

*Estimating the Costs of Resolving the Average Civil Case in State Court:  
The New Jersey Example*

In order to estimate the amount of cost savings that is realized by state court budgets, state treasuries and, ultimately, by taxpayers for each civil case that is resolved in arbitration instead of in court, it is first necessary to calculate the amount of money that is allocated in a given state for the resolution of civil cases. The state of New Jersey makes the requisite budget information available and relevant figures are presented below.

**2006 New Jersey Budget Information**

In 2006, the State of New Jersey appropriated \$571,750,000 towards the judiciary<sup>1</sup>. The figures below present the portion of that total allocation designated to resolve civil cases in the state's courts.

State allocation to civil courts	\$ 95,274,000
Federal government allocation to civil courts	\$ 1,990,000
Trial court services <sup>2</sup>	\$ 21,433,000 <sup>3</sup>
Court reporting	\$ 2,384,000 <sup>4</sup>
Information Services <sup>5</sup>	\$ 4,875,495 <sup>6</sup>
Management and Administration	\$ 4,155,585 <sup>7</sup>
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Total Expenditures to Resolve Civil Cases	\$ 130,112,080
Total Number of Civil Cases Resolved	100,332
<b>Average Cost of Handling Each Civil Case<sup>8</sup></b>	<b>\$ 1296.81</b>
<b>Average Cost of Handling Disposed Cases<sup>9</sup></b>	<b>\$ 3112.36<sup>10</sup></b>

**Conclusions**

These figures reveal the substantial taxpayer savings derived from the resolution through contractual arbitration of cases that would otherwise be litigated. If judicial disposition of a civil case costs the State of New Jersey \$3,112.36, then the taxpayers of New Jersey are saving that amount whenever a civil dispute is resolved through contractual arbitration.

It is worth noting that the \$3,112.36 probably underestimates the state's ultimate costs for these types of cases because there are other costs that could not be included. For example, a larger judicial docket means more judges, clerks, and other state employees required to administer and support the courts. Eventually, many of these state employees retire and the state must pay retirement and health benefits. Although these figures are difficult to calculate, they are sure to be substantial, thus providing the state with "legacy costs" associated with large caseloads.

Also unaccounted for in these figures are the enormous costs associated with the additional courthouses, courtrooms, administrative offices, and other space and location expenses. These expenses, it is estimated, would include millions of more dollars that are saved.

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<sup>1</sup> Data Taken From <http://www.state.nj.us/treasury/omb/publications/07budget/pdf/98.pdf>

<sup>2</sup> Trial Court Services includes the Division of Trial Court Support Operations, which provides technical assistance to the statewide trial level courts in areas such as case management, management structure, interpreter and translation services, and coordination of volunteer services.

<sup>3</sup> The total state expenditure for trial court services is \$72,506,000. There is no available data on Trial Court Services expenditures for the different types of courts (e.g. criminal, probate, tax, etc). The figure shown was computed based on the assumption that each type of court used Trial Court Services funds that were commensurate to the total funds allocated. The state allocated approximately 28% of court expenses towards the civil courts. Therefore, the civil courts would utilize 28% of the trial court funds and services.

<sup>4</sup> Same process as described in footnote 2.

<sup>5</sup> The Administrative Office of the Court, which is responsible for the collection and maintenance of data on court operations, including statistical analysis of reporting, records management, and management information services.

<sup>6</sup> Same process as described in footnote 2.

<sup>7</sup> Same process as described in footnote 2.

<sup>8</sup> Total Expenditures by Civil Court divided by Total Number of Cases Resolved.

<sup>9</sup> This figure excludes the 66.6% of cases that involve minimal judicial action. Minimal judicial action includes Default Judgments (35%), Dismissed for Want of Prosecution (18%), Settled Without Judicial Action (12%), and Settled through ADR (1.6%). The figure includes the 33.4% of cases involving extensive judicial interaction; including Cases Transferred to Another Court (.2%), Jury Trials (.2%), Summary Judgment (.8%), Bench Trials (1.7%), Settlements with Judicial Action (5%), and Other Civil Dispositions (24%).

<sup>10</sup> It is estimated that 80% of judicial costs are expended on cases requiring significant judicial interaction, which includes 33.3% of the cases reported here, with those cases involving minimal judicial action accounting for 20% of the costs.