



## Judicial Council of California · Administrative Office of the Courts

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# REPORT TO THE JUDICIAL COUNCIL

For business meeting on: August 31, 2012

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Title	Agenda Item Type
<b>Trial Court Trust Fund Allocations: Statewide Programs</b>	<b>Action Required</b>
Rules, Forms, Standards, or Statutes Affected	Effective Date
None.	<b>August 31, 2012</b>
Recommended by	Date of Report
<b>Trial Court Budget Working Group</b>	<b>August 24, 2012</b>
Hon. David Rosenberg, Presiding Judge, Superior Court of Yolo County, and Co- Chair, Trial Court Budget Working Group	Contact
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## Executive Summary

The Trial Court Budget Working Group recommends a total of \$158.02 million in allocations from the Trial Court Trust Fund for various programs that provide technology and administrative support for trial courts, support access to justice, and reimburse courts for miscellaneous court operation costs. The working group also recommends rescinding the minimum operating and emergency fund balance requirement in the council's trial court fund balance policy.

## Recommendations

The Trial Court Budget Working Group (TCBWG) recommends the following:

1. Defer the allocation of \$6.769 million from the Trial Court Trust Fund Program 30 appropriation for the direct costs charged to trial courts related to the financial component of the Phoenix Financial and Human Resources Services program until the council's October 2012 meeting,
2. Allocate \$26.777 million from the Trial Court Trust Fund Program 30 and 30.15 appropriations for programs that provide technology and administrative support for trial courts and support access to justice,
3. Allocate \$123.843 million from the Trial Court Trust Fund Program 45.10 appropriation for programs that reimburse courts for miscellaneous court operations costs,
4. Allocate \$7.4 million for printer and personal computer replacement as a base allocation from the Trial Court Trust Fund Program 45.10 appropriation with each court's share remaining at the 2011–2012 level, and allow courts to use the allocation for purposes other than the replacement of printers and personal computers, and
5. Rescind the requirement for trial court to maintain a minimum operating and emergency fund balance, which would apply to courts' 2011–2012 ending fund balance.

Attachment A provides a summary of the recommended allocations, totaling \$158.02 million. Attachment B provides the estimated 2012–2013 fund condition statement for the TCTF, based on the allocations recommended by the TCBWG. The estimated ending fund balance for 2012–2013 would be \$98.3 million (see row 11).

### **Recommendation 1: Defer the allocation of \$6.769 million from the Trial Court Trust Fund Program 30 appropriation for the direct costs charged to trial courts related to the financial component of the Phoenix Financial and Human Resources Services program until the council's October 2012 meeting.**

1. Defer the allocation of \$6.769 million from the Trial Court Trust Fund Program 30 appropriation for the direct costs charged to trial courts related to the financial component of the Phoenix Financial and Human Resources Services program until the council's October 2012 meeting.

#### **Rationale for recommendation 1**

The TCBWG is recommending that the allocation of \$6.769 million from the Trial Court Trust Fund (TCTF) Program 30 appropriation for the direct costs charged to trial courts related to the financial component of the Phoenix Financial and Human Resources Services program be deferred until the council's October 2012 meeting so that the TCBWG can assess the feasibility

of funding some or all of the costs from the State Trial Court Improvement and Modernization Fund (IMF) starting as early as 2012–2013.

**Recommendation 2: Allocate \$26.777 million from the Trial Court Trust Fund Program 30 and 30.15 appropriations for programs that provide technology and administrative support for trial courts and support access to justice.**

2. Allocate \$26.777 million from the Trial Court Trust Fund Program 30 and 30.15 appropriations for programs that provide technology and administrative support for trial courts and support access to justice.

**Rationale for recommendation 2**

***Appropriation for Program 30 and 30.15.*** The Budget Act of 2012 has provided either the necessary appropriation (or expenditure authority) or the authority to augment the initial Budget Act appropriation level to permit the expenditures at the recommended allocation levels. Attachment C, rows 2 and 3, displays the Budget Act appropriations and estimated adjustments. While the Program 30 appropriation, used for certain Administrative Office of the Courts (AOC) staff costs in support of trial courts, has been available in previous years, the Program 30.15 appropriation is new. The programs that will be paid for using the Program 30.15 appropriation were previously paid for using the Program 45.10 (Support for Operation of the Trial Courts) appropriation. The Program 30.15 appropriation was created in part to more clearly distinguish between expenditures related to statewide programs and projects from those for trial court operations.

Of the \$26.777 million allocation, \$5.7 million will be reimbursed by courts from their TCTF Program 45.10 allocation (see Attachment D). \$1.4 million is related to Program 30 and \$4.3 million to Program 30.15.

***New Statutory Restriction on the Use of the TCTF.*** SB 1021 amended Government Code (GC) section 68085 to include subdivision (o), which prohibits the Judicial Council from expending TCTF monies on the Court Case Management System without the consent of the Legislature, excluding the operations and maintenance of the V2 and V3 case management systems.

***Recommended Allocations.*** The recommended allocations from the TCTF Program 30 and 30.15 appropriations are for the following nine existing programs approved by the council that provide technology and administrative support for trial courts and support access to justice.

***1. Phoenix Financial and Human Resources Services***

*Program 30 allocation - \$1,424,000, for costs associated with Phoenix human resource services (reimbursed from courts' TCTF Program 45.10 allocation)*

*Program 30.15 allocation - \$10,000 (one-time augmentation)*

The TCBWG is recommending that the Program 30 allocation be maintained at the 2011–2012 level of \$1,424,000, which is the estimated statewide cost that will be charged to courts for human resources services provided by AOC Phoenix staff using the methodology approved by the council for statewide administrative infrastructure program costs. The recommended allocation of \$10,000 from Program 30.15 would be used to complete the Comprehensive Payment Solution (CPS) project. The council allocated \$50,000 for this project in 2011–2012, but the program was unable to spend or encumber any of it due to delays related to processing the contract with the vendor.

The TCTF allocation, including the estimated reimbursement from courts for fiscal services, represents less than half of the program’s estimated total 2012–2013 total budget of \$20,031,521, when all fund sources are considered (see Table 1 below).

**Table 1: Phoenix Financial and Human Resources Services Estimated Budget by Fund**

<b>General Fund</b>	<b>Trial Court Trust Fund</b>	<b>State Trial Court Improvement and Modernization Fund</b>
\$5,079,925	\$8,193,019	\$6,758,577
70% Staffing 30% Contracts	100% Staffing	32% Staffing 68% Contracts

The TCTF reimbursements from courts pay for direct processing services delivered to the courts, while the staffing costs funded from the General Fund and State Trial Court Improvement and Modernization Fund (IMF) are for the maintenance and support of the system. The program’s non-staff budget will be primarily used to fund required licensing, hardware, maintenance and operations, technology center support costs, and end-user training in direct support of the trial courts.

The Phoenix Program provides daily centralized administrative services to the trial courts including accounting and financial services, trust accounting services, purchasing services, a centralized treasury system, human capital management services, and core business analysis, training and support. Program staff design, test, deploy, maintain, and manage the Phoenix Financial and Human Resource System (Phoenix System), which enables the courts to produce a standardized set of monthly, quarterly, and annual financial statements that comply with existing statutes, rules, and regulations. The objectives of the program are to:

- Standardize accounting and business functions
- Ensure uniformity of financial record keeping and maintenance
- Provide consistency of data and quality of management information

- Provide judicial partners with timely and comprehensive financial information on a regular and timely basis
- Maximize investment opportunities and timely use and disbursement of cash
- Provide comprehensive payroll services and solutions to trial courts

The financial component of the Phoenix System has been implemented in all 58 courts and allows for uniform process, accounting, and reporting. The human capital management component of the Phoenix System has been implemented in seven courts to date, providing human resources management and payroll services. The branch benefits from an integrated, state-administered program promoting statewide consistency in court administrative practices.

The CPS product will convert certain trial court accounts payable vendor payments from paper check payments to electronic payments. Bank of America's CPS product uses the VISA credit/debit card settlement process without the issuance of a plastic credit card. Bank of America will share a portion of the fees paid by vendors accepting payment via the CPS product in the form of a quarterly "rebate" based on the total amount of vendor payments made through the product during the quarter. There are no transaction fees paid by the trial courts for making payments using the product. The rebate, based on an estimate of enrollment of certain trial court vendors into the program, is estimated at \$700,000 annually. Any rebate paid by Bank of America will be returned to the trial courts according to the amount paid by court through the product. In general, trial court vendors currently accepting VISA or Master Card payments from other customers, or trial court vendors currently enrolled in Bank of America's CPS payment network will be prime candidates for the program. Recently, the Administrative Services Division presented the proposal to the Court Executives Advisory Committee, and it was received with interest. The pilot program was launched with several trial courts at the end of 2011–2012. It is estimated that the full implementation of this effort will require an additional 12 to 18 months.

