



# Judicial Council of California

## Administrative Office of the Courts

Trial Court Financial Policies and Procedures

Policy No.  
Page

**FIN 4.01**  
**1 of 13**

# **BUDGET DEVELOPMENT**

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## Budget Development

### **1.0 Table of Contents**

(Original 8/01)

1.0 Table of Contents

2.0 Purpose

3.0 Policy Statement

4.0 Application

5.0 Definitions

6.0 Text

(Revised 9/10)

6.1 Sources of Trial Court Funding

6.2 State Budget Cycle and Timelines

6.3 Budget Program Structure

6.4 Budget Development

6.5 Budget Implementation

7.0 Associated Documents

### **2.0 Purpose**

(Original 8/01)

The purpose of this policy is to present uniform guidelines for the trial court to use in developing and managing its annual budget.

### **3.0 Policy Statement**

(Revised 8/02)

The trial court is responsible for developing and managing its budget so that its resources are utilized efficiently and effectively, in a manner that inspires public confidence in the court. It is the policy of the trial court to comply with applicable legislation and follow the procedures adopted by the Judicial Council for budget development and management.

### **4.0 Application**

(Original 8/01)

This procedure applies to all trial court officials and employees.

Trial Court Financial Policies and Procedures	<b>Budget Development</b>	Policy No. <b>FIN 4.01</b> Page: 3 of 13
---	---------------------------	---

## **5.0 Definitions**

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Budget**  
**Budget Act**  
**Budget Change Proposals**  
**Cost Information Survey**  
**Fiscal Year**  
**SAL Adjustment Allocation Process**  
**State Appropriations Limit (SAL) Funding Adjustment**

## **6.0 Text**

(Revised 9/10)

The passage of the Lockyer-Isenberg Trial Court Funding Act of 1997 placed principal responsibility for funding trial court operations on the state. The trial court receives annual allocations from the Judicial Council based on appropriations in the state budget for statewide trial court operations. The trial court operates on the state fiscal year. Chapter 227, Statutes of 2004, specified an annual adjustment to the trial court budget to be calculated based upon the year-to-year change in the SAL. The SAL funding adjustment is intended to provide adequate base funding for the courts and fiscal independence for the judicial branch in managing trial courts' budgets.

### **6.1 Sources of Trial Court Funding**

(Revised 8/02)

1. The trial court's primary source of state funding is the Trial Court Trust Fund. The court may also receive state funding for specific purposes from other sources including the Trial Court Improvement Fund, and the Judicial Administration Efficiency and Modernization

Fund. In addition, various grants are received by the Judicial Council and passed through to the trial courts. The court may also receive direct local revenues as well as revenues from the county depending on the terms of its Memorandum of Understanding with the county.

### **6.1.1 Trial Court Trust Fund** (Revised 9/10)

1. Each year the Budget Act contains an appropriation to the Judicial Council for the general operations of the trial courts.<sup>1</sup> Money for trial court operations is appropriated from the Trial Court Trust Fund<sup>2</sup>, which is administered by the Judicial Council.<sup>3</sup> The Judicial Council is responsible for allocating funds from the Trial Court Trust Fund to the individual trial courts in a way that: (1) assures the courts' ability to carry out their functions, (2) promotes implementation of statewide policies, and (3) promotes the immediate implementation of efficiencies and cost saving measures in court operations, to guarantee equal access to the courts.<sup>4</sup>
2. The Trial Court Trust Fund has two main revenue sources. First, over half of the money that flows into the Trial Court Trust Fund comes directly from the annual transfer appropriation from the State General Fund. Second, the counties are required to submit Maintenance of Effort (MOE) payments to the state. The 20 largest counties make Expenditure MOE payments based on county funding provided to local courts in fiscal year 1994–1995, as established by the Trial Court Funding Act and subsequent legislation (GC 77201.1). All counties make Revenue MOE payments based on fine, fee and forfeiture collections in fiscal year

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<sup>1</sup> Government Code (GC) 77202

<sup>2</sup> GC 68085

<sup>3</sup> GC 68085

<sup>4</sup> GC 68502.5(c)

1994-1995. Civil filing fees; specified civil assessment revenues, security fee revenue, and other miscellaneous revenues make up the balance of Trial Court Trust Fund revenues.

