

**JUDICIAL COUNCIL OF CALIFORNIA
ADMINISTRATIVE OFFICE OF THE COURTS**

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Report

TO: Members of the Judicial Council

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DATE: August 12, 2009

SUBJECT: Recommendations Regarding Possible Reduction Adjustments for Severely Underresourced Courts (Action Required)

Issue Statement

At its business meeting on July 29, 2009, the Judicial Council directed staff to develop and present to the council potential options for lessening the impact of the share of the \$190.13 million statewide reduction allocated to the most underresourced courts, with consideration given to the level of these courts' fund balances.

Recommendation

AOC staff recommends that the Judicial Council approve Option 4 (see Attachment 1, columns J and K), which would provide a 15 percent one-time reduction offset to 8 underresourced courts and a 33 percent one-time reduction offset to one underresourced court that also has minimal reserves (see column J). Approval of this approach would also require a one-time increase in reductions to the remaining courts (see column K).

Rationale for Recommendation

This option would provide important, but limited, one-time reduction offsets and short-term relief to assist the most underresourced courts in phasing in necessary ongoing cost adjustments, while also minimizing the funding impact to other courts. The approach would attempt to balance prior council policy to incrementally address historical inequities in trial court funding with the importance of not unnecessarily burdening other courts with additional ongoing cuts. Finally, given a need to review and possibly update

the Resource Allocation Study (RAS) methodology, which currently incorporates data and assumptions that are several years old, the one-time reduction offset approach would not make permanent funding changes based on the methodology.

Background

Addressing Funding Needs of Underresourced Courts

The council has repeatedly recognized a need to provide equity funding adjustments for historically underfunded courts, including the following:

- During FY 2003–2004, staff developed the Resource Equity Model as an option in considering how to allocate an ongoing reduction among courts in FY 2004–2005. For various reasons, this approach was ultimately not used. However, the council did approve the use of a methodology that included workload metrics as one criteria in allocating the ongoing reduction.
- Since the establishment of the state appropriations limit (SAL) funding mechanism for courts in FY 2005–2006 through FY 2007–2008, the council has approved the use of the RAS methodology, which computes courts’ relative funding needs based upon workload related to filings. This has resulted in courts identified as lesser-resourced relative to other courts being provided with \$31.8 million in ongoing funding from the population growth portion of the SAL adjustment funding.
- In FY 2008–2009, the Budget Act provided a funding adjustment based on the Consumer Price Index (CPI) in place of SAL. As a result, the funding related to the population (workload) growth portion of SAL was not available for allocation. However, the council approved using the RAS methodology in conjunction with a review of fund balance levels to exempt specific courts from a one-time funding reduction in FY 2008–2009.

Trial Court Budget Working Group

The Trial Court Budget Working Group (TCBWG) met on July 27, 2009, to develop recommendations related to a variety of budget recommendations, including how to allocate the \$190.13 million ongoing statewide reduction in FY 2009–2010. Staff presented two options to the TCBWG regarding how to allocate this reduction to courts. The first option would apply the reduction on a pro-rata basis to all 58 trial courts, based on each court’s relative share of the total statewide non-security Trial Court Trust Fund (TCTF) base allocation. The second option would use the RAS methodology and provide

a 15 percent reduction offset for those courts that were at least 25 percent underresourced, while increasing the remaining courts' reductions.

There was much discussion regarding this item at the TCBWG meeting. The group, in a split vote, ultimately voted to recommend the first option, a strict pro-rata distribution of the \$190.13 million reduction, with no offset adjustment recommended for underresourced courts.

Judicial Council Direction

Staff presented the pro-rata distribution recommendation to the Judicial Council at its July 29, 2009 meeting and also identified the alternative approach to assist underresourced courts discussed at the TCBWG meeting. The council approved the pro-rata allocation approach, but also directed staff to give additional consideration to the impact of the reduction on the courts that were *both* the most underresourced relative to other courts *and* that have minimal fund balances. Staff committed to return to the council to discuss their review of this issue at its August 14 meeting, and to provide potential options.

