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ISSUE ALERT

To: ALEC Members on the Minnesota House Civil Law Committee
From: ALEC's Civil Justice Task Force
Re: Minnesota HB 770 - Civil Actions
Date: April 26, 2011

We understand that the Minnesota House Civil Law Committee will hold a hearing today, April 26 at 8:00 pm regarding legislation reducing the state's current judgment interest rate. **The American Legislative Exchange Council (ALEC) strongly supports this legislation, which is based on its own model legislation, the Prejudgment and Post-judgment Interest Act.**

In Minnesota, as in many states, interest on a judgment can be paid to a winning plaintiff in order to compensate for the loss of the use of the money before it is in the plaintiff's hands (for example, if the judgment is appealed). For judgments under \$50,000, Minnesota law currently ties the interest rate to that of U.S. Treasury bills. However, for judgments over \$50,000, Minnesota law sets the rate at 10 percent, significantly above current prevailing interest rates. HB 770 would set the same interest rate on judgments over \$50,000 as are set for judgments under, bringing it closer in line with present economic circumstances and providing for flexibility as rates change over time.

Prejudgment and post-judgment interest reform would positively impact Minnesota's civil justice system by upholding fairness in the size of judgments. The current interest rate of 10 percent is significantly higher than current market rates, thereby punishing defendants required to pay inflated judgments. This bill's fluctuating rate eliminates this disparity, ensuring reasonable compensation and avoiding inflated judgments.

Moreover, setting a rate that fluctuates with that of the U.S. Treasury rate simplifies the process of adjustment. Rather than requiring the legislature to continually adjust a fixed rate, the rate automatically adjusts to fit new and changing economic circumstances.

The bill would also protect the right of defendants to follow cases to trial and appeal verdicts. The accumulation of excessive judgment interest rates may discourage law-abiding defendants from defending against improper claims beyond settlement. Reforming judgment interest rates would preserve proper incentives for defendants who may legitimately disagree with a verdict.

Thank you for your consideration. If you have any questions or comments, please do not hesitate to contact Amy Kjose, ALEC's Civil Justice Task Force Director, at 202/742-8510 or via email at akjose@alec.org.

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