**2. *Civil, Small Claims, Probate and Mental Health (V3) Case Management System***

*Program 30 allocation - \$1,422,000*

*Program 30.15 allocation - \$5,965,000*

*Program 30.15 allocation - \$805,000 (reimbursed from courts' TCTF Program 45.10 allocation)*

The TCBWG is recommending that the 2012–2013 allocation of \$11.968 million approved by the council at its March 27, 2012 meeting be reduced by \$3.776 million to a total of \$8.192 million as a result of the implementation of savings and technology efficiency initiatives, including infrastructure cost reductions, contractor staff reductions, and deferral or elimination of low-priority projects including a planned hardware refresh. The Program 30.15 allocation of \$805,000 is the estimated charge to courts using the methodology approved by the council for statewide administrative infrastructure program costs.

The recommended allocation of \$8,192,000 for 2012–2013 will support the following costs:

- Hardware and software maintenance
- Infrastructure support and hosting services for all environments: development, test, training, staging and production
- Software product support including ongoing technical support to the California Courts Technology Center and locally hosted courts
- User support
- Product releases including court enhancement requests, judicial branch requirements, and bi-annual legislative changes
- Future product enhancements as directed by the council’s internal Technology Committee

The civil, small claims, probate and mental health interim case management system (V3) is deployed in six superior courts (Los Angeles, Orange, Sacramento, San Diego, San Joaquin, and Ventura). Five of the six courts rely on this production application for daily case management processing, with a total of 2,705 users statewide. Los Angeles Superior Court previously used V3 for processing a limited number of small claims, but as of June 2012 the court no longer processes small claims using V3, using it only for inquiries. All V3 courts are now using the latest version of the V3 application.

V3 processes 25 percent of all civil cases statewide, and the system’s functionality enables the courts to process and administer their civil caseloads, automating activities in case initiation and maintenance, courtroom proceedings, calendaring, work queue, payment and financial processing. This model allows for a single deployment and common version of the software, avoiding the cost of three separate installations. E-filing has been successfully deployed at the Orange Superior Court, saving time and resources. Sacramento Superior Court has also deployed e-filing for their Employment Development Department cases. San Diego Superior Court is targeting deployment of e-filing in 2012–13. Sacramento and Ventura Superior Courts integrate V3 with public kiosks. E-filing and public kiosks are recognized as providing public and justice partners with increased ease of use and efficiencies.

### **3. *Criminal and Traffic (V2) Case Management System***

*Program 30 allocation - \$552,000*

*Program 30.15 allocation - \$2,506,000*

*Program 30.15 allocation - \$510,000 (reimbursed from courts’ TCTF Program 45.10 allocation)*

The TCBWG is recommending that the 2012–2013 allocation of \$4.139 million approved by the council at its March 27, 2012 meeting be reduced by \$571,117 to a total of \$3.568 million as a result of the implementation of savings and technology efficiency initiatives, including infrastructure cost reductions through decommissioning underutilized environment and

contractor staff reductions through reallocating assignments and focusing on core support issues. The Program 30.15 allocation of \$510,000 is the estimated charge to courts using the methodology approved by the council for statewide administrative infrastructure program costs.

The recommended allocation of \$3,568,000 for 2012–2013 will support the following costs:

- Hardware and software maintenance
- Infrastructure support and hosting services at the California Courts Technology Center
- Help desk support for end users
- Day to day operational application support and service requests
- Ongoing product releases to address court requests and judicial branch requirements, including bi-annual legislative changes

The criminal and traffic case management system (V2) currently operates in Fresno Superior Court, and supports 650 court users and 2,800 justice partner users. The court, needing to replace its failing COFACS criminal and traffic case management system, led as the V2 pilot court, resulting in the deployment of V2 in 2006. When the AOC embarked on the development of a single comprehensive case management system, the decision was made to limit deployment of V2 to the Fresno Superior Court. In 2008, the AOC developed a business case which demonstrated the opportunity for cost savings, by moving V2 maintenance and support from a vendor to AOC's Information Services Division. Maintenance and support was successfully transitioned to the AOC in September 2009. The project broke even in June 2010 and the projected cost avoidance is \$10.7 million through 2013–2014.

V2 enables the Fresno Superior Court to process and administer its criminal and traffic caseload, automating activities in case initiation and maintenance, courtroom proceedings, calendaring, payment, and financial processing. The daily fund distribution report generated by V2 calculates distributions for monies collected from fees and fines, an operation that was previously done manually. Fresno Superior Court has caught up on a backlog of case data entry, while reducing traffic counter queues from 30 or 40 customers to three or four. With the courtroom functionality, a defendant is able to walk out of a hearing and immediately receive a transcript of the hearing, including any actions or instructions delivered at the hearing. Justice Partners such as the District Attorney's office have inquiry access from their offices to authorized case information. Automated interfaces to justice partner systems include: 1) Department of Motor Vehicles for updates and inquiries on traffic violations; 2) Web Pay for online payment of bail, fines, and fees; and 3) the Fresno County Sheriff's Office for warrants issued or revoked. Collection of information for the Judicial Branch Statistical Information System is automated. The public is able to view authorized case information on V2 at kiosks. For example, a case participant is able to view the location and time of their hearing using a kiosk.

#### **4. California Courts Technology Center**

*Program 30.15 allocation - \$1,689,000 (reimbursed from courts' TCTF Program 45.10 allocation)*

The TCBWG is recommending that the council approve a Program 30.15 allocation of \$1,689,000, which is the estimated charge to courts based on an annual review of the help desk users with all courts and a more in-depth review with hosted courts using the methodology approved by the council for statewide administrative infrastructure program costs and at a rate that was agreed upon with the courts at the time of implementation.

Trial court-related costs are funded from both the TCTF and IMF. The recommended TCTF allocation of \$1,689,000 for 2012–2013 will support the following:

- Data center network
- Help desk
- Desktop and local servers
- Remote site backup
- Hosted email service

The CCTC supports branchwide activities, which includes providing comprehensive disaster recovery program for the Phoenix Financial and Human Resources System, California Courts Protective Order Registry, V2 and V3 case management systems, Interim Case Management Systems, and the Computer-Aided Facilities Management System, as well as a complete suite of IT services to five hosted trial courts (Madera, Modoc, San Benito, Lake, and Plumas).

The CCTC has provided consistent, cost effective, and secure hosting services, including ongoing maintenance and operational support, data network management, desktop computing and local server support, tape back-up and recovery, help desk services, email services, and a dedicated service delivery manager. Enterprise-wide hardware and software license agreements have resulted in bulk volume discounts. Centralized changes (e.g., hardware and software patches) are easier and more efficient to install, and centralized help desk support provides the courts a single point of contact and minimizes the impact of major incidents.

#### **5. Interim Case Management System**

*Program 30.15 allocation - \$1,276,000 (reimbursed from courts' TCTF Program 45.10 allocation)*

The TCBWG is recommending that the council approve a Program 30.15 allocation of \$1,276,000, which is the estimated charge to courts using the methodology approved by the council for statewide administrative infrastructure program costs.

Trial court-related costs are funded from the TCTF as well as the General Fund and IMF. The recommended TCTF allocation for 2012–2013 will support the following costs:

- Production support
- Application upgrades
- Database upgrade
- Legislative updates (e.g., SB 1021 Civil Fees and SB 1006 DNA Penalty Assessment)
- Application enhancements (e.g., FTB COD)
- Disaster recovery Exercises
- Hardware refresh
- Infrastructure support and hosting services
- Support for testing and training

The IMF funds approximately 50 percent of the CCTC hosting cost for those trial courts who have the Sustain Justice Edition case management system (SJE) hosted at the CCTC, and staff is proposing a reduction of \$1.3 million from the 2011–2012 IMF allocation as a result of the reduction of three consultants, technical efficiencies from changing to a lower cost storage device, and elimination of unnecessary data storage. The Interim Case Management System (ICMS) Unit, funded by the General Fund, provides program support to the 15 trial courts running the SJE, including maintenance and operations activities such as implementation of legislative updates, application upgrades, production support, disaster recovery services, CCTC infrastructure upgrades, and patch management. Locally hosted SJE courts use ICMS program resources, as needed, for legislative updates and SJE support.

#### **6. *Court-Appointed Counsel Dependency Training***

*Program 30.15 allocation - \$113,000*

The TCBWG is recommending that the Program 30.15 allocation be maintained at the 2011–2012 level of \$113,000, which will be used in 2012–2013, through a competitive process, to engage a contractor to provide training and technical assistance in trial skills to the providers of court-appointed dependency counsel throughout the state. The contractor will be required to hold workshops across the state to train 100 mentor attorneys for every court or region, and give technical assistance to court-appointed counsel providers to develop a program that will match the mentor attorneys to attorneys in need of consultation, case review, and training.