Staff Analysis

In response to the council's direction, staff reviewed information from the RAS methodology to identify the most underresourced courts, reviewed reserves for these courts, and, based upon this information, has developed optional adjustment alternatives that the council may consider as a means to reduce the impact of reductions to the most underresourced courts. Results of the RAS analysis are reflected in the table below.¹

Courts That Are 25 Percent or More Underresourced Relative to Other Courts

Court	Funding Need
San Bernardino	-34.91%
San Joaquin	-34.45%
Sacramento	-33.75%
Glenn	-31.44%
Placer	-29.63%
Tulare	-28.58%
Yuba	-27.50%
Fresno	-26.67%
Tehama	-25.90%

¹ The funding need percentages used for this report and the recommendations slightly differ from the ones presented to the Trial Court Budget Working Group on July 27, 2009, as they reflect the inclusion of the \$190.13 million reduction approved by the Judicial Council on July 29, 2009, FY 2007–2008 local fee revenue, a revised allocation base, and a technical adjustment to the average compensation computation.

Option 1 – Ongoing Reduction Offset for the Most Underresourced Courts

As displayed above, using the RAS methodology, staff identified the most underresourced courts (defined as those 25 percent or more unfunded) and developed an option that would provide an ongoing reduction offset for these courts. This approach, Option 1, would provide a *permanent* reduction offset of 15 percent solely based on whether a court is identified as 25 percent or more underresourced relative to other courts according to the RAS methodology. This approach would also require increasing the ongoing reduction to all other courts by 2.59 percent. The results of this approach are displayed in Attachment 1, columns B and C. More specifically, this option would do the following:

- 1a. Provide an ongoing 15 percent reduction offset of a court's current share of the \$190.13 million ongoing reduction to trial courts that are at least 25 percent underresourced relative to other trial courts (see Attachment 1, column B). For example, if a court's current share of the \$190.13 million ongoing reduction is \$1 million in column A of Attachment 1, then it would receive an ongoing offset of \$150,000, such that its net ongoing reduction would be \$850,000. Based on this criterion, 9 trial courts would qualify for an ongoing offset totaling \$4.19 million (see Table 1 for the list of the nine courts).
- 1b. Allocate the cost of the \$4.19 million ongoing reduction offset for the 9 trial courts to the other 49 trial courts (see Attachment 1, column C). The additional ongoing reduction would represent a 2.59 percent increase of these courts' share of the \$190.13 million ongoing reduction. For example, if a court's current share of the \$190.13 million ongoing reduction is \$1 million in column A of Attachment 1, then it would receive an additional ongoing reduction of \$25,900, so that its total ongoing reduction would be \$1,025,900.

Consistent with prior council policy of incrementally addressing historical inequities in trial court funding, Option 1 would provide important, but limited, offset to the reductions that would otherwise be fully allocated to the most underresourced courts. Attachment 2 displays the impact that the ongoing reduction offsets would have on the 9 courts' funding needs, as identified by the RAS methodology. However, given that all courts have been allocated a significant ongoing reduction as part of the statewide \$190.13 million ongoing reduction, there is a need to balance the requirements of underresourced courts with the financial challenges facing all 58 courts. Consequently,

Option 1 would provide only a 15 percent reduction offset, which would require a 2.59 percent increase of all other courts' share of the \$190.13 million ongoing reduction.

Option 2 – One-Time Reduction Offset for the Most Underresourced Courts with Minimal Fund Balances

Based on direction from the council for staff to also consider courts' fund balances when providing an option for lessening the impact of reductions to the courts that are most underresourced, staff developed Option 2, which would provide a *one-time* reduction offset totaling 33 percent to courts identified as being 30 percent or more underresourced *and* having minimal fund balances. In Attachment 3, which displays the four trial courts that are identified as being 30 percent or more underresourced relative to other courts, column A displays each of the courts' funding need percentages and column B displays their adjusted fund balance as a percentage of their FY 2009–2010 beginning base allocation. More specifically, this option would do the following:

- 2a. Provide a *one-time* reduction offset of 33 percent of a court's current share of the \$190.13 million ongoing reduction to trial courts that are at least 30 percent underresourced relative to other trial courts, as identified by the RAS methodology, *and* that have minimal fund balances (defined as FY 2008–2009 ending fund balances, less required minimum operating and emergency reserves, that are less than 10 percent of a court's FY 2009–2010 Trial Court Trust Fund allocation). For example, if a court's current share of the \$190.13 million ongoing reduction is \$1 million in column A, then it would receive a one-time allocation offset of \$333,333. Based on these two criteria, two trial courts (Superior Courts of Glenn and San Joaquin Counties) would qualify for the one-time offset (see Attachment 2, columns A and B; columns C through G display the data used to compute the minimal fund balance ratio).

Staff recommends, however, that only the Superior Court of San Joaquin County² receive the one-time offset, because expenditures at the Superior Court of Glenn County are being overseen by the AOC as directed by the council, and various actions to mitigate over-commitment of resources are being taken by the court as part of this process. In addition, the Superior Court of Glenn County received deficiency funding adjustments in FY 2008–2009. The total one-time reduction

² The Superior Court of San Joaquin County's fund balance was adjusted downward by an additional \$6.4 million for local courthouse construction fund monies that were incorrectly transferred to the court's operating fund instead of the state Court Facilities Trust Fund, as cited by AOC's Internal Audit Services.

offset for the Superior Court of San Joaquin County would be \$1,015,675 (see Attachment 1, column D).

- 2b. Allocate the \$1,015,675 one-time reduction offset for the Superior Court of San Joaquin County *only* to the forty-nine trial courts that are not at least 25 percent underresourced relative to other trial courts by marginally increasing these courts' overall reduction (see Attachment 1, column E). The additional one-time reduction would represent a 0.63 percent increase of these courts' share of the \$190.13 million ongoing reduction.

Courts that are the most underresourced relative to other courts *and* that have minimal fund balances will likely face significant challenges in absorbing ongoing reductions in the first year. By taking into consideration courts' fund balance levels, Option 2 would address the need to provide courts that are the most underresourced relative to other courts *and* that have minimal fund balances with short-term relief to help them phase in necessary ongoing costs adjustments. Since all courts have been allocated a significant ongoing reduction as part of the statewide \$190.13 million ongoing reduction, no more than a 33 percent one-time reduction offset is recommended, which would require a 0.63 percent increase of these courts' share of the \$190.13 million ongoing reduction on a one-time basis.

Option 3 – Ongoing and One-Time Reduction Offsets for the Most Underresourced Courts (Combination of Options 1 and 2)

Given that Options 1 and 2 both have merit yet serve different purposes, Option 3 (see Attachment 1, columns F through I), a combination of Options 1 and 2, would provide ongoing reduction offsets for courts that are 25 percent or more underresourced and one-time transitional funding relief for courts that are 30 percent or more underresourced with minimal fund balances. Similar to Option 1, 9 courts would receive ongoing reduction offsets of 15 percent (see Attachment 1, column F). Similar to Option 2, one court would receive an additional one-time offset of \$558,621, and 49 courts would have their share of the \$190.13 million reduction increased by 0.34 percent on an one-time basis, totaling \$558,621 statewide. (see Attachment 1, column H).

The same rationales provided for Options 1 and 2 apply to Option 3.

Option 4 – One-Time Reduction Offsets for the Most Underresourced Courts and an Additional One-Time Offset for Those with Minimal Fund Balances (Staff Recommendation)

AOC staff recommends that the Judicial Council approve Option 4 (see Attachment 1, columns J and K), which would provide (a) a 15 percent one-time reduction offset to 8 courts and a 33 percent one-time reduction offset to 1 court of their share of the \$190.13 million ongoing reduction as approved by the council on July 29, 2009, totaling \$4.75 million, and (b) a corresponding increased one-time reduction of 2.93 percent to the other 49 courts' share of the \$190.13 million ongoing reduction, totaling \$4.75 million, based on the following three criteria:

- 4a. Courts that are 25 percent or more underresourced relative to other trial courts would receive a 15 percent reduction offset of their share of the \$190.13 million ongoing reduction. Based on this criteria, 8 courts would qualify for one-time 15 percent reduction offsets totaling \$3.74 million (see Attachment 1, column J);
- 4b. Courts that are 30 percent or more underresourced relative to other trial courts and that have minimal fund balances (defined as FY 2008–2009 ending fund balances, less required minimum operating and emergency reserves, that are less than 10 percent of a court's FY 2009–2010 Trial Court Trust Fund allocation) would receive a 33 percent reduction offset of their share of the \$190.13 million ongoing reduction. Similar to Option 2, based on this criteria, two trial courts (Superior Courts of Glenn and San Joaquin Counties) would qualify for the one-time 33 percent reduction offset (see Attachment 2, columns A and B). Also similar to Option 2 (see Option 2, 2b), staff recommends, however, that only the Superior Court of San Joaquin County receive the additional one-time offset. The total one-time 33 percent reduction offset for the Superior Court of San Joaquin County would be \$1.01 million (see Attachment 1, column J); and
- 4c. Courts that are less than 25 percent underresourced would receive a one-time reduction, in addition to their share of the \$190.13 million ongoing reduction, based on a pro-rata share of the total reduction offset provided to courts. Based on this criteria, 49 courts would have their share of the \$190.13 million reduction increased by 2.93 percent on an one-time basis, totaling \$4.75 million statewide.

This option is intended to represent a reasonable and balanced approach that would provide needed short-term relief to assist the most underresourced courts in phasing in necessary ongoing cost adjustments, while also minimizing the funding impact to other

courts. While Option 3 could be considered preferable from the perspective of addressing the funding needs of the most underresourced courts on a longer-term basis, the short-term and long-term financial challenges facing all courts need to be considered. This option would attempt to address the need to balance prior council policy to incrementally address historical inequities in trial court funding with the importance of not unnecessarily burdening other courts with additional ongoing cuts. Also, given a need to review and possibly update the RAS methodology, which currently incorporates data and assumptions that are several years old, the one-time reduction offset approach would not make permanent funding changes based on the methodology.

Option 5 – No Reduction Adjustments for the Most Underresourced Courts

The council has already approved a pro-rata allocation of the \$190.13 million to all courts (see Attachment 1, column A). The council may wish to consider making no changes and thus provide no special offset for underresourced courts.

Alternative Actions Considered

See above.

Comments From Interested Parties

The TCBWG met on April 16, 2009, and July 27, 2009, to review and discuss Options 1 and 5 in this report.

Implementation Requirements and Costs

The report identifies the amount and source of funding needed to implement each of the recommendations.

Attachments

Options for Adjusting the Most Underresourced Courts' Share of the \$190.13 Million Ongoing Reduction

