

The Judicial Council of California is the constitutionally created policymaking body of the California courts. The council meets at least six times a year for business meetings that are open to the public and audiocast live via the California Courts website. What follows is captured live captioning, formatted and unedited, of the last meeting. The official record of each meeting, the meeting minutes, is usually approved by the council at the next business meeting. Much more information about this meeting, the work of the Judicial Council, and the role of the state court system is available on the California Courts website at www.courts.ca.gov.

>> This is the educational meeting of Judicial Council of California for August 22, 2013; the meeting is now in session, as is the start of a two-day session. We will adjourn at approximately 4:10 p.m., and reconvene Friday at 8:30 a.m., now to the second part of our business meeting agenda. We have Justice Miller, Judge Brandlin, and Mr. Robinson, either joining us now or joining us by teleconference. Are you there?

>> Mr. Miller is here.

>> Judge Brandlin is here.

>> Thank you, advise you anytime you would want to speak, just be, it is hard to participate by phone, do not feel like you're stepping on our toes by chiming in.

>> I remind council members that they are audiocast live, with telecaptioning, portions of our meeting may be taped and later used -- for the benefit of online audience and council members joining us by phone. Remember to address each other by name so that the listeners and real-time captioning readers can follow the discussion. I want to acknowledge the new incoming Judicial Council of committee members joining us today. We will not put them to work just yet, we will be presenting in a different capacity tomorrow, but we will benefit from their knowledge and experience very soon. We welcome Judge Robert, Judge Brian Walsh, and Mr. Mark Bonino. We would like to acknowledge the positive working relationship that we have developed with our colleagues in the finance in recent years, it has helped us that the state budget process in their understanding on how our branch operates. We have had a very positive collaboration on the workgroups with the funding of finance, I think you for continuing this process of cooperation, collaboration, and knowledge sharing cooperation. I would like to turn it over to Mr. Michael Cohen.

>>> Thank you Chief, good afternoon and welcome one and all. As the chief mentioned, Michael Cohen who will take office on September 16 of the Department of Finance, has provided us -- will provide us with the activities today, and when he kindly spent time with me in his office a couple days ago you would like to entertain questions from you during that process, Mr. Cohen served as the department's lead contact to the Legislature, from 2007 to 2010, he worked at the analyst office. Advising the Legislature on a wide range of matters. Budget situations, he previously served as the local government finance analyst. He earned his

master's degree at the Lyndon B. Johnson School, and from Stanford. Thank you very much for taking the time to be with us today.

>> Thank you Chief and Judge [Indiscernible]. As the Chief said, we very much look forward to continuing collaboration in the cooperation that we have tried to develop over the last few years. I obviously see the room for improvement, and more discussion in the coming years, and I look forward to that. What I have in terms of a prepared presentation is that -- just a few slides. Which give an overview of the budget finance and process. Just to work through this to give you information about what my department does, I'm happy to start the conversation about the budget process. We are in a particularly good time since we have just finished this year's budget.

>> I know most people in the judicial branch as well, as well as the general public, see the Department of Finance as an office that takes a large percentage of time, first of for most our role, the Governor needs will be our number one priority. Preparing the budget is what I will talk about more over the next few minutes. It is clearly a key responsibility, and what takes that much of our time. When we are not working on preparing a budget, we are providing fiscal information about the budget that has just happened, all of the money that has been programmed by the Legislature is used the way it was intended. And all the state laws and regulations and policies to make sure that the systems, and in California, they are getting the best bang for the buck in their tax dollars. We have a unit within the Department of Finance that is available for specific targeted audits and program reviews. When we discover problem areas, this is our go-to team. To figure out what went wrong and how to do it better. In the last couple years with Parks and Recreation, there were problems with not disclosing money and our auditors were able to go in and find out what happened. Lay out to the Governor and the Legislature in order to give the steps to take so that it will not happen again. Our research unit we are in essence the state's demographer, and so on our website periodically we do publish population projections both on statewide totals, and by county. These are an important part in where the state is going. These are the folks I rely on to highlight what is coming next. Infrastructure planning, the Department of Finance is an overall can mean your of different departments within state government various five-year plans, figuring out both where the critical needs in terms of construction and one of the areas we are increasingly interested in is how to maintain those fiscal outlets we already have. Our accounting system, we provide consulting services to those state departments that use the statewide accounting system, this is the key piece. A key piece to linking them to the new budget systems in the coming years, we have been working on a system that can give a real-time basis and a lot of effort and pulling straightforward data.