SB 2160 (Stats. 2000, ch. 450) amended Section 317 of the Welfare and Institutions Code to require (1) the appointment of counsel for children in almost all dependency cases; (2) caseloads and training for appointed counsel that ensure adequate representation; and (3) Judicial Council promulgation of rules establishing caseload standards, training requirements, and guidelines for appointment of counsel for children.

The program will directly impact 100 mentor attorneys, 100 managers of court-appointed counsel providers, and the approximately 2,000 court-appointed dependency counsel in California who will work with the mentor attorneys. All court-appointed counsel are required to receive education in basic dependency law. Attorneys educated in advanced trial skills lower

costs to the judicial branch in court-appointed counsel by lowering the state's dependency caseload through, among other aspects of good practice, better adherence to hearing and reunification timelines. The mentorship model used in this program is significantly less costly than providing training to all attorneys in the state. In addition, the curriculum and content of the education sessions will be available online on CALdog, a website open to courts and child welfare professionals.

Contractor training and technical support funded through this allocation saves training expenses for individual courts. Attorneys educated in advanced trial skills lower court costs by improving hearing efficiency, reducing continuances, and lowering the court's dependency caseload by adhering to hearing timelines. Attorneys educated in establishing an adequate record, identifying issues for appeal, and knowing the appropriate timelines for writs and appeals save the appellate courts considerable time by providing adequate filings. Dependency counsel trained in trial skills result in more timely hearings, more cases meeting federal timeliness standards, a demonstrated improvement in lowered foster care caseloads, improved reunifications and placements with relatives, and a lower proportion of children reentering foster care.

#### **7. *Sargent Shriver Civil Representation Pilot Project***

*Program 30 allocation - \$500,000*

*Program 30.15 allocation - \$9,500,000*

The TCBWG is recommending that the Program 30.15 allocation be maintained at the 2011–2012 level of \$10 million, which is the estimated annual fee revenue that is required by Government Code section 68651 to be used for this pilot project. The Budget Act of 2012 authorizes the Administrative Director of the Courts to utilize up to \$500,000 of the revenue for administrative services provided by the AOC to implement and administer the pilot project.

The pilot project is required by GC section 68651 (AB 590-Feuer). The funding supports seven pilot programs, which are each a partnership of a legal services nonprofit corporation, the court, and other legal services providers in the community. Applications for seven pilots were selected through a competitive RFP process and approved by the Judicial Council. Pilot programs are located in Kern, Los Angeles, Sacramento, San Diego, San Francisco, Santa Barbara, and Yolo counties. The programs provide legal representation to low-income Californians (at or below 200 percent of the federal poverty level) in housing, child custody, probate conservatorship, and guardianship matters. Since not all eligible low-income parties with meritorious cases can be provided with legal representation, the court partners receive funds to implement improved court procedures, personnel training, case management and administration methods, and best practices.

The pilots focus on providing representation in cases where one side is generally represented and the other is not. These are typically the most difficult cases for both the litigants and the courts. The intent is not only to improve access to the courts and the quality of justice obtained by those low-income individuals who would otherwise not have counsel, but also to allow court calendars

that currently include many self-represented litigants to be handled more effectively and efficiently. The legislature found that the absence of representation not only disadvantages parties, but has a negative effect on the functioning of the judicial system. When parties lack legal counsel, courts must cope with the need to provide guidance and assistance to ensure that the matter is properly administered and the parties receive a fair trial or hearing. Such efforts, however, deplete scarce court resources and negatively affect the courts' ability to function as intended, including causing erroneous and incomplete pleadings, inaccurate information, unproductive court appearances, improper defaults, unnecessary continuances, delays in proceedings for all court users and other problems that can ultimately subvert the administration of justice.

Project funds come from a restricted \$10 supplemental filing fee on certain postjudgment motions authorized by Government Code section 70626(a) and (b). \$9.5 million will be allocated to legal services agencies and their court partners. Up to \$500,000 is allowed by the Budget Act for administration of the program. Of that, \$290,000 has been encumbered with an independent evaluation firm to work on the legislatively mandated evaluation. The remainder of the funding is being used to pay portions of salaries of staff who work on administration and evaluation of the project, and a small budget is for travel expenses for administrative site visits. The scope of the legislatively mandated evaluation is quite broad and while much work has been contracted out, it will be more cost-effective to do some of the work in-house. Government Code section 68651 requires the Judicial Council to conduct a study to demonstrate the effectiveness and continued need for the pilot program and report its findings and recommendations to the Governor and the Legislature on or before January 31, 2016. The Shriver Civil Counsel Act Implementation Committee was appointed by the Judicial Council to review applications and make recommendations about funding. Chaired by Justice Earl Johnson, Jr. (Ret.), the committee includes representatives from the judiciary, legal services providers, the Chamber of Commerce, State Bar, and others.

#### **8. *Equal Access Grant Administration***

*Program 30 allocation - \$295,000*

The TCBWG is recommending that the Program 30.10 allocation be set at \$295,000, which is the amount from the TCTF Program 45.55.090 (Equal Access Fund) appropriation the Budget Act of 2012 authorizes the Administrative Director of the Courts to transfer to Program 30.10 and utilize for grant administration services provided by the AOC.

There is both a General Fund and TCTF appropriation for the equal access grant program, which help fund civil legal assistance for low-income persons. Budget Acts have required the Judicial Council to distribute the "Equal Access Fund" monies to legal services providers through the State Bar Legal Services Trust Fund Commission. Ninety percent of the funds support civil legal assistance for low-income persons. The Business and Professions Code sets forth the criteria for

distribution of those funds. Ten percent of the funds support partnership grants to eligible legal services agencies providing self-help assistance at local courts. Organizations must complete specific applications for these funds and have the approval of their courts. Budget Acts have allocated up to 5 percent for administrative costs. Two-thirds of the administrative costs go to the State Bar and one-third to the AOC. Administrative funds cover the costs of staffing to distribute and administer the grants, make site visits to each of the 101 legal services recipients every three years, provide technical assistance and training support for the legal services agencies and courts, as well as the costs of commission expenses, accounting, and programmatic review.

The funds support 101 organizations providing services in all 58 counties. Partnership grants directly assist the courts by providing funding for 33 self-help centers in 28 different counties. Programs provide assistance to litigants in cases involving domestic violence, guardianships, family law, landlords and tenants, expungement of criminal records, and general civil assistance. The nation's first appellate self-help center has also been created through this program. Parties who receive legal services – either fully or partly represented or helped in self-help centers – generally save the court valuable time and resources by helping litigants have better prepared pleadings, more organized evidence, and more effective presentation of their cases. Legal services programs also save significant time for courts by helping litigants understand their cases and helping them to settle whenever possible. Often a consultation with a lawyer is helpful for potential litigants to understand when they do not have a viable court case.

**9. *Court-Appointed Dependency Counsel Collections Program Administration***  
*Program 30 allocation - \$210,000*

The TCBWG is recommending that the Program 30 allocation be set at \$210,000, which is the estimated cost of providing administrative services for the court-appointed dependency counsel collections program in 2012–2013. The Budget Act of 2012 authorizes the Administrative Director of the Courts to transfer to Program 30 up to \$556,000 for administrative services provided by the AOC in support of the program.

The allocation of \$210,000 will be used to assist courts in collecting court-appointed dependency counsel reimbursements from parents and to allocate these funds to courts. The program implements AB 131 (Stats. 2009, ch. 413), which requires the Judicial Council to establish a program to collect reimbursements from the person liable for the cost of appointed counsel in juvenile dependency proceedings. In accordance with the guidelines specified in AB 131, funding will support courts in implementing the collections guidelines drafted by the Dependency Counsel Reimbursement Working Group of the TCBWG. The allocation will support technical assistance for implementation, staff support to the working group as it completes guidelines for allocating the funds collected to courts, and work with the AOC Finance Division to implement the fund allocation process. In 2011–2012, \$138,629 was spent on administrative services in support of this program.

Estimates of the reimbursement money that will be collected -- net of court costs -- range from \$0.5 million to \$2.5 million. All of this funding will be distributed directly to the courts except for administrative costs. There will be a process for courts to opt out of the program if funds collected do not exceed costs incurred. Unless courts opt out, they will participate in the collections program.

Developing guidelines that comply with the legislation and also meet the needs of the trial courts has been a complex process. Issues that must be addressed include making provisions for those courts that will not be able to collect enough revenue to outweigh the expenses of collections, developing a standard to reimburse courts for the expense of collections, developing a clear process for courts to opt-out of the program and developing guidelines to allocate the funds to courts. The working group intends to present draft guidelines to the TCBWG in this calendar year, and to have a collection and allocation process in place by the end of the fiscal year.