Court	Option 1		Option 2		Option 3			Option 4			
	Approved Pro-Rata Allocation of \$190.13 Million Reduction in FY 2009-10	Ongoing 15% Reduction Offset	Allocation of Additional 2.59% Ongoing Reduction	One-Time 33% Reduction Offset	Allocation of Additional 0.63% One-Time Reduction	Ongoing 15% Reduction Offset	Allocation of Additional 2.59% Ongoing Reduction	One-Time Up to Total 33% Reduction Offset	Allocation of Additional 0.34% One-Time Reduction	One-Time Reduction Offset	Allocation of Additional 2.93% One-Time Reduction
	A	B	C	D	E	F	G	H	I	J	K
Alameda	(9,257,266)		(239,417)		(57,980)		(239,417)		(31,889)		(271,306)
Alpine	(66,592)		(1,722)		(417)		(1,722)		(229)		(1,952)
Amador	(270,835)		(7,005)		(1,696)		(7,005)		(933)		(7,937)
Butte	(977,999)		(25,294)		(6,125)		(25,294)		(3,369)		(28,663)
Calaveras	(246,202)		(6,367)		(1,542)		(6,367)		(848)		(7,216)
Colusa	(178,199)		(4,609)		(1,116)		(4,609)		(614)		(5,223)
Contra Costa	(4,342,633)		(112,312)		(27,199)		(112,312)		(14,959)		(127,271)
Del Norte	(292,672)		(7,569)		(1,833)		(7,569)		(1,008)		(8,577)
El Dorado	(787,995)		(20,380)		(4,935)		(20,380)		(2,714)		(23,094)
Fresno	(4,322,380)	648,357	-		-	648,357	-		-	648,357	-
Glenn	(231,354)	34,703	-		-	34,703	-		-	34,703	-
Humboldt	(670,427)		(17,339)		(4,199)		(17,339)		(2,309)		(19,648)
Imperial	(862,710)		(22,312)		(5,403)		(22,312)		(2,972)		(25,284)
Inyo	(218,867)		(5,660)		(1,371)		(5,660)		(754)		(6,414)
Kern	(3,531,117)		(91,324)		(22,116)		(91,324)		(12,164)		(103,488)
Kings	(661,656)		(17,112)		(4,144)		(17,112)		(2,279)		(19,391)
Lake	(405,951)		(10,499)		(2,543)		(10,499)		(1,398)		(11,897)
Lassen	(255,766)		(6,615)		(1,602)		(6,615)		(881)		(7,496)
Los Angeles	(52,565,332)		(1,359,478)		(329,226)		(1,359,478)		(181,074)		(1,540,552)
Madera	(766,989)		(19,836)		(4,804)		(19,836)		(2,642)		(22,478)
Marin	(1,739,912)		(44,999)		(10,897)		(44,999)		(5,994)		(50,992)
Mariposa	(123,438)		(3,192)		(773)		(3,192)		(425)		(3,618)
Mendocino	(537,627)		(13,904)		(3,367)		(13,904)		(1,852)		(15,756)
Merced	(1,154,386)		(29,855)		(7,230)		(29,855)		(3,977)		(33,832)
Modoc	(123,261)		(3,188)		(772)		(3,188)		(425)		(3,612)
Mono	(152,501)		(3,944)		(955)		(3,944)		(525)		(4,469)
Monterey	(1,728,910)		(44,714)		(10,828)		(44,714)		(5,956)		(50,670)
Napa	(816,062)		(21,105)		(5,111)		(21,105)		(2,811)		(23,917)
Nevada	(529,990)		(13,707)		(3,319)		(13,707)		(1,826)		(15,533)
Orange	(15,864,146)		(410,288)		(99,360)		(410,288)		(54,648)		(464,936)
Placer	(1,504,073)	225,611	-		-	225,611	-		-	225,611	-
Plumas	(183,929)		(4,757)		(1,152)		(4,757)		(634)		(5,390)
Riverside	(7,983,815)		(206,482)		(50,004)		(206,482)		(27,502)		(233,985)
Sacramento	(7,923,696)	1,188,554	-		-	1,188,554	-		-	1,188,554	-
San Benito	(327,893)		(8,480)		(2,054)		(8,480)		(1,130)		(9,610)
San Bernardino	(8,433,980)	1,265,097	-		-	1,265,097	-		-	1,265,097	-
San Diego	(16,262,519)		(420,591)		(101,855)		(420,591)		(56,020)		(476,612)
San Francisco	(6,727,846)		(174,000)		(42,138)		(174,000)		(23,176)		(197,175)
San Joaquin	(3,047,025)	457,054	-	1,015,675	-	457,054	-	558,621	-	1,015,675	-
San Luis Obispo	(1,450,679)		(37,518)		(9,086)		(37,518)		(4,997)		(42,516)
San Mateo	(3,857,827)		(99,774)		(24,162)		(99,774)		(13,289)		(113,063)
Santa Barbara	(2,294,508)		(59,342)		(14,371)		(59,342)		(7,904)		(67,246)
Santa Clara	(9,608,267)		(248,495)		(60,178)		(248,495)		(33,098)		(281,593)
Santa Cruz	(1,329,562)		(34,386)		(8,327)		(34,386)		(4,580)		(38,966)
Shasta	(1,008,812)		(26,091)		(6,318)		(26,091)		(3,475)		(29,566)
Sierra	(70,342)		(1,819)		(441)		(1,819)		(242)		(2,062)
Siskiyou	(426,231)		(11,023)		(2,670)		(11,023)		(1,468)		(12,492)
Solano	(2,133,222)		(55,171)		(13,361)		(55,171)		(7,348)		(62,519)