>> Agency dissolution, this is the new responsibility that we have picked up over the last couple years. As there are complicated unwinding financial arrangements, we now have a unit that is charged with serving as the statewide entity overseeing that dissolution, making sure all the worlds are followed so that the billions of dollars get back to court local services, dollars are going back to counties, special districts, as well as the state to help pay for education financing.

>> This next slide covers the revenue side of our state budget. Where does the money come from? Generally, you hear about them talking about the biggest find, that is -- fund, that is where the special interests and additional revenues, they are more restricted in their use, the fund this year \$97.1 billion in terms of expectation in revenues. By far this is our largest revenue, over time as we have -- as you all know a progressive income tax system in the state, well it has become more concentrated, it is being taxed as the highest marginal tax rate. In contrast, the used taxes have been a shaking share, of the budget, caused by a shift to the purchasing of services rather than taxable goods, as well as relative price of those taxable goods, compared to spending that is going on in the economy. Over the last four years or so, we have seen a sharing of the piece of the pie, in the sales tax, and the loop piece with the personal income tax, that certainly has made our state budgeting more challenging. Particularly starting with the Internet.com boom, in 1999–2000, we see an increasing personal development coming from capital gains and other investment income. That income has proven to be extremely volatile, very much tied to the stock market. That has made fair and how much money we will have this year and next year, increasingly challenging. Just to talk so that you have a sense of things, we look at when we try to figure out how much state revenue we will have this year, next year, and into the future. It is critically important that our forecasters get as close to accurate as possible. When we are too high in the revenue forecast, it makes us come back and do midyear cuts. Or other actions to try to correct, and bring our spending down, if we are too low in our forecast, we have denied Legislature and Governor the opportunity to decide where to make key investments through state budgets. We have always tried to be as accurate as possible, that being said, revenue forecast for this year's budget is wrong, the next year's budget will be wrong, it will be wrong for all time. [Laughter] we will see if we are too high, too low, our goal when we put together a revenue forecast is to always think that there is a 50% chance we are too high, and a 50% chance that we are too low. Always trying to find that perfect spot, where it could go good, and bad, that being said if we know where that spot is, we would have nailed the revenue. They are all trained and well experienced, you see all of the different factors here under economic Outlook, the passive things they are trying to forecast, we have a model that pulls in various factors. You also have employment trends, inflation, where we think the stock market will be, corporate profits and housing markets, go into the revenue forecast, if any of you invest your own money, the stock market itself is impossible to predict. When that is such a key factor when determining gains income, there is no ability to forecast it, you can note it is a challenge; we do the best we can. If we are 99% right, we will still be \$1 billion off in our forecast. Small changes can lead to big dollar swings. That is part of my everyday challenge, to figure out how we can get better, and how we can get closer to accurate, this is the forecasting parameter, and you also have the federal government coming in, and the tax payments, and of course the states similarly making policy changes. Over the last five or six years, we have had more of the changes then certainly has been the case. And recently, we had federal tax changes beginning on January 1, income tax rates went up, people knew that it was coming, we know for sure that those can accelerate their income, and stock market sales into the end of 2012. Exactly how much it accelerated, it has been a big question. 2012, and 2013 we just finished has been a good revenue year, we know much of that higher revenue was from