The purpose of the project is to increase funding available to reimburse trial courts for the statutorily required expense of providing counsel to most children and parents in juvenile dependency proceedings and to reduce caseloads for counsel appointed to represent parents and children in dependency proceedings in accordance with the caseload standard approved by the Judicial Council in 2007. Those courts with underfunded court-appointed counsel allocations will benefit through an increase in funding. In addition, all courts will benefit from a program that implements the statute in a way that no court is forced to incur unpaid costs.

Lower caseloads for court-appointed dependency counsel result in more timely hearings, more cases meeting federal timeliness standards, a demonstrated improvement in lowered foster care caseloads, improved reunifications and placements with relatives, shorter stays in foster care, and a lower proportion of children reentering foster care.

### **Alternatives Considered**

None.

### **Recommendation 3: Allocate \$123.777 million from the Trial Court Trust Fund Program 45.10 appropriation for programs that reimburse courts for miscellaneous court operations costs**

3. Allocate \$123.777 million from the Trial Court Trust Fund Program 45.10 appropriation for programs that reimburse courts for miscellaneous court operations costs.

### **Rationale for recommendation 3**

***Appropriation for Program 45.10.*** Based on previous council action and statutory requirements and assuming the passage of AB 1477, which will reduce the TCTF Program 45.10 appropriation by \$29.314 million to correct for an error made by the Department of Finance (see Attachment

C, row 4), the TCTF Program 45.10 appropriation is estimated to end 2012–2013 with \$13.1 million in unused expenditure authority (see Attachment E, row 51), assuming all allocations are fully spent. If the council were to approve the recommended Program 45.10 allocations, the estimated unused expenditure authority at the end of the year would increase to \$27.7 million (see Attachment E, row 51).

***Recommended Allocations.*** The recommended allocations from the TCTF Program 45.10 appropriation are for five existing programs approved by the council that reimburse courts for miscellaneous costs associated with trial court operations.

***1. Screening Equipment Replacement***

*Program 45.10 allocation - \$1,286,000 (one-time reduction of \$1 million)*

The TCBWG is recommending that the program’s \$2.286 million annual allocation be reduced one-time by \$1 million in 2012–2013 as expenditures for 2012–2013 are estimated at \$1.2 million based on a preliminary review of inventory sheets submitted by the courts in 2011–2012, although it does not include any provision for unforeseen costs such as catastrophic equipment failure.

The Screening Equipment Replacement Program is a reimbursement program with an annual budget of \$2.286 million, which is used to replace and maintain x-ray machines and magnetometers in the trial courts. The program began in 2006 and has replaced over 650 units since its inception. The equipment is replaced on an eight-year cycle and is the property of the court. Funds are allocated to courts for replacement based on the age and condition of the equipment and the status of service agreements.

The current Master Agreements include pricing for the equipment, installation, training and maintenance, as well as removal of the old x-ray units. The purchase price includes 5 years of service. These are the second set of agreements to be executed as a result of a competitive bid process since 2006. The previous Master Agreements included a one- or two-year equipment warranty followed by separate service agreements to bring the coverage period to a total of five years. Contract extensions with the original vendors were executed to allow for the purchase of service agreements on equipment that was purchased under the initial contract. As the warranties and service agreements on equipment purchased in the first years of the program expired, program funds were used to purchase service agreements to cover the remainder of the 8-year replacement cycle.

Without this program, the courts will be entirely responsible for the purchase and maintenance of the equipment. The cost of a single x-ray unit with a five-year service period is approximately \$36,000. The cost of a single magnetometer with a five-year service period is approximately \$5,600. Reimbursing the costs of screening equipment is particularly critical to the smaller courts, where equipment and service agreements can represent a huge unfunded expenditure relative to their overall budget. The cost of a single year’s equipment replacement and service agreement renewal costs in a large court can result in expenditures of several hundred thousand

dollars. For example, in 2010–2011, the Los Angeles Superior Court was reimbursed by the program for \$718,000 in equipment and service agreements, and \$694,000 in 2011–2012.

Service agreements are an equally important component. The master agreements include response timeframes, and details of how the service will be provided as well as consistent pricing. The service agreements are charged at a flat rate, which benefits the courts located further away from the service provider as there are no added costs for travel.

Code compliance requires an annual radiation survey to be performed on the x-ray equipment. The service agreements include an annual preventative maintenance and radiation survey in addition to service calls and replacement parts as needed. When performed on a time and materials basis these would be more costly as the travel expenses and charges for parts would be greater.

The program also offers a service to the court staff responsible for the equipment. The OERS staff member managing the program acts as a liaison to the courts and assists in resolving issues with the vendors and the AOC Customer Service Center. The Program Manager also acts as a subject matter expert on radiation and code compliance associated with the x-ray equipment.

If a court chooses to purchase equipment or service that is not covered by the Master Agreements, the court is required to go out to bid. That process represents a direct cost to the court in staff time and in the overall cost of the purchase, as well as inconsistency in response to service calls.

## **2. *Jury Reimbursement***

*Program 45.10 allocation - \$16,000,000 (permanent reduction of \$13.6 million)*

The TCBWG is recommending that the program's \$29.6 million annual allocation be reduced permanently by \$13.6 million to \$16 million, which should be sufficient to allow courts to be fully reimbursed for eligible juror costs, which in the past nine years have averaged \$15.9 million.

The purpose of the jury funding is to reimburse courts for 100 percent of their eligible jury expenditures, which includes the following types of jury costs in criminal cases and nonreimbursed civil cases:

- Jury per diem (\$15 per day after the first day, per Code of Civil Procedure section 215)
- Mileage (\$0.34 per mile one-way only, after the first day, per Code of Civil Procedure section 215)
- Meals and lodging for sequestered jurors
- Public transportation (criminal cases only, one-way only)

**3. Court-Appointed Dependency Counsel**  
*Program 45.10 allocation - \$103,725,000*

The TCBWG is recommending that the program's \$103.725 million annual allocation be maintained at the most recent base level for court-appointed counsel in juvenile dependency proceedings. The council allocated one-time augmentations of \$7.1 million in 2010–2011 and \$3.5 million in 2011–2012.

This allocation funds court-appointed dependency counsel, who represent approximately 120,000 parent and child clients in the state. Representation begins at the initial filing of a petition to remove a child from the home, and extends – sometimes for many years -- through the processes of reunification, termination of parental rights, adoption or emancipation of the child.

In juvenile dependency proceedings, the trial court is required to appoint counsel for a parent or guardian if the parent desires counsel but is financially unable to afford counsel and the agency has recommended that the child be placed in out-of-home care; and to appoint counsel for a child unless the court finds that the child would not benefit from the appointment of counsel (W&I 317, 5.660, etc.).

For the twenty courts in the Dependency Representation Administration, Funding, and Training (DRAFT) program, the AOC in partnership with local court leadership directly manages contracts with dependency attorney organizations, including solicitations, negotiation, financial management, invoicing and payment, statistical reporting, training and other technical assistance. The twenty DRAFT courts account for approximately 60 percent of juvenile dependency filings statewide. The remaining courts receive a base allocation for dependency counsel at the beginning of the year, manage their own dependency counsel contracts, and are reimbursed through the monthly TCTF distribution process for up to 100 percent of their budget. In the past year, courts not in the DRAFT program have begun to adopt aspects of the DRAFT model, particularly by negotiating deliverables-based rather than time-based contracts. Use of this model is allowing courts to lower costs spent on court-appointed counsel without reducing the level of service to the courts, parents, and children.

Training and performance standards for dependency attorneys are defined in California Rule of Court 5.660. Adequately funding effective counsel for parents and children has resulted in numerous benefits both for the courts and for children in foster care. Effective counsel can ensure that the complex requirements in juvenile law for case planning, notice and timeliness are adhered to, thereby reducing case delays and improving court case processing and the quality of information provided to the judge. Unnecessary delays also result in children spending long periods of time in foster care, a situation that has improved greatly in the past few years through the courts' focus on effective representation and adherence to statutory timelines.

#### **4. Self-Help Centers**

*Program 45.10 allocation - \$2,500,000*

The TCBWG is recommending that the program's \$2.5 million annual allocation be maintained at the \$2.5 million level for distribution to all 58 trial courts for self-help centers.

Funding for self-help centers comes from both the TCTF (\$6.2 million, of which \$3.7 million is in courts' base allocation) and the IMF (\$5 million). When combining the two fund sources, the minimum allocation for any court is \$34,000, with the remainder distributed according to population size in the county where the trial court is located.

