



Lawsuit Reform Alliance of New York

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SUPPORT

BUDGET BILL SUPPORT BRIEF

Part D, S.1505/A.2005 – Reform of Statutory Interest Rate on Judgments

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Summary:

This legislation would reform the current statutory judgment interest from a fixed 9% to the weekly average one-year constant maturity treasury yield, as published by the board of governors of the federal reserve system, for the calendar week preceding the date of entry of the judgment. This is the same rate of interest applied to judgments in federal court. The proposed reform would reduce the cost of litigation, remove a barrier to appeal, and respect the due process rights of defendants.

Why we strongly support this legislation:

In the best interest of justice

- Interest on judgments is necessary to ensure that a plaintiff's award does not lose real value as a result of delays or appeals. However, New York's 9% fixed rate of interest does not account for changing market conditions and has overcompensated plaintiffs for the past quarter century.¹ This allows parties to collect a larger award than the jury intended.

Ensures defendants' access to due process

- New York's artificially high rate of interest on judgments creates a barrier to appeal. The appeals process can span the course of years, and defendants currently risk having to pay substantial interest costs if the appeal is unsuccessful. This deters defendants from appealing a verdict, even if they believe they have a strong case.

Reduce costs to taxpayers

- New York's local governments are frequently the target of litigation. Between 2005 and 2009, New York local governments excluding New York City paid over \$1.04 billion in judgments and claims.² The New York Conference of Mayors has estimated that using the market rate of interest on judgments, rather than a fixed 9% rate, would generate approximately \$4.1 million in direct annual savings to taxpayers.³ In 2016, Governing Magazine reported that New York City pays out more in legal costs than the next 19 cities surveyed combined.⁴

¹ Board of Governors of the Federal Reserve System. *One year constant maturity treasury yield historical rates.* www.federalreserve.gov/releases/h15/data.htm

² Cresswell, S & Landon Murray, M. (2011). *Assessing the Fiscal Impact of Lawsuits on New York State Municipalities.* Rockefeller College of Public Affairs and Policy, Program on Local and Intragovernmental Studies.

³ StopTheTaxShift.org. *Interest Rates on Judgments Against Municipalities.* New York Conference of Mayors.

⁴ Maciag, M. (Nov. 2018) "Lawsuits Drain Cities' Budgets." *Governing Magazine.* <http://www.governing.com/topics/finance/gov-government-lawsuitssettlements.html>.

The Lawsuit Reform Alliance of New York is a not-for-profit association of businesses, healthcare providers, growers, membership organizations, and taxpayers dedicated to reform of the legal system in order to foster a better business climate, promote job growth and address the growing cost of lawsuit abuse.