acceleration of capital gains from calendar year 2013, into 2012. But we do not know exactly what percentage. We forecast in the budget it was about 25%, and again it is one of those things you do not know for sure. The assumption you make on a key piece affects how much you think it is a one-time factor, or your base revenue. All of those things build on your -- build on each other as you put a revenue together. The states have made a lot of revenue changes over the last number of years, as you know, we have a Proposition 30 and 39 go into effect this year, and as we put the budget together we are figuring out when people would make those payments. When we do not have a trend line for not knowing which month they are making payments, it makes forecasting a little bit difficult and the fiscal policy changes that were made at the start of the session -- it makes it difficult in the changes that were made and the start of the session. Basically terms of estimated payments and holding, a completely and did all of our historical records in terms of knowing what percentage of a person's tax returns they will pay in the estimated time periods. All of our monthly cash data in terms of factoring in policy changes, figuring out what month cash came in, in terms of overall budget forecast became more complicated, every month both the controller's office and our office put out a bulletin in how much we received in the last month, and we compare it to what was forecast. We expect this to come in, and it is a complicated thing, you later on that the states approvals in terms of which fiscal year revenue is allocated to, you cannot always tell what is going on from a month's revenue. Bring that into a cautionary note, you will see these monthly reports in terms of revenues and where they are going; one month's data does not make a trend. We are focused on our January and May revenue, when we are able to take all information together and get a fresh look at our revenue forecast. These are one side of the budget, another side is the spending, for this fiscal year, the general fund is expected to spend \$96.3 billion, this pie charts with that up - - it splits up where those dollars should go. The biggest piece of the pie's Proposition 98, it is a constitutional funding formula for K-12 schools, as well as community colleges. It makes up roughly half of the budget, and you bring in health and social services, which make up almost a third of the remaining budget. And 5% debt service just over another 5% and as you see the judiciary budget, you see one and a half percent. Each of these pies have different roles to go with them, many of those rules make budgeting more complicated, much more complicated than it was, in Proposition 98 formula was how much is required to be allocated to schools by a variety of factors. Largely building on the years taking into account how the states personal income is growing and how the state revenue is growing, and they are showing up at our public schools. Similarly, in the health area, much of our programs have a joint policy with the government, the federal government gets to make the rules. So they have been a very key factor in terms of how we have gone through these budget years, over the next five or six years what we can change, and what we could not. Many times over the last five years and this has been frustrating. We wanted to go a certain direction to find out that the federal courts have said no, we are not allowable under federal law. That has cut off many of our options.

>> Higher education in judicial branch, I think have been similar in terms of clearly the general fund for both areas, and it has been significantly reduced since the great recession has begun. Part of the reason for that is the ability to substitute alternative revenue sources. In your case, increased fees, sometimes moving money over, those types of things. Where types of programs

do not have the same options, and it has largely been increasing student tuition, we have cut the general fund significantly. We have made it up on raising student fees and tuition, justification of the judicial branch and all of those actions have an effect, where you end up with the middle class being squeezed. With higher debt loads. Which has historically been the case. All of these areas have their own intricacies, and together an annual budget, it is really within the parameters of state law, Constitution, federal law, federal regulators fitting all the pieces together, figuring out what pieces you can change, rather than them continuing to go by the old rules. That being said there are a lot of intricacies, and complications.

>> I wanted to walk you through the budget timeline, to give you a sense of what finance is working on. To give you the four-year flavor. They are working on budget change proposals, we want to either add money or subtract money from our budget. The state budget generally is an incremental budget. The assumption is you will get what you got last year. And then, you come to the Governor and the Legislature and asked to make any changes to that. There is a budget policy that the director of finance puts out each summer, I noticed that is in your packet for tomorrow, you talk about your own budget request that you are looking to submit. The deadline is September 13, for Department of Finance to get all of these requests. This year the budget policy letter is very similar to last year's, while clearly we have turned the corner and having our budget in balance, it is very narrowly balanced. We are only looking for those requests that meet the strict guidelines of the letter, in terms of being the absolute most critical needs, requesting the department find inefficiencies to deal with rising cost. And then adding additional money, and those types of things. During the fall, post-September 13, my staff works through all of those requests, evaluating them for compliance and parameters, and the ones we laid out as well as making sure the simple thing is numbers add up, and more complicated questions, is this the most critical need? Can these costs be absorbed? Are there other ways to accomplish whatever the goal is? These are the types of questions that the analyst is trained to ask.