Self-help centers, which provide assistance to self-represented litigants in a wide array of civil law matters to save the courts significant time and expense in the clerk's office and in the courtroom, serve over 450,000 persons per year. Self-help staffing reduces the number of questions and issues at the public counter increases substantially, therefore reducing line lengths and wait times. Similarly, self-help services improve the quality of documents filed, thereby reducing follow-up and clean-up work in the clerk's office. Evaluations show that court-based assistance to self-represented litigants is operationally effective and carries measurable short and long-term cost benefits to the court. One study found that self-help centers workshops save \$1.00 for every \$0.23 spent. When the court provides one-on-one individual assistance to self-represented litigants, savings of \$1.00 can be achieved from expenditures ranging from \$0.36 to \$0.55. If the self-help center also provides assistance to self-represented litigants to bring their cases to disposition at the first court appearance, the court saves \$1.00 for every \$0.45 spent.

Demand for self-help services is strong. Courts indicate that they are not able to keep up with increasing public demand for self-help services and need additional staff. In a 2007 survey, the courts identified a need of \$44 million in additional funds to fully support self-help.

The Statewide Action Plan for Serving Self-Represented Litigants, which was approved by the Judicial Council in 2004, calls for self-help centers in all counties. California Rule of Court 10.960 provides that self-help services are a core function of courts and should be budgeted for accordingly. The Budget Act provides that "up to \$5,000,000 [from the Trial Court Improvement Fund] shall be available for support of services for self-represented litigants." Based upon recommendations by the TCBWG, the Judicial Council has allocated an additional \$6,200,000 for self-help services from the Trial Court Trust Fund since 2007.

#### **5. Elder/Dependent Adult Abuse**

*Program 45.10 allocation - \$332,000*

The TCBWG is recommending that the program's \$332,000 allocation be retained at the 2011–2012 level and that courts be reimbursed quarterly. Although this allocation level will likely result in courts being reimbursed at about 70 percent of eligible reimbursements, given the reimbursement rate of \$185 per EA-100 petition/filing, the estimated actual average direct cost

for a court clerk to process a petition is about \$75 per filing, and thus the recommended allocation level will likely allow courts to be fully reimbursed for actual direct costs.

AB 59 (Stats. 1999, ch. 561) authorized elders and dependent adults to seek protective orders. As specified by this bill, the council approved form EA-100 – Petition for Protective Orders (Elder or Dependent Adult Abuse) – effective April 2000. At its April 27, 2001, meeting, the council approved the allocation of these funds to the courts by the end of that fiscal year. The reimbursement rate for each filing was set at \$185. It appears the rate was set at the level of the lowest first paper filing fee in limited civil cases, and was not intended to cover the actual cost to a court of processing an order. Since 2001–2002, courts that seek reimbursement are required to report quarterly to the AOC the number of EA-100 forms filed.

**Table 2 -- Elder/Dependent Adult Abuse Allocation Savings and Shortfalls, 2001–2002 to 2011–2012**

<b>Fiscal Year</b>	<b>EA-100 Filings Reported by Courts</b>	<b>Eligible Reimbursement Amount Based on Filings (\$185 per filing)</b>	<b>Available Funding</b>	<b>Reverted Savings*/ (Funding Shortfalls)</b>
2001–2002	1,073	\$ 198,505	\$ 1,175,000	\$ 976,495
2002–2003	1,110	205,350	1,175,000	969,650
2003–2004	1,198	221,630	1,175,000	953,370
2004–2005	1,515	280,275	1,175,000	894,725
2005–2006	1,704	315,240	300,000	(15,240)
2006–2007	1,813	335,405	350,000	14,595
2007–2008	1,761	325,785	368,340	42,555
2008–2009	1,832	338,920	368,340	29,420
2009–2010	2,033	376,105	368,340	(7,765)
2010–2011	2,511	464,535	356,340	(108,195)
2011–2012	2,751	508,935	332,465	(176,470)

\* The savings from 2001–2002 to 2004–2005 were reverted back to the state General Fund.

## **Alternatives Considered**

### Security Equipment Replacement

Permanently reduced the allocation of \$2.286 million by \$1 million, which could extend the replacement cycle to a 10-year period, and would result in more service calls, particularly for equipment used in high traffic areas and would increase the cost of service agreements over the life of the equipment.

### Elder/Dependent Adult Abuse

Reduce the reimbursement rate from \$185 to \$75 per filing of Form EA-100. A reimbursement of \$75 per filing should be sufficient to cover the actual costs of a court clerk to process Form EA-100 for most courts based on: 1) information provided by a sampling of nine small to large courts that on average take up to two hours for a clerk to process a petition; and 2) the estimated average hourly rate for a clerk or equivalent, based on courts' current Schedule 7A compensation budgets, is just over \$37.

### **Recommendation 4: Allocate \$7.4 million for printer and personal computer replacement as a base allocation from the Trial Court Trust Fund Program 45.10 appropriation with each court's share remaining at the 2011–2012 level, and allow courts to use the allocation for purposes other than the replacement of printers and personal computers**

4. Allocate \$7.4 million for printer and personal computer replacement as a base allocation, from the Trial Court Trust fund Program 45.10 appropriation with each court's share remaining at the 2011–2012 level, and allow courts to use the allocation for purposes other than the replacement of printers and personal computers.

### **Rationale for recommendation 4**

Given the recent funding reductions and the likely prospect of further ongoing reductions, the TCBWG is recommending that (a) the program's \$7.4 million be allocated ongoing and included as part of courts' TCTF base allocation base, with each court's share remaining at the 2011–2012 level (see Attachment F), and (b) courts be allowed to use the funding for purposes other than the replacement of printers and personal computers. Unrestricting the allocation will provide courts the flexibility in determining how to best use the funding, including offsetting funding reductions and using the funding for non-PC and non-printer information technology equipment (e.g., servers).

In 2000–2001, at the request of the Judicial Council, the Legislature appropriated \$7.4 million to the TCTF to partly address ongoing trial court funding needs for local technology equipment replacement, including personal computers and network printers, and software licensing upgrades. The intention was to dedicate funds for asset replacement to ensure that trial courts would have the basic technology tools to manage day-to-day court operations. Previously, many courts did not have sufficient desktop computers and printers. In many cases, the equipment was not refreshed on regular cycles to be compatible with current software applications. The allocation was also intended to facilitate deployment of statewide applications such as Phoenix (SAP) and current case management systems. At its August 24, 2000, business meeting, the council allocated \$7.4 million from the TCTF to trial courts for the specific purpose of replacing personal computers and printers on a three-year cycle.

Since 2000–2001, courts have received an annual statewide allocation of \$7.4 million from the TCTF for technology asset replacement, with the exception of 2001–2002 and 2002–2003 when funds were allocated from the Trial Court Improvement Fund and the Judicial Administration

Efficiency and Modernization Fund due to reductions to the TCTF in the state budget for those years. In 2002–2003, 2009–2010, and 2011–2012, courts were permitted to redirect their technology asset replacement allocations to mitigate the impact of budget reductions in those fiscal years. In addition, the Judicial Council authorized the Administrative Director of the Courts, as requested and on a case-by-case basis, to permit courts with severe cash flow problems to redirect these funds to offset the impact of budget reductions in 2010–2011.

The amounts allocated to each court have not changed since 2005–2006 even though the numbers used to calculate the 2005–2006 are no longer accurate. The allocation is currently based on the number of positions by court and the estimated cost to replace desktop equipment in 2005–2006. In addition, the calculation was based on an assumption of an industry-standard refresh cycle for the equipment of three years. Since then, the change in combined judgeship and staffing levels has varied greatly by court. Sophisticated desktop equipment is now available at significantly reduced pricing levels compared to 2005–2006. In addition, the previous industry-standard replacement cycle of three years for printers is now five years.

### **Alternatives Considered**

- Update each court’s amount of the personal computer and printer replacement funding based on the current level of judgeships and staff.
- Continue to restrict the use of funding solely for the replacement for personal computers and printers.
- Authorize courts to redirect these funds to mitigate the impact of budget reductions, as deemed necessary by each court, in 2012–2013.

### **Recommendation 5: Rescind the requirement for trial court to maintain a minimum operating and emergency fund balance, which would apply to courts’ 2011–2012 ending fund balance.**

5. Rescind the requirement for trial court to maintain a minimum operating and emergency fund balance, which would apply to courts’ 2011–2012 ending fund balance.