Options for Adjusting the Most Underresourced Courts' Share of the \$190.13 Million Ongoing Reduction

Court	Approved Pro-Rata Ongoing Allocation of \$190.13 Million Reduction in FY 2009-10	Option 1		Option 2		Option 3				Option 4	
		Ongoing 15% Reduction Offset	Allocation of Additional 2.59% Ongoing Reduction	One-Time 33% Reduction Offset	Allocation of Additional 0.63% One-Time Reduction	Ongoing 15% Reduction Offset	Allocation of Additional 2.59% Ongoing Reduction	One-Time Up to Total 33% Reduction Offset	Allocation of Additional 0.34% One-Time Reduction	One-Time Reduction Offset	Allocation of Additional 2.93% One-Time Reduction
A	B	C	D	E	F	G	H	I	J	K	
Sonoma	(2,422,974)		(62,664)		(15,175)		(62,664)		(8,347)		(71,011)
Stanislaus	(1,869,996)		(48,363)		(11,712)		(48,363)		(6,442)		(54,805)
Sutter	(435,806)		(11,271)		(2,730)		(11,271)		(1,501)		(12,772)
Tehama	(372,740)	55,911	-		-	55,911	-		-	55,911	-
Trinity	(114,944)		(2,973)		(720)		(2,973)		(396)		(3,369)
Tulare	(1,713,486)	257,023	-		-	257,023	-		-	257,023	-
Tuolumne	(347,366)		(8,984)		(2,176)		(8,984)		(1,197)		(10,180)
Ventura	(3,278,054)		(84,779)		(20,531)		(84,779)		(11,292)		(96,071)
Yolo	(902,249)		(23,335)		(5,651)		(23,335)		(3,108)		(26,443)
Yuba	(411,573)	61,736	-		-	61,736	-		-	61,736	-
Total	(190,126,592)	4,194,046	(4,194,046)	1,015,675	(1,015,675)	4,194,046	(4,194,046)	558,621	(558,621)	4,752,667	(4,752,667)

Impact of Option 1 on Courts' Funding Need

	Funding Need Prior to Ongoing Reduction	Funding Need After Ongoing Reduction Offset
Court	A	B
San Bernardino	-34.91%	-33.84%
San Joaquin	-34.45%	-33.38%
Sacramento	-33.75%	-32.69%
Glenn	-31.44%	-30.26%
Placer	-29.63%	-28.53%
Tulare	-28.58%	-27.45%
Yuba	-27.50%	-26.31%
Fresno	-26.67%	-25.55%
Tehama	-25.90%	-24.65%

Courts That Are 30% or More Relatively Underresourced with Fund Balance Analysis

	Funding Need	Adjusted FY 08-09 Fund Balance as a % of FY 09-10 Beginning Base Allocation	FY 2008-09 Ending Fund Balance	Minimum Operating and Emergency Reserve Computed by AOC Staff	Local Courthouse Construction Monies in Fund Balance	Adjusted FY 2008-09 Ending Fund Balance	FY 2009-10 Beginning Base Allocation
Court	A	B (F/G)	C	D	E	F (C - D - E)	G
San Bernardino	-34.91%	39.99%	45,619,247	4,697,011		40,922,236	102,331,211
San Joaquin	-34.45%	7.50%	10,965,699	1,882,159	6,419,543	2,663,997	35,526,633
Sacramento	-33.75%	18.98%	21,978,136	4,265,157		17,712,979	93,306,556
Glenn	-31.44%	0.00%	60,605	203,448		-	2,397,484