>>> In addition, we are updating what is known as caseload in terms of our health and service programs, how many people are using this state's Medi-Cal program? How many do we think we will have in the next year? These are all trying to forecast basically what on our existing program, and under existing law, what do we think our programs will cost? At the same time we have revenue forecasters working through the different factors that I laid out a few slides ago. In trying to come up with a new revenue forecast, this year and the one that starts July 1, we take what we think under current law, all of our spending what it would be. And then under the revenues what they would look like. The goal and the expectation should be they would be roughly equal, so that we are not spending more money than we have. Obviously, over the last number of years, it has not been the case. When Governor Brown took office, the spending was \$20 billion higher. When you heard people talk about a \$20 billion structural deficit, these were two forecasts coming together. Obviously untenable and horrible fiscal policy to continue this, these are the changes that we have made over the last three budgets, now based on our current revenue, and spending projections, that we adopted along with the state budget in June. Those two lines are basically matching up, we are projected to be in balance for the foreseeable future.

We forecast the budget year does create additional years, in all four of those years we expect the spending to stay within the expected revenues.

>> All of that leads up to the release of the Governor's budget on January 10 by the Governor, and that takes off the legislative process, where the Legislature holds dozens of hearings, basically vetting all of our proposals. In the spring, as it is taking place, we are updating all of our various members. The same process that would go over three months in the fall, we do it in one month, in April. This gets released May 14. It is particularly challenging given April is the biggest revenue month that the state has. Obviously that is from personal income tax payments that we all make on or before April 14. Those payments come in right around that first week after April 15, our revenue forecasts come in no more than 10 days to figure out how much money comes in, how much are we expecting? Why is it different? And knowing as much as we can in that short amount of time, what we think that means for the future? The main vision is definitely I would say, the most challenging. The first couple of weeks for the Department of Finance in the fall we have much more time to deliberate and have conversations back and forth. Review everything in great detail, and then we were basically doing it again in a short window, and trying to take into account all of the feedback we have received from January 10, and the new information we have in putting together a budget. A budget that we could present to a Legislature, they have a month to get it inactive. When you take our two weeks or so, at crunch time combined with their months, that is really the crunch time for budgeters. And putting together that budget, June 15 legislatures are required to pass the budget and the fiscal year starts on July 1.

>> Last slide, and then I am excited to engage in some back and forth with questions and conversation. Just to point out some key changes, that has happened over the last number of years, I think they have changed the way we do budgeting in California. And for those of you who have been following the state budget for a number of years, you have noticed these changes; these changes filtering in. For those of you who are newer to the budget they become day-to-day business. They are important. Proposition 25 in 2010, it was passed by voters, the budget vote from being two thirds, to the majority vote. The majority makes it easier to pass, and there is a key factor in getting an on-time budget, in the last three years. For those of you who have been doing this for a while, will remember that our budgets are stretching at times into October, at the latest. Obviously when you go to three, four months, before you've told them what the budget is for the fiscal year, it makes it impossible to run the state from a fiscal management if, and impossible to -- management, and you find it impossible to get done what the budgets, and it is so far into the year before you have the changes that are to be made. Both the upcoming budget year as well as the next three years, we take into account any trends we are seeing. Any law changes that are due to take effect. In the next couple years. This has been done informally for the last decade or so. It is now state law that the Department of Finance, duly forecast, we put them up on our website. This administration has been very dedicated to using those as a tool to our budgeting. In the past, multi-year budgeting was used to know we pass this year's budget, when we come back next year and we have a \$7 billion shortfall to deal with, this administration made it a priority to know that when we passed the budget, it is the

upcoming three years budget as well. When you hear the Governor and the Department of Finance talk about holding down spending, this is how we know, that if we have ongoing spending increases, it will affect the budget system and how much, as you know the Proposition 30 tax revenue is temporary. Four years on the sales tax as we get closer to the Proposition 30 revenues, the multi-year budgeting will be a critical tool. We are adjusting to make sure that we are not waiting till the last possible moment to bring our budget back. We will take gradually the growth as the bridge grows to make sure that we stay in balance.

