



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

March 24, 1998

**H.R. 2294
Federal Courts Improvement Act of 1998**

As passed by the House on March 18, 1998

SUMMARY

H.R. 2294 would make numerous operational and administrative changes to the federal court system. Implementing H. R. 2294 would increase discretionary spending by \$204 million over the 1999-2003 period, subject to appropriation of the necessary funds and would increase mandatory spending by about \$4 million over the same period. Because H.R. 2294 would affect direct spending, pay-as-you-go procedures would apply.

H.R. 2294 would remove a cap on fees for filing a petition in the United States Court of Federal Claims. Because the federal judicial system is the only venue for obtaining relief in these cases, an increased fee for access to the courts would be considered an intergovernmental mandate as defined by the Unfunded Mandates Reform Act of 1995 (UMRA). CBO estimates that the cost of this mandate to state, local, and tribal governments would be insignificant.

H.R. 2294 would impose two new private-sector mandates, as defined in UMRA. First, H.R. 2294 would remove a cap on fees for filing a petition in the United States Court of Federal Claims. Because the judicial system is the exclusive outlet for obtaining relief in those cases, the bill would impose a new private-sector mandate. Second, H.R. 2294 would authorize the Judicial Conference to assess certain quarterly fees on debtors in the bankruptcy administrator program who file under Chapter 11 in judicial districts in Alabama and North Carolina. Currently, debtors who file under Chapter 11 in those judicial districts are exempt from such fees.

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

Section 201 would authorize additional magistrate judgeships for Guam and the Northern Mariana Islands. (Magistrate judges serve as adjuncts to district judges, and they perform a variety of judicial duties, such as trying misdemeanor cases and conducting preliminary hearings.) Unlike Article III judges and Supreme Court justices, the salaries and benefits of magistrate judges are not considered mandatory. Section 206 would authorize appropriations for the federal substance abuse treatment program. Section 311 would split the eastern district of Louisiana into two districts, and section 312 would create six new judgeships for the Florida district courts.

In addition, section 104 would enable the court districts in Alabama and North Carolina to assess quarterly fees on debtors in chapter 11 cases.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that implementing H.R. 2294 would cost \$204 million over the 1999-2003 period, assuming appropriation of the necessary amounts. The bulk of those estimated costs would stem from the federal substance abuse treatment program that would be reauthorized by section 206. We also estimate that the legislation would increase direct spending by about \$4 million over the same period to cover the salaries and benefits for additional district court judges. The estimated budgetary impact of H.R. 2294 is shown in the following table. The costs of this legislation fall within budget function 750 (administration of justice).

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that H.R. 2294 would be enacted by October 1, 1998, and that the estimated authorization amounts would be appropriated for each fiscal year.

By Fiscal Year, in Millions of Dollars

	1999	2000	2001	2002	2003
--	------	------	------	------	------

CHANGES IN SPENDING SUBJECT TO APPROPRIATION

Additional Magistrate Judgeships for Guam and the Northern Mariana Islands (section 201)

Estimated Authorization Level	0	a	1	1	1
Estimated Outlays	0	a	1	1	1

Federal Substance Abuse Treatment Program (section 206)

Estimated Authorization Level	35	36	37	38	39
Estimated Outlays	33	36	37	38	39

Eastern District of Louisiana Division (section 311)

Estimated Authorization Level	a	a	a	a	a
Estimated Outlays	a	a	a	a	a

Administrative Support for Florida District Court Judges (section 312)

Estimated Authorization Level	1	4	4	4	4
Estimated Outlays	1	4	4	4	4

Total Changes in Discretionary Spending

Estimated Authorization Level	36	41	42	43	44
Estimated Outlays	34	41	42	43	44

CHANGES IN DIRECT SPENDING

Additional District Court Judges (section 312)

Budget Authority	a	1	1	1	1
Outlays	a	1	1	1	1

a. Less than \$500,000.

Spending Subject to Appropriation

Based on information from the Administrative Office of the United States Courts (AOUSC), CBO expects that by fiscal year 2000, one-half of one judge-workyear would be established in Guam and by fiscal year 2001, one-half of one judge-workyear would be established in the Northern Mariana Islands under section 201. CBO estimates that first-year costs for section 201 would be about \$400,000; annual costs in subsequent years are estimated to be about \$700,000.