### **Rationale for recommendation 5**

The TCBWG is recommending that the council rescind the requirement for trial courts to maintain a minimum operating and emergency fund balance, effective for fund balances as of June 30, 2012, for the following reasons. First, the 2-percent state-level reserve held in the TCTF, which is required by GC section 68502.5 starting in 2012–2013, makes the council’s minimum fund balance requirement at least somewhat redundant. Second, the 1 percent cap on the amount of fund balance a court can carry forward from one fiscal year to the next, starting with 2013–2014 ending fund balances, does not permit courts to maintain a permanent 2-percent reserve. GC section 77203 authorizes courts to carry forward a fund balance amount of only up to 1 percent of a court’s “operating budget” from the prior fiscal year. Third, in light of the

current fiscal environment for courts, where funding reductions have been and are being operationalized by courts and where the prospect of further permanent funding reductions is likely, the requirement for courts to maintain a minimum fund balance beyond any contribution towards the 2-percent state-level reserve could force courts to further reduce court operations and access to justice.

**Background.** The Judicial Council’s trial court fund balance policy requires courts at the end of each fiscal year to set aside from their ending fund balance a minimum operating and emergency reserve according to a prescribed formula. The pertinent language from the policy is cited below (see Attachment G for the full text of the policy):

The Judicial Council has authorized a stabilization arrangement (Operating and Emergency fund category) to be set aside for use in emergency situations or when revenue shortages or budgetary imbalances might exist. The amount is subject to controls that dictate the circumstances under which the court would spend any of the minimum operating and emergency fund balance.

Each court must maintain a minimum operating and emergency fund balance at all times during a fiscal year as determined by the following calculation based upon the prior fiscal year’s ending total unrestricted general fund expenditures (excluding special revenue, debt service, permanent, proprietary, and fiduciary funds), less any material one-time expenditures (e.g., large one-time contracts).

Annual General Fund Expenditures

- 5 percent of the first \$10,000,000
- 4 percent of the next \$40,000,000
- 3 percent of expenditures over \$50,000,000

If a court determines that it is unable to maintain the minimum operating and emergency fund balance level as identified above, the court must immediately notify the Administrative Director of the Courts, or designee, in writing and provide a plan with a specific timeframe to correct the situation.

Effective June 27, 2012, SB 1021 repealed the previous GC section 77203 and replaced it with new language.

Previous GC section 77203:

The Judicial Council may authorize a trial court to carry unexpended funds over from one fiscal year to the next, provided that the court carrying over the funds has fully implemented all provisions of former Rule 991 of the California Rules of Court as it read on July 1, 1996, regarding trial court coordination.

Current GC section 77203:

- (a) Prior to June 30, 2014, a trial court may carry over all unexpended funds from the courts operating budget from the prior fiscal year.
- (b) Commencing June 30, 2014, a trial court may carry over unexpended funds in an amount not to exceed 1 percent of the courts operating budget from the prior fiscal year.

### **Alternatives Considered**

- Continue to require courts to maintain a minimum level of fund balance for emergency and operating purposes, although lower than what is currently required to avoid redundancy with the 2-percent state-level reserve. For 2013–2014 and future fund balances, the minimum would be no higher than the 1 percent maximum allowed by GC section 77203.
- Phase out the requirement by requiring a lower minimum for 2011–2012 and 2012–2013 ending fund balance, and eliminate any minimum requirement for the 2013–2014 and future years' ending fund balance.

### **Comments From Interested Parties**

None.

### **Attachments**

- A. Summary of Allocations Recommended by the TCBWG
- B. Trial Court Trust Fund – Summary Fund Condition Statement
- C. Trial Court Trust Fund -- Appropriation and Expenditure Summary
- D. Trial Court Trust Fund -- Program 30 and 30.15 -- Recommended 2012-2013 Allocations
- E. Trial Court Trust Fund -- Program 45.10 Allocations
- F. PC and Printer Replacement Allocation
- G. Trial Court Fund Balance Policy

## Summary of Allocations Recommended by the TCBWG

	Program	Recommendation #	Recommended Allocations by Appropriation Item			Total Recommended Allocation
			Program 30	Program 30.15	Program 45.10	
1	Phoenix Financial and HR Services	2 (1)	1,424,000	10,000		<b>1,434,000</b>
2	Civil, Small Claims, Probate and Mental Health Case Management System (V3)	2 (2)	1,422,000	6,770,000		<b>8,192,000</b>
3	Criminal and Traffic Case Management System (V2)	2 (3)	552,000	3,016,000		<b>3,568,000</b>
4	California Courts Technology Center	2 (4)		1,689,000		<b>1,689,000</b>
5	Interim Case Management System	2 (5)		1,276,000		<b>1,276,000</b>
6	Children in Dependency Cases Training	2 (6)		113,000		<b>113,000</b>
7	Sargent Shriver Civil Counsel Pilot Program	2 (7)	500,000	9,500,000		<b>10,000,000</b>
8	Equal Access Fund	2 (8)	295,000			<b>295,000</b>
9	Court-Appointed Dependency Counsel Collections	2 (9)	210,000			<b>210,000</b>
10	Court-Appointed Dependency Counsel	3 (1)			103,725,000	<b>103,725,000</b>
11	Jury	3 (2)			16,000,000	<b>16,000,000</b>
12	Replacement Screening Stations	3 (3)			1,286,000	<b>1,286,000</b>
13	Self-Help Center2	3 (4)			2,500,000	<b>2,500,000</b>
14	Elder Abuse	3 (5)			332,000	<b>332,000</b>
15	PC Replacement	4			7,400,000	<b>7,400,000</b>
16	<b>Total</b>		<b>4,403,000</b>	<b>22,374,000</b>	<b>131,243,000</b>	<b>158,020,000</b>

## Trial Court Trust Fund -- Summary Fund Condition Statement

		Actual		Estimate Based on TCBWG Recommendations
		2010-11	2011-12	2012-13
1	Beginning Balance	103,839,928	72,918,702	105,535,205
2	Prior-Year Adjustments	2,236,204	42,010,999	12,266,529
3	<b>Adjusted Beginning Balance</b>	<b>106,076,131</b>	<b>114,929,701</b>	<b>117,801,734</b>
5	<b>Revenue/Net Transfers</b>	3,037,610,810	2,486,766,503	1,755,041,981
7	<b>Total Resources (row 3 + 5)</b>	<b>3,143,686,942</b>	<b>2,601,696,204</b>	<b>1,872,843,715</b>
9	<b>Expenditures/Encumbrances/Allocations</b>	3,070,768,240	2,496,160,999	1,774,571,544
11	<b>Total Fund Balance (row 7 - 9)</b>	<b>72,918,702</b>	<b>105,535,205</b>	<b>98,272,171</b>
12	Net Revenue/Transfers Over or (Under) Expenditure (row 5 - 9)	(33,157,429)	(9,394,496)	(19,529,563)
14	<i>Restricted Fund Balance</i>	-	-	-
15	Court Interpreter	4,506,988	7,184,317	7,184,317
16	Court-Appointed Dependency Counsel Collections	781,026	972,000	972,000
17	<b>Total Restricted Fund Balance</b>	<b>5,288,014</b>	<b>8,156,317</b>	<b>8,156,317</b>
19	Reserve for 5.6% Decrease in Civil Fees	N/A	N/A	22,867,347
21	<b>Total Unrestricted and Unreserved Fund Balance (row 11 -17 - 19)</b>	<b>67,630,688</b>	<b>97,378,888</b>	<b>67,248,507</b>

## Trial Court Trust Fund -- Appropriation and Expenditure Summary

		2012-2013 Appropriation					Estimated 2012-2013 Expenditures	Estimated Appropriation Surplus or (Deficit)
		Budget Act	Pending Budget Act Amendments (AB 1477)	Estimated Transfer*	Estimated Adjustment*	Estimated Final		
1	<i>Appropriation Item (Program / Element / Component)</i>	A1	A2	A3	A4	A5 (Sum of A1-A4)	B	C (A5 - B)
2	30 - Judicial Council (see Attachment A3 for allocations)	6,156,000				<b>6,156,000</b>	4,403,000	1,753,000
3	30.15 - Trial Court Operations (see Attachment A3 for allocations)	29,134,000		-	-	<b>29,134,000</b>	22,374,000	6,760,000
4	45.10 - Support for Operation of the Trial Courts (see Attachment A4 for allocations)	1,390,697,000	(29,314,000)	(16,516,037)	(6,057,087)	<b>1,338,809,876</b>	1,311,096,415	27,713,461
5	45.15 - Trial Court Security	-		-	-	-	-	-
6	45.25 - Compensation of Superior Court Judges	306,829,000		(462,313)	1,546,000	<b>307,912,687</b>	307,912,687	-
7	45.35 - Assigned Judges	26,047,000		-	-	<b>26,047,000</b>	26,047,000	-
8	45.45 - Court Interpreters	92,794,000		-	-	<b>92,794,000</b>	92,794,000	-
9	45.55.060 - Court-Appointed Special Advocate	2,213,000		-	-	<b>2,213,000</b>	2,213,000	-
10	45.55.065 - Model Self-Help Program	957,000		-	-	<b>957,000</b>	957,000	-
11	45.55.090 - Equal Access Fund	5,482,000		-	115,442	<b>5,597,442</b>	5,597,442	-
12	45.55.095 - Family Law Information Centers	345,000		-	-	<b>345,000</b>	345,000	-
13	45.55.100 - Civil Case Coordination	832,000		-	-	<b>832,000</b>	832,000	-
14	Reimbursements	(1,000)		-	(209,478)	<b>(210,478)</b>		(210,478)
15	<b>Total</b>	<b>1,861,485,000</b>	<b>(29,314,000)</b>	<b>(16,978,350)</b>	<b>(4,605,123)</b>	<b>1,810,587,527</b>	<b>1,774,571,544</b>	<b>36,015,983</b>