>> In 2011 the Governor issued an executive order requiring my department to use more tools at our disposal to make sure that we are getting the best bang for the buck out of tax dollars. As I mentioned the state budget and is incremental. What you have last judgment we make changes on the margin. Unfortunately, as you do that over the long haul, you lose track of what is in the base. You do not know what has been funded; a lot of things that have been funded circumstances have been changed. You might give them \$10 million to address a problem that has been addressed, it is been so long ago people have forgotten, that that is where the money has been targeted. What we're trying to do is be more strategic about department budgets. We are doing a lot of field-based budgeting. Department of Transportation, are in year two of four years. We are going program area by program area to review what other resources, in a particular program and what they should be. In some cases, we are reviewing it, and saying they are underfunded for what they expect it is. Of the expectation and what it is. We are bringing more resources into those program areas. In others we have seen they are over resourced for the expectation, maybe the program requirements have expired, and they are doing this work to create a guidebook. They do not need to use those resources anymore because the guidebook has been created. We are using all of the available tools to us, we have as I mentioned our auditors that can do program reviews and audits, in some cases performance measures. They make a lot of sense. As an example, in consumer affairs, we have a lot of different boards that regulate industries. And how long it is taking them to take an enforcement action, or license an application, all of those things are provided to the Governor and the Legislature to include the management and figure out areas that are doing great. Those areas that are needing or attention, and that sort of let the stroll down more effectively than just relying on the old way of incremental budgeting. Just sort of adding additional money where there are no problems coming up instead, we take a holistic view of what the goals are we are trying to accomplish, and what is the best way to get their clicks that is -- and how to get there in the world of problem-solving. There is no lack of what state government needs to tackle, our job is to dive in there and figure out what the best solution is at the best price. And give the Governor that recommendation, and work with the Legislature to make it happen. I look forward to working with you in the upcoming year and into the future, and I am happy to take your questions.

>> Thank you Michael we appreciate this, we have some questions.

>> Thank you for joining us this afternoon, in your slide you said demographic population, research and projections, I am curious as to how that bears if at all on the budgeting process? Is it for the current year budgeting? I do not understand the connection.

>> It is for both. We use our demographic projections to figure out what we think for the number of households in poverty will be. Once we have a projection of that, we are able to forecast how much we think caseloads will grow in those programs. The programs that serve the poor. If we are seeing increased population generally, or households in poverty, we would expect our program to see increased applicants, we will build those into the upcoming budget. As a way of figuring out do we think over the next four years, are we going to see increased applicants, or decreased applicants. We will team that information with what is going on with policy changes in welfare as well as unemployment. These are key factors as well. As unemployment comes down, we expect less enrollees in the program. When we are seeing it go up, we are building in high expected cost in those programs.

>> Thank you, the shift in population within the state and the counties in the state, does that have any immediate bearing on the process?

>> From one county to the other, generally not. Though there may be some trends that we can see over the long term in terms of where the economic growth will be, what type of employment changes we see coming, but for the most part we are budgeting on a statewide level. Once you budget a program on a statewide level, there are definitely allocation decisions. Within those dollars that go to accounting -- counties with allocating money and spending it, at the state level, say it will be \$1 billion, if there is shifting in population, we will see less of that billion dollars that we did the year before.

>> Thank you.

>> I want to also thank you, Mr. Cohen, I found it very interesting and enlightening. My question is whether or not the Department of Finance has any particular policy or practice that recognizes the distinction between agencies, departments, government, as opposed to separate branches of government. I am referring to the Legislature's budget and I am referring to the judicial budget, my question really is, is there any special opportunity given to the leadership of the separate branches of government? To make the case to the Governor, to the Department of Finance as to increasing the amounts for them to be included into the Governor's budget in the beginning or at the main revised.

>> There is obviously a level of respect given to the Legislature and the judicial branch, it is very different than the department who works for the Governor. That is kind of to our budgeting process, there is I would say, a greater difference given at the same time, that the Governor's charged in signing a budget, and acting in an interval of appropriating funds. To the second part of the question, in terms of making an appeal, or having access to a conversation, that I can guarantee you is available to the judicial branch. If you ever feel that you have a super spec to or information -- if you feel you have a if, or information -- perspective. Or if you feel it is out of your hands to provide us with this perspective, that was our question that is available to you.