### **6.1.2 Trial Court Improvement Fund**

(Revised 8/02)

1. Government Code Section 77209 established the Trial Court Improvement Fund to fund improvements in the statewide trial court system. The Judicial Council allocates portions of this fund to special projects that benefit the statewide trial court system, or to approved projects in individual trial courts.
2. The Trial Court Improvement Fund is continuously appropriated. Three sources of state revenue support the Trial Court Improvement Fund:
  - a. Transfer of a mandated one percent of the annual state budget appropriation for trial court operations from the Trial Court Trust Fund.
  - b. Deposit of the first two percent of fines, forfeitures and penalties collected by the court in criminal cases (referred to as 2 Percent Automation Fund revenues).
  - c. "Excess revenues", which are equal to one-half of any fee, fine and forfeiture collections above the level collected in fiscal year 1994–1995 (known as 50-50 split, counties retain the balance).
3. The one percent transfer from the Trial Court Trust Fund is allocated to projects that improve the provision of justice in the courts:
  - a. Half of this amount is held until March 15<sup>th</sup> of each fiscal year as a protection against urgent needs and fiscal emergencies.

(Revised 9/10)

- b. One-quarter of this amount may be allocated for trial courts that meet any additional criteria established by the council.
- c. One-quarter of this amount may be allocated for statewide projects or programs for the benefit of the trial courts.

### **6.1.3 Judicial Administration Efficiency and Modernization Fund**

1. GC 77213 establishes the Judicial Administration Efficiency and Modernization Fund “to promote improved access, efficiency and effectiveness in trial courts that have unified to the fullest extent permitted by law.” The administration of the fund is delegated by the council to the AOC as allowed by Government Code Section 77213(b). The fund may be used for, but is not limited to, the following:
  - a. The costs of in-state education programs for judicial officers or court staff, or the support of local trial court education programs.
  - b. Improved technology including information systems programming or equipment that meets Judicial Council standards.
  - c. Pilot projects to improve trial court operations, programs, or administration.
2. The following limits are placed on the ways in which the Judicial Administration Efficiency and Modernization Fund may be used:
  - a. No more than 20 percent of the fund may be permanently allocated to projects that support educational programs for judicial officials and trial court staff.
  - b. No more than 40 percent may be permanently reallocated to the trial courts for any other purpose approved by the Judicial Council.
  - c. At least 40 percent of the funds must be retained to support annual allocations to improvement programs and projects for

Trial Court Financial Policies and Procedures	<b>Budget Development</b>	Policy No. <b>FIN 4.01</b> Page: 7 of 13
---	---------------------------	---

qualifying trial courts. This ensures that funds are available for new pilot projects or programs.

3. The Judicial Administration Efficiency and Modernization Fund is supported by annual appropriations from the State General Fund.

## **6.2 State Budget Cycle and Timelines**

(Revised 7/06)

There are two major phases of the state budget cycle – **development** and **implementation**. The development phase includes evaluation of current year activities and performance and planning for future year fiscal requirements. The implementation phase includes establishing budgetary controls through appropriation, allocation and budget execution, or in accounting terms, the recording and management of revenues, expenditures and encumbrances.

### **6.2.1 Budget Development Process**

1. The Judicial Council is ultimately responsible for adopting a budget and allocating funding to the trial courts under GC 68502.5.

(Revised 9/10)

2. The trial court's right to provide input into the Judicial Council budget process is provided for in GC 77001 (d).
3. Pursuant to Government Code 77202 (c), the Administrative Director of the Courts has responsibility for establishing trial court budgeting procedures and the annual schedule of budget development and management.

### **6.2.2 Trial Court Budget Development Activities**

(Revised 8/02)

1. **Budget Evaluation.** Monitoring budget performance is critical to evaluating the court's success in meeting current year objectives and is also the first step in planning the budget for next year's operations. The trial court should track revenues and expenditures against its budget to assure that expenditures do not exceed available funding. The court's monthly internal reports and Quarterly Financial Statements are useful budget evaluation tools.

(Revised 9/10)

2. **Budget Planning.** California Rule of Court 10.603(c)(9) requires that trial courts prepare a strategic plan. The strategic plan must address effective operation, management of increased service demands, and improved service delivery. The trial court's budget is a formal statement of how the court will manage its resources to meet objectives in the coming year.
3. The trial court will responsibly evaluate and prioritize the resources it needs to address increases in workload, changes in services mandated by statute, improved administration and operation, and enhanced services to meet the goals of its strategic plan.

(Revised 8/02)

4. It is essential to the success of the trial court that judges and non-judicial staff give budget development a high priority to prepare an accurate and all-inclusive budget for the court.