\*Transfers of \$16,978,350 from Programs 45.10 and 45.25 to the Judicial Branch Workers' Compensation Fund (Provision 5 of the 2012 Budget Act); and transfer of \$1,546,000 from Program 45.10 to Program 45.25 for subordinate judicial officer positions that are converted to judgeships (Section 26)

**Trial Court Trust Fund -- Program 30 and 30.15 -- Recommended 2012-2013 Allocations**

		Program 30 - Judicial Council		Program 30.15 - Trial Court Operations		
		Non-Reimbursed	Reimbursement from Courts	Non-Reimbursed	Reimbursement from Courts	Total
1	Phoenix Financial and HR Services		1,424,000	10,000		<b>1,434,000</b>
2	Civil, Small Claims, Probate and Mental Health Case Management System (V3)	1,422,000		5,965,000	805,000	<b>8,192,000</b>
3	Criminal and Traffic Case Management System (V2)	552,000		2,506,000	510,000	<b>3,568,000</b>
4	Children in Dependency Cases Training			113,000		<b>113,000</b>
5	California Courts Technology Center				1,689,000	<b>1,689,000</b>
6	Interim Case Management System				1,276,000	<b>1,276,000</b>
7	Sargent Shriver Civil Counsel Pilot Program	500,000		9,500,000		<b>10,000,000</b>
8	Equal Access Fund	295,000				<b>295,000</b>
9	Court-Appointed Dependency Counsel Collections	210,000				<b>210,000</b>
10	<b>Total</b>	<b>2,979,000</b>	<b>1,424,000</b>	<b>18,094,000</b>	<b>4,280,000</b>	<b>26,777,000</b>
11	Defer Phoenix Financial and HR Services		6,769,000			<b>6,769,000</b>

## Trial Court Trust Fund -- Program 45.10 Allocations

#	Description	Type	Approved and Estimated 2012-13 Allocations	TCBWG Recommended Adjustments	Revised Total
1	<b>I. Prior-Year Ending Baseline Allocation</b>	<b>Base</b>	1,684,326,038		1,684,326,038
3	<b>II. Adjustments</b>				
4	Reduction for FY 2011-12 Appointed Converted SJO Positions	Base	-1,545,824		-1,545,824
5	New Screening Station Funding	Base	114,509		114,509
6	<b>Total, Adjustments</b>		<b>-1,431,315</b>		<b>-1,431,315</b>
8	<b>III. FY 2012-2013 Allocations</b>				
9	\$385 Million Court Operations Reduction	Non-Base	-385,000,000		-385,000,000
11	\$240 Million Adjustment for Funding to be Distributed from ICNA	Non-Base	-240,000,000		-240,000,000
12	2.0% Holdback	Non-Base	-27,813,940		-27,813,940
13	1.5% & 0.5% Emergency Funding & Unspent Funding Allocated Back to Courts	Non-Base	27,813,940		27,813,940
14	San Luis Obispo CMS Replacement	Non-Base	3,360,000		3,360,000
15	Prior Year Judicial Council-Approved Allocations for screening stations and facilities operations and security	Non-Base	192,136		192,136
16	Criminal Justice Realignment Funding	Base	9,223,000		9,223,000
17	Non-Sheriff's Base Security Funding	Base	3,615,864		3,615,864
18	Prior Year Judicial Council-Approved Allocations for screening stations	Base	505,426		505,426
19	<b>Total, FY 2012-2013 Allocations</b>		<b>-608,103,574</b>		<b>-608,103,574</b>
21	<b>IV. Estimated Reimbursements</b>				
22	Court-Appointed Dependency Counsel (includes DRAFT Program)	Non-Base	103,725,445		103,725,000
23	Jury	Non-Base	29,600,778	-13,600,778	16,000,000
24	PC Replacement	Non-Base	7,400,000		7,400,000
25	Replacement Screening Stations	Non-Base	2,286,000	-1,000,000	1,286,000
26	Self-Help Center <sup>1</sup>	Non-Base	2,500,000		2,500,000
27	Elder Abuse	Non-Base	332,340		332,000
28	<b>Total, Reimbursements</b>		<b>145,844,563</b>		<b>131,243,000</b>
30	<b>V. Estimated Revenue Distributions</b>				
31	Civil Assessment	Non-Base	96,996,491		96,996,491
32	Fees Returned to Courts	Non-Base	18,036,810		18,036,810
33	Replacement of 2% automation allocation from TCIF	Non-Base	10,907,494		10,907,494
34	Children's Waiting Room	Non-Base	4,012,388		4,012,388
35	Automated Recordkeeping and Micrographics	Non-Base	3,149,166		3,149,166
36	Telephonic Appearances Revenue Sharing	Non-Base	943,840		943,840
37	<b>Total, Revenue Distributions</b>		<b>134,046,190</b>		<b>134,046,190</b>
39	<b>VI. Charges</b>				
40	Judicial Branch Worker's Compensation Fund Premiums	Non-Base	-16,516,037		-16,516,037
41	Statewide Administrative Infrastructure Charges	Non-Base	-12,467,887		-12,467,887
42	<b>Total, Miscellaneous Charges</b>		<b>-28,983,924</b>		<b>-28,983,924</b>
44	<b>Total, Base Program 45.10 Allocations</b>		1,696,239,013		1,696,239,013
45	<b>Total, Non-Base Program 45.10 Allocations</b>		-370,541,035		-385,142,598
47	<b>Total, Estimated FY 2012-13 Program 45.10 Trial Court Allocations</b>		<b>1,325,697,978</b>		<b>1,311,096,415</b>
49	<b>Estimated Program 45.10 Appropriation</b>		<b>1,338,809,876</b>		<b>1,338,809,876</b>
51	<b>Estimated Remaining Program 45.10 Appropriation</b>		<b>13,111,898</b>		<b>27,713,461</b>

1. \$3.7 million in self-help center funding was allocated ongoing to the trial courts in September 2006 and is included in the beginning base allocation.

### Personal Computer and Printer Replacement Base Allocation

Court	TCTF Base Allocation
Alameda	324,826
Alpine	2,426
Amador	12,133
Butte	47,493
Calaveras	9,360
Colusa	4,853
Contra Costa	155,653
Del Norte	11,093
El Dorado	35,706
Fresno	178,533
Glenn	7,973
Humboldt	36,400
Imperial	37,440
Inyo	7,973
Kern	162,586
Kings	29,466
Lake	14,213
Lassen	8,666
Los Angeles	2,192,666
Madera	27,386
Marin	61,360
Mariposa	5,546
Mendocino	29,813
Merced	37,093
Modoc	4,506
Mono	5,893
Monterey	71,760
Napa	33,973
Nevada	24,960
Orange	600,080
Placer	49,573
Plumas	7,626
Riverside	294,666
Sacramento	280,453
San Benito	8,666
San Bernardino	326,906

<b>Court</b>	<b>TCTF Base Allocation</b>
San Diego	620,880
San Francisco	210,773
San Joaquin	109,546
San Luis Obispo	56,160
San Mateo	137,626
Santa Barbara	98,800
Santa Clara	317,893
Santa Cruz	51,653
Shasta	59,973
Sierra	2,426
Siskiyou	22,186
Solano	89,093
Sonoma	74,186
Stanislaus	74,533
Sutter	16,640
Tehama	16,293
Trinity	4,853
Tulare	79,386
Tuolumne	13,866
Ventura	131,040
Yolo	41,253
Yuba	18,373
<b>Total</b>	<b>7,397,151</b>

## **FUND BALANCE POLICY**

### **BACKGROUND**

In the Supplemental Report of the 2006 Budget Act, the Legislature specified that the Judicial Council report on court reserves and provide its policy governing trial court reserves. On October 20, 2006 and revised on April 23, 2009, the Judicial Council approved a fund balance policy for trial courts. Financial accounting and reporting standards and guidelines have been established by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB). The Trial Court Financial Policy and Procedures Manual, in compliance with these standards and guidelines, specifies that the trial courts are responsible for the employment of “sound business, financial and accounting practices” to conduct their operations.