>> Historically my understanding at least during better economic times, the Governor's budget would simply include the amounts submitted by the judicial branch, that came out to be the budget for the Governor. Times are more difficult right now; hopefully we have turned the corner. Assuming that the corner has been turned, do you envision based on the separation of powers, through equal branch of government, the government would accept the budget submitted by the judicial branch as that portion of the Governor's budget?

>> Passing along the budget to the Legislature is his call, I would not recommend it, part of his responsibility is to review the budget in the judicial branch, it certainly is his prerogative to pass it on, but from a budgeting perspective, it is our policy to review and make any changes, I expect that to continue, but that is not to say to my earlier comments that there shouldn't be a conversation about what my recommendations and my department's recommendations are to the Governor. If you feel that we are missing why you submitted what you did.

>> Thank you.

>> First of all Mr Cohen, I want to join the Chief and others, in thanking you for being here in reaching out to the branch and having this dialogue. It is very much appreciated. I am a 12-court judge, I used to be a presiding judge for three terms, I was chair of the advisory committee as well; my perspective is from the trial courts. We had a conversation before we started, I really do feel that Mr. Cohen has a good understanding of the unique nature of this branch and trial courts.

>> Mr Cohen has a good understanding of the unique nature of this branch and trial courts. My question is, you have 58 trial courts that are independent, and have to operate their own budgets, if you will. They have to be responsible for their own cash flow, payroll, and all the things that a court has to take care of. Our single greatest concern is not having sufficient funds for cash flow. We are not talking about our money, per se, we are talking about paying the bills. We are in that unique category of having to write the checks, to pay salaries etc. From our greatest concern, it is without a reasonable reserve, we will not be able to pay the bills, we will literally have to shut courts down? That is my first question, what are we going to do about that?

>> Thank you for the question. I agree with you, trial courts are a unique entity in the state. Certainly we have no interest in creating a situation where courts cannot pay the bills. Within a set budget, if there is no cash flow, we did -- my staff engaged with proposing legislation, prior to the budget to help on the cash flow side of things, and certainly as the result -- reserve policy continues to be implemented if there are other tools necessary, or come to light, I am committed to working on those and making sure bills can be paid on time. I do think the cash becomes intertwined with the budget within the set budget -- dollar amount and you are not able to spend as much money as you would like. This is the nature of budgeting. Once we figure out your year's worth of expenses within the dollars that you are given, you should be -- it is critical that you are able to meet the cash flow demand in terms of what month those expenses paid. As we

continued down the road of implementing the reserve policy, anything on that cash flow side, we are open to continuing to make any changes.

>> Thank you. The other thing I wanted to mention, I primarily do criminal cases, that is really a substantial large segment of our work in trial courts. The biggest single call, on the street, is drugs. Drugs seem to be 75% of the crimes we see, drugs are somehow involved either directly or indirectly. I just want to put in a plug for smart programs that pay for good drug treatment, every dollar I see spent on that, we save at least three dollars at the other end, in terms of keeping people out of prisons. Restoring them back into society, I think we not only have to be budget wise but smart in our expenditures. That is our little plug.

>> Thank you Mr. Cohen for meeting with us today. I am the court executive officer here in -- Mr Cohen, thank you for meeting with us today.

>> We hope to break ground in a couple of weeks. This means a lot to us and the community that we will be serving. My question is, and it relates to your background perhaps, if you could share with us to what degree you are anticipating recommendations reported by the analysis office.

>> As you heard in my bio, I spent the first 13 years of my professional career, we started on the local government, we treated the court assignment, we had opportunities as a unique, and at that point we were transitioning through the local court system to a state-funded system, and I think the analyst office has clearly molded how I think about state issues. I take their reports very seriously, I read all of them. That is not to say that I agree with all of them. Sometimes I didn't agree, when I was there with conclusions, there were times where there were people with different factors in building a recommendation, I would bring more emphasis to one thing. We have gone to a different conclusion. And then now in our current role, I clearly have a lot more factors on policy areas, they have had the luxury and the benefit of caring about what they think and not taking into consideration, and actually getting the votes for a budget, and many -- incrementing the budget policy. I would take into consideration everything. I have no expectation that the Governor's budget will be 100% reflective of what they I owe will recommend.