Based on historical expenditures for the federal substance abuse treatment program that would be reauthorized by section 206, CBO estimates that the AOUSC would require an appropriation of \$35 million in 1999 and a total of \$185 million over the next five years, assuming annual adjustments for anticipated inflation. The 1998 appropriation for this program is \$34 million. Alternatively, if no increases to cover inflation are assumed, the program costs would total \$170 million over the next five years.

Based on information from the eastern district of Louisiana, CBO estimates that it would cost about \$400,000 in appropriated funds each year to support the new staffing requirements that would occur by splitting this district into two districts as specified in section 311. Costs over the next five years would total \$2 million.

Section 312 would authorize five permanent judgeships and one temporary judgeship for Florida's district courts. Based on information from the AOUSC that takes into account the time it takes to nominate and confirm judges, CBO assumes that all six positions would be filled by the middle of fiscal year 2000. We expect that discretionary expenditures associated with each judgeship would average about \$820,000 (in 1998 dollars) in the first year and about \$620,000 annually in subsequent years (in 1998 dollars). CBO estimates that implementing section 312 would require an appropriation of about \$1 million in 1999 and about \$17 million over the 1999-2003 period for the administrative support of additional district court judges.

Other sections of H.R. 2294 could affect spending subject to appropriation, but CBO expects that their budgetary effects would not be significant.

Direct Spending

CBO estimates that the mandatory costs associated with the salaries and benefits of the new judgeships in Florida's district courts proposed under section 312 would be less than

\$500,000 in 1999 and about \$1 million in subsequent years. CBO assumes that the salary and benefits of a district judge would average \$142,700 a year (in 1998 dollars) and all six positions would be filled by the middle of fiscal year 2000.

Section 104 of this bill would enable the court districts in Alabama and North Carolina to assess quarterly fees in chapter 11 cases. Currently, chapter 11 debtors in these districts are not subject to the quarterly filing fees that are levied on chapter 11 debtors in U.S. Trustee districts. According to the AOUSC and the U.S. Trustees, about 260 cases would be affected each year under this section, and the average quarterly fee for such cases is about \$1,000. Thus, CBO estimates that enacting section 104 would generate about \$1 million per year in additional fees. These fees would be available for spending for the operation and maintenance of the courts without appropriation action. Because these fees would be mostly spent in the same year in which they are collected, CBO estimates that enacting this provision would have no significant net impact on direct spending each year.

Various other provisions of H.R. 2294 could affect direct spending, but CBO estimates that any such effects would not be significant.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays		0	0	1	1	1	1	1	1	1	1
Changes in receipts						Not applicable					

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2294 would remove a cap on fees for filing a petition in the United States Court of Federal Claims. Because the federal judicial system is the only venue for obtaining relief in these cases, an increased fee for access to the courts would be considered an intergovernmental mandate as defined by the Unfunded Mandates Reform Act of 1995 (UMRA). State, local, or tribal governments would face such fees when they are petitioners in a federal case. CBO estimates that the cost of this mandate to state, local, and tribal governments would be insignificant.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 2294 would impose two new private-sector mandates, as defined in UMRA. First, H.R. 2294 would remove a cap on fees for filing a petition in the United States Court of Federal Claims. Because the judicial system is the exclusive outlet for obtaining relief in those cases, the bill would impose a new private-sector mandate. Second, H.R. 2294 would authorize the Judicial Conference to assess certain quarterly fees on debtors in the bankruptcy administrator program who file under Chapter 11 in judicial districts in Alabama and North Carolina. Currently, debtors who file under Chapter 11 in those judicial districts are exempt from such fees.

Based on information from the U.S. courts, CBO estimates that the direct costs of the private-sector mandate would be well below the \$100 million statutory threshold in UMRA. Increased fees for filing petitions and new bankruptcy fees for Chapter 11 debtors in Alabama and North Carolina would only apply to a few hundred cases per year.

ESTIMATE PREPARED BY:

Federal Costs: Susanne S. Mehlman
Impact on State, Local, and Tribal Governments: Leo Lex
Impact on the Private Sector: Matt Eyles

ESTIMATE APPROVED BY:

Paul N. Van de Water
Assistant Director for Budget Analysis