In addition, Government Code section 77203 specifies that the Judicial Council has the authority to authorize trial courts to carry over unexpended funds from one year to the next. Consistent with this provision, this policy provides courts with specific directions for identifying fund balance resources necessary to address statutory and contractual obligations on an accurate and consistent basis as well as maintaining a minimum level of operating and emergency funds. In addition, this policy provides the necessary structure to ensure funds are available to maintain service levels for various situations that confront the trial courts including a late state budget.

GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for financial statements for periods beginning after June 15, 2010, and will impact year-end closing statements for the fiscal year 2010–2011.

### **PURPOSE**

Governmental agencies/entities report the difference between their assets and obligations as fund balance. Under GASB Statement 54, fund balances for governmental funds must be reported in classifications that comprise a hierarchy. The statement distinguishes between nonspendable and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Under GASB 54, the number of classifications has been expanded from 2 to 5.

The purpose of this policy is to establish uniform standards, consistent with GASB 54, for the reporting of fund balance by trial courts and to maintain accountability over the public resources used to finance trial court operations.

### **POLICY**

As publicly funded entities, and in accordance with good public policy, trial courts must ensure that the funds allocated and received from the state and other sources are used efficiently and accounted for properly and consistently. The trial courts shall account for and report fund balance in accordance with established standards, utilizing approved classifications. Additionally, a fund balance can never be negative.

### **Fund Balance Classifications**

Beginning with the most binding constraints, fund balance amounts must be reported in the following classifications:

- Nonspendable Fund Balance
- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance (General Fund only)

When allocating fund balance to the classifications and categories, allocations must follow the following prioritization:

1. Nonspendable Fund Balance
2. Restricted Fund Balance
3. Contractual commitments to be paid in the next fiscal year
4. The minimum calculated operating and emergency fund balance
5. Other Judicial Council mandates to be paid in the next fiscal year
6. Contractual commitments to be paid in subsequent fiscal years
7. Assigned Fund Balance designations
8. Unassigned Fund Balance

If there is insufficient fund balance to cover any or all of the first five priorities, the shortfall should be explained in detail in attached footnotes. Also, there are additional reporting requirements when the amount allocated to the operating and emergency category is below the minimum required.

### **Nonspendable Fund Balance**

Nonspendable Fund Balance includes amounts that cannot be spent because they are either (a) not in spendable form (not expected to be converted to cash) or (b) legally or contractually required to be maintained intact. Examples include:

- Inventories
- Prepaid amounts Long-Term Loans and Notes Receivable
- Principal of a permanent (e.g., endowment) fund

This represents the ‘newest’ classification in comparison to the descriptions used before the creation of GASB 54. To some extent, the remaining 4 classifications are somewhat mirrored in the prior definitions.

### **Restricted Fund Balance**

Restricted Fund Balance includes amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

- Externally imposed  
Imposed externally by grantors, creditors, contributors, or laws or regulations of other

governments ( i.e., monies received by a grantor that can only be used for that purpose defined by the grant).

- Imposed by Law (Statutory)

A restricted fund balance that consists of unspent, receipted revenues whose use is statutorily restricted (e.g., children’s waiting room and dispute resolution program funding).

### **Committed Fund Balance**

Committed Fund Balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Judicial Council. These committed amounts cannot be used for any other purpose unless the Judicial Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Committed Fund Balance must also include contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. While the requirement to include contractual commitments is a policy decision of the Judicial Council, the type, number and execution of contracts is within the express authority of presiding judges or their designee.

The Judicial Council has authorized a stabilization arrangement (Operating and Emergency fund category) to be set aside for use in emergency situations or when revenue shortages or budgetary imbalances might exist. The amount is subject to controls that dictate the circumstances under which the court would spend any of the minimum operating and emergency fund balance.

Each court must maintain a minimum operating and emergency fund balance at all times during a fiscal year as determined by the following calculation based upon the prior fiscal year’s ending total unrestricted general fund expenditures (excluding special revenue, debt service, permanent, proprietary, and fiduciary funds), less any material one-time expenditures (e.g., large one-time contracts).

#### Annual General Fund Expenditures

5 percent of the first \$10,000,000

4 percent of the next \$40,000,000

3 percent of expenditures over \$50,000,000

If a court determines that it is unable to maintain the minimum operating and emergency fund balance level as identified above, the court must immediately notify the Administrative Director of the Courts, or designee, in writing and provide a plan with a specific timeframe to correct the situation.

### **Assigned Fund Balance**

This is a fund balance that is constrained by the Presiding Judge, or designee, with the intent that it be used for specific purposes or designations that are neither unspendable, restricted nor committed.

Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. Assigned amounts are based on

estimates and explanations of the methodology used to compute or determine the designated amount must be provided.

Assigned fund balances include:

- All remaining amounts that are reported in governmental funds, other than general fund, that are not classified as nonspendable and are neither restricted nor committed and
- Amounts in the general fund that are intended to be used for a specific purpose in accordance with the provision identified by the Presiding Judge, or designee.

Courts will identify assigned fund balances according to the following categories:

1. **One-time facility – Tenant improvements** Examples include carpet and fixture replacements.
2. **One-time facility – Other Examples** include amounts paid by the AOC on behalf of the courts.
3. **Statewide Administrative Infrastructure Initiatives.** Statewide assessment in support of technology initiatives (e.g., California Case Management System and Phoenix) will be identified in this designation.
4. **Local Infrastructure (Technology and non-technology needs)** Examples include interim case management systems and non-security equipment.
5. **One-time employee compensation (Leave obligation, retirement, etc.)** Amounts included in this category are exclusive of employee compensation amounts already included in the court's operating budget and not in a designated fund balance category.
  - a. One-time leave payments at separation from employment. If amounts are not already accounted for in a court's operating budget, estimated one-time payouts for vacation or annual leave to employees planning to separate from employment within the next fiscal year should be in this designated fund balance sub-category. This amount could be computed as the average amount paid out with separations or other leave payments during the last three years. Any anticipated non-normal or unusually high payout for an individual or individuals should be added to at the average amount calculated.

In a footnote, the court should note the amount of its employees' currently earned leave balance that is more than the established designated fund balance. The amount would be determined by multiplying the hours of earned vacation or annual leave on the payroll records for each employee times his or her current salary rate minus the designated fund balance established.

- b. Unfunded pension obligation. If documented by an actuarial report, the amount of unfunded pension obligation should be included as a designated fund balance. Employer retirement plan contributions for the current fiscal year must be accounted for in the court's operating budget.

In a footnote, the court should note the amount of the current unfunded pension obligation that is in excess of the established designated fund balance.

- c. Unfunded retiree health care obligation. If documented by an actuarial report, the amount of unfunded retiree health care obligation should be included as a designated fund balance.

The current year's unfunded retiree health care obligation contains: (i) the current year Annual Required Contribution (ARC) based on a 30-year amortization of retiree health costs as of last fiscal year-end **and** (ii) the prior year retiree health care obligation **less** (iii) the retiree health care employer contributions and any transfers made to an irrevocable trust set up for this purpose. The current year's unfunded retiree health care obligation is to be added to the prior year's obligation.

Note: The ARC amounts are located in each court's actuarial report, which is entitled "Postretirement Benefit Valuation Report".

In a footnote, the court should note the amount of the cumulative unfunded retiree health care obligation that is in excess of the established designated fund balance.

- d. Workers compensation (if managed locally). The amount estimated to be paid out in the next fiscal year.
  - e. Use of reserve funds for liquidation of outstanding leave balances for employees in a layoff situation, consistent with the requirements of GASB 45; other examples would include reserving funds for the implementation of "enhanced retirement" or "golden handshake" programs in the interest of eliminating salaries at the "high end" or "top step", and thereby generating salary savings or rehires at the low end of a pay scale for position(s), but realizing one-time costs in the interest of longer term savings for the court.
6. **Professional and consultant services.** Examples include human resources, information technology, and other consultants.
  7. **Security.** Examples include security equipment; and pending increases for security service contracts.
  8. **Bridge Funding.** A court may choose to identify specific short or intermediate term funding amounts needed to address future needs that are otherwise not reportable, nor fit the criteria, in either restricted nor committed classifications, that it believes are necessary to identify through specific designations. These designations must be listed with a description in sufficient detail to determine their purpose and requirements.
  9. **Miscellaneous (required to provide detail).** Any other planned commitments that are not appropriately included in one of the above designated fund balance sub-categories should be listed here with a description in sufficient detail to determine its purpose and requirements.

**Unassigned Fund Balance – for General Fund Use Only**

Unassigned Fund Balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other fund balance and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The general fund is the only fund that shall report a positive unassigned fund balance amount.