>> [Captioners Transitioning]

>> What degree do you think it will be a substantial use to us?

>> That is a great question for me to use and -- an example. When we are doing our revenue forecast, we would forecast for one year but it would not go into effect for another. We did try to build them in.

>> The exact numbers do escape me. I think it was \$150 million. We had support from the board of equalization. We were in the right ballpark. We are constantly adjusting them. That

gives you a perspective. When you are talking about \$100 million to \$200 million. It is not going to swing a fortune of the state in itself. The change has brought Amazon into the state distribution centers. The employment that comes from that is important. Now our numbers, have our built-in expectations. But every time we do a new budget forecast, we are looking at changes. What has changed since the last forecast?

>> I am doing my best to help you out.

>> The second one, I am a trial court judge as well. Just to take it a step further, about the reserves. In addition to the cash flow, and the funds that we do not receive for nine months. And we have to put the money up front. It does make it difficult without a reserve. My question to you, cash -- we do not have the money to make operational expenditures. We have a breakdown with a computer system or something like that crashed -- we have to upgrade it and make it better. As opposed to asking you for a lot of [Indiscernible]. And it is not a great business practice. To look at something to see if it is something we can for. What is your general feeling about -- is that something that courts could possibly look to in the future? Are we going to look at it BCP time of the procedure that we both do not want?

>> Clearly the reserve policy change was influenced by our budget situation. You had dollars and you needed dollars. More than that, I think it is a philosophical issue for the administration. To continue moving to a state-funded system. We use the reserve policy as a shift from local reserve to a statewide reserve. I know the county might have a similar problem. You have emergencies and unexpected costs. We see those things statewide. Obviously, how big is the reserve? At the statewide level? How big is the overall budget? If it is larger, you might not need a reserve.

>> I would love to live to see that day.

>> We are working towards that. I can argue that we are in better fiscal shape since 1999.

>> I cannot afford to have the system break. But I do know it needs to be replaced. What about that situation?

>> We do not want to get into phone system reviews . I think it will be at a broader level. How much the judicial branch should have as a whole. And leave it to you as a body to figure out more of the allocation at that granular level.

>> We have one more question.

>> Mine is a follow-up. He asked, if there was a policy in your office with respect to our branch. Examining our budget. I wrote down your words -- you will look at our budget with indifference. The example you look at Cal Tran and consumer agencies. But my question is,

does my branch enjoy priority for sensitivity with budget control? Is it reviewed the same way as Cal Tran?

>> Ultimately, in terms of priorities. And where the dollars go. That is the Governor's call. His priorities are my priorities and where the dollars go. The voters voted for the budget. There is a maximum that they can receive each year. The Governor in recent years has not included any increase in the Legislature budget in his proposal. It is not the Legislature again it is this number and we will plug it in. And the Legislature budget is going through. Obviously the judicial branch has more operational [Indiscernible] then not the Legislature.

>> It is not exactly the same type of review. But we are still looking at the Legislature's budget.

>> We are grateful that you came and spent time with us and answered our questions. Thank you so much.

>> We will have a recess for approximately 15 minutes. For approximately 15 minutes.

>> [Session is on a 15-minute recess. Captioner on standby. Thank you]

>> We are back in session. This is an action item. The acting judge is Laurie Earl. We have assistance with PowerPoint. Thank you, Mr. Cohen.