### **6.3 Budget Program Structure**

(Revised 7/06)

The trial court Budget Program Structure is broken into four levels- Program, Element, Component, and Task (PECT). Each successive level provides additional detail that is used to develop, organize, and manage the trial court budget as follows:

(Revised 9/10)

1. **Program** elements of Trial Court Operations – Program 10 and Court Administration – Program 90.
2. **Element:** This is the second level of budget detail, which breaks down the two programs into the major court operations and administration elements.
3. **Component:** The Component level is the third level of budget detail. It further segregates trial court operations expenditures into categories for different types of court cases and other support services.
4. **Task:** The task level is the most detailed budget category. It is used to segregate expenditures within the Criminal and Family and Children components .

#### **6.4 Budget Development**

(Revised 9/10)

1. Responsibility for developing the budget lies with the trial court. The AOC Finance Division issues an annual Budget Development Package that specifies the procedures and schedules for developing the baseline budget. The trial court must complete the following schedules to establish its baseline budget:
  - a. **Schedule 7A – Salary and Position Worksheet.** The budget process starts with an estimate of the cost of personal services (salaries and wages), which is the largest component of the trial court budget. Schedule 7A is a listing of all authorized positions, their salaries, and the associated benefit costs for each position.
  - b. **Schedule 1 –Budget.** The complete operating budget for the trial court based on existing resources makes up the budget presented in Schedule 1. The budget provides a comprehensive financial

- plan for the trial court. It also establishes the financial condition of the court through the fund condition statement. The Schedule 1 identifies all resources available to the trial court including: fund balances, funding from Judicial Council allocations, grant funding and other local revenue. It also identifies all trial court costs including the personal services amounts from Schedule 7A; operating expense and equipment; and special items of expense. Schedule 1 is prepared at the summary object of expenditure level according to the program budget structure used in the state trial court budget process (see Section 6.3, Budget Program Structure).
2. The Schedule 1 also incorporates the following table and schedules to assist the trial court:
    - a. Allocation Table.
    - b. Schedule of Major Equipment.
    - c. Schedule of General Consultant and Professional Services.

## **6.5 Budget Implementation**

(Revised 7/05)

Budget implementation is a two-step process of establishing control over available resources and then executing operations consistent with the adopted budget plan.

1. The trial court is responsible for managing its budget within available resources and in compliance with prescribed rules and regulations. Ultimately this responsibility resides with the Presiding Judge, who has authority over the general operation of the trial court. The Presiding Judge may delegate the responsibility for budget matters according to the California Rules of Court.
2. It should be noted that in certain circumstances a “person who incurs any expenditure in excess of the allotments or other provisions of the

fiscal year budget is liable both personally and on his official bond for the amount of the excess expenditures.”<sup>5</sup>

### **6.5.1 Establishing Budgetary Control**

(Revised 9/10)

1. Budget controls are mechanisms to ensure that the trial court’s resources are expended in a manner consistent with the court’s priorities. The court’s budget is the key internal control for effective operations. As the court prepares its Salary and Position Worksheet (Schedule 7A) and allocates its known resources between programs, elements, components, tasks (PECT), and objects of expenditure (Schedule 1), a starting point is created by which the court can measure itself to evaluate its performance.
2. System-wide budget revision and transfer policies are specified in Policy No. FIN 4.02 Budget Monitoring and Reporting.
3. The trial court is responsible for developing internal policies regarding the internal allocation and transfer of moneys between programs, elements, components, tasks and objects of expenditure. At minimum, the following shall apply:
  - a. Money allocated to the trial court by the Judicial Council shall be used for “court operations” as defined in GC 77003.
  - b. Money allocated to the trial court by the Judicial Council from the State Trial Court Trust Fund, as defined by California Rules of Court, Rule 10.810, is limited to Rule 10.810 allowable expenses. Under no circumstances will these funds be transferred for purposes that are not Rule 10.810 allowable.

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<sup>5</sup> GC 13324

Trial Court Financial Policies and Procedures	<b>Budget Development</b>	Policy No. <b>FIN 4.01</b> Page: 12 of 13
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- c. Under no circumstance will grant funds received by the trial court from the Judicial Council or any other governmental body be expended for any purpose other than that specifically provided by the grantor.
- d. Under no circumstance shall the court incur obligations greater than the expenditure limits imposed by the available resources.

### **6.5.2 Budget Execution**

Once plans, resources and controls are in place the trial court executes its operating plan, thereby incurring operating expenses and receiving revenues. As part of this process, encumbrances are established to account for contracts and purchase orders. Payments are made and received consistent with the policies set forth in this manual. Expenditure limits based on Judicial Council and internal allocations and policies on the movement of funds guide how the court may accommodate necessary modifications to its budget plan.

Trial Court Financial Policies and Procedures	<b>Budget Development</b>	Policy No. <b>FIN 4.01</b> Page: 13 of 13
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7.0 Associated Documents  
(Revised 9/10)

None