. of Officers	Salaries			% Increase
			Current	Proposed	Increase	
<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%	21	\$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	\$1,779,738	\$1,779,738
<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>\$13,450,334</b>	<b>\$13,450,334</b>
	Added Income Tax Revenue	\$371,271	\$371,271
	<b>Additional Revenue:</b>	<b>\$371,271</b>	<b>\$371,271</b>
<b>NET EFFECT ON STATE GENERAL FUND:</b>		<b>(\$13,079,063)</b>	<b>(\$13,079,063)</b>

*\* represents minimum expenditures; could be higher if salary increases are granted to other executive branch employees in the same salary range.*

New expenditures resulting from this bill in the fiscal years following FY 2006 depend on the salary increase granted to other state employees. The following table shows added net expenditures for each 1% increase. The added 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</b>					
<b>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>

Raising 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:** Added revenue to the state General Fund would come from the added salaries that the judicial officers would be paying. This added income that judicial officers would receive would be subject to the 3.4% state Income Tax. Based on the estimated increase in salaries, the state would collect an additional \$371,271 in income taxes in FY 2006.

<b>Added Revenue from State Income Tax in FY 2006</b>		
Justices, Judges & Magistrates		\$7,695,500
Prosecuting Attorneys & Deputies	+	\$3,224,240
Salary Increase		\$10,919,740
State Income Tax Rate	x	3.4%
Added Income Tax Revenue		\$371,271

For each 1% of additional salaries resulting from this bill approximately \$16,000 would be collected by the state in Individual Adjusted Gross Income taxes.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Counties with local option income taxes would receive a nominal increase in income tax revenue.

**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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