>> I want to provide a brief update. The last time I was there for you was in April. We made the decision that it would be important for us to open the meeting to the public. When it comes to how we make decisions on how we get the money from legislators. And they can hear us deliberate. In July, we did open up the meeting. It was streamed live. We posted our materials a week ahead of time. We thought there was great success and appreciation throughout the state. We invited public comment. We had both written nature and those who attended. The night before the meeting, that technology of equipment to stream the meeting inexplicably died. We tried to repair or replace it, and we were not able to do that. Unfortunately, our second meeting we could not stream it live. And we could not accommodate all of the interested parties on the telephone line. It was posted within 24 hours. It has been a good process. It has been a process that we found valuable. So we will continue to move forward with public meetings. We did have a public comment, we had federal court interpreters. Found the agenda on the website, which is posted a week ahead of time. We found this to be invaluable I think. So, moving into the work of the budget advisory committee on the funding model. You may recall, when we presented this to the council in April, we told you we had a number of items on our parking was that we needed to look at. One of those issues or components of the model that we felt was important to identify. We have provided a modification of the model. We believe it is a living and breathing model that will develop over time. We got down addressing this issue to allow input from trial courts.

>> We put together a subgroup. There was a willingness to appoint advisory members to the new income advisory committee. We had some folks that were rotating off the group. We were talking about this unique -- to allow the cheek to remain. We had incoming members. We really do value having new members. We were able to work through this on a very long day. It was a hot day in Sacramento. Then the subcommittee approved it on August 13. We took it to the advisory committee a week ago. And it was met with enthusiasm and it was approved. We view this as an opportunity to assess the model. When a court believes there was [Indiscernible] that should be included there is a process which the courts can approach and say we pick this is what needs to be included in the model. This will be an annual basis. We worked out the process of those requests. The first process, would be for the Trial Court Budget Advisory Committee to review the request. And get it should form a basis for a potential modification. If it is determined we move onto the evaluation on how to we do that test if it is a case type that is not covered in RAS. We recognize there are circumstances where that change to the model might not be work related. It might have its own separate bubble. How do we go about incorporating that practically and mathematically? It is an internal process that the committee will have to go through before we can submit it for formal adjustment. As you have seen, we have worked out the details on the timeline. What would be necessary for that budget advisory committee to consider? An adverse recommendation we bring to you, for you to approve the process. Then I can move on to recommendation number two. To develop the appropriate application forms subject to the criteria that we think is inappropriate.

>> In terms of recommendation for number two, our intent is to incorporate existing forms; for example, the emergency [Indiscernible] for 2%. And to gather some information.

>> Let me also just comment -- we try to make this process tight. If we are going to achieve equity, we want to identify factors that are applicable to all courts. Along the line we had a discussion -- what happens if the court makes a valid case that there should be modification -- and if we agree should they immediately get funding? This is something we have to work through. We may not have an answer for a year or two. If the recommendation is that they should get adjustment, it should be an incremental basis. For instant in fiscal 14-15 and -14 and 15 if we were to adjust the model, the funding for that is approved and would be included on [Indiscernible]. We were -- in order for us to do this we would be shifting money unless we got new money.

>> I just want to say how impressed I am that you have had such a transparent and open process. I think Judge Earl and Judge Chon should be approved. So I approve.

>> I second.

>> All of those in approval for recommendation one and two, please raise your hand. And say [Indiscernible].

>> Those opposed?

>> We have Justice Robert Dondero and Dr. Diane Cowdrey.

>> Good afternoon everybody. I would like to say how privileged I am to present this first item. Being the Chair of this advisory committee during the 40th anniversary year has been a wonderful experience for me. You -- as you know that come -- committee has a rich history. Judge Mary House and [Indiscernible] led the [Indiscernible-static]

>> CJER was created by a result of collaboration between the California Judges Association and continued education bar. This is the model with its four-year history and its success. We have a positive relationship with virtually every trial court.

>> Its reputation drives largely from its dedication, service, and providing the highest quality to the court. This is been a paramount feature of this organization. I would like to show the video that was prepared.

>> [Video playing]

>> In our society justice comes from the people. The third branch of government is responsible for interpreting laws and interpreting -- [Indiscernible-low volume]. California handles more than 10 million cases a year. The branch has 19,000 employees, including judges, commissioners and referees. Because of the dynamic and diverse city, -- diversity, recognizing [Indiscernible-static]. Determine the California