

JUDICIAL COUNCIL OF CALIFORNIA
ADMINISTRATIVE OFFICE OF THE COURTS
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Report

TO: Members of the Judicial Council

FROM: Christine M. Hansen, Director, Finance Division, 415-865-7951
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DATE: November 19, 2004

SUBJECT: Deficiency Funding Request: Superior Court of California, County of Lake (Action Required)

Issue Statement

The Superior Court of Lake County has requested one-time deficiency funding for support of its normal ongoing operations. The Administrative Office of the Courts (AOC) has advanced the court \$480,000 to meet its monthly obligations, while the deficiency funding request is processed and considered by the Judicial Council. The funding enables the court to maintain operations at prior year service levels.

Recommendation

Staff recommends that the Judicial Council approve one-time deficiency funding of \$458,000 from the Trial Court Improvement Fund for the Superior Court of Lake County. The one-time funding would be used to partially repay an advance \$480,000 that was provided to the court in October 2004, pending Judicial Council approval of the court's deficiency funding request. A one-time reduction of \$22,000 will be posted in the January funding distribution to offset the difference between what was advanced to the court and the revised estimate of its need.

Rationale for Recommendation

Based upon a review of court finances, it appears that the court has a structural funding imbalance, resulting from expenditures that have grown to levels that exceed annual court revenues, including allocations of state funding. In fiscal year 2003–2004, a total of \$197,000 in one-time deficiency funding was provided to the Superior Court of Lake County because its revenues were insufficient to support its baseline operations and it had exhausted its reserves. At that time, AOC staff concluded that the court would need additional funding to maintain court operations in fiscal year 2004–2005. A permanent baseline augmentation was not recommended at that time, however, because ongoing permanent funding

was not available in the budget and the exact level of funding need had not yet been determined.

The current recommended augmentation was determined by analyzing the court's fiscal year 2004–2005 proposed budget to ensure that items critical to court operations were funded. The recommended \$458,000 augmentation represents the difference between the court's proposed budget, as adjusted by AOC staff, and the court's currently budgeted revenues from both state and local sources.

The prior year structural shortfall was not as great as the current year because the fiscal year 2003–2004 budget included a beginning reserve of approximately \$385,000 that partially mitigated the structural funding shortfall. The shortfall in the current year, however, is larger because the beginning reserves were only about \$12,000, thereby creating a greater unmet need. Standard baseline funding adjustments, such as increases for reimbursable programs, salaries and benefits, and statewide reductions were also applied to the court's budget at the beginning of the current fiscal year, to the extent that were they known or could be estimated.

The purpose of this increase is to provide the court with interim funding sufficient to maintain operations at the prior year service levels while an analysis of the court's baseline needs is completed. The Superior Court of Lake County is one of 12 courts identified as “under-funded”, based upon a formula that was developed for allocating the fiscal year 2004–2005 Trial Court Trust Fund budget reductions. Any court that ranked at a level below negative 20 percent of the median funding allocation point, among courts of similar size, was designated as under-funded. A standardized review of the needs of all 12 courts identified is being currently conducted to determine if a permanent baseline funding increase is needed and, if so, by what amount. Until a permanent increase is determined, this interim funding will help the court meet its necessary monthly obligations.

Alternative Actions Considered

In addition to the proposed recommendation, staff considered three other alternatives:

- Defer the request until the baseline augmentation review for all 12 under-resourced courts is completed later in the fiscal year. This alternative was not selected because the court's monthly obligations are greater than its monthly revenues and the court currently faces a cash shortfall. The court was already operating at a reduced level of service and has no ability to reduce it further without critically impacting court operations and access to the public.

- Approve the court's entire request. This alternative was not selected because of the limited resources available statewide to deal with all court deficiencies, and the possibility that other courts might experience shortfalls in the current fiscal year. Consequently, items that were considered controllable and discretionary were not included in the recommended amount. Appropriate funding for training and travel is important and should be reviewed comprehensively as part of the broader statewide review of resource needs of under-resourced courts.
- Require the court to repay the advanced funding as a loan without providing a funding allocation. This alternative was not selected because the court's financial shortfall results from an ongoing structural deficiency that the court has no means of addressing within its existing resources.

Comments From Interested Parties

Deficiency funding requests do not require circulation for comment.

Implementation Requirements and Costs

Approval of this request will result in a one-time cost of \$458,000 from the Trial Court Improvement Fund in fiscal year 2004–2005. Deficiency funding cannot be provided without the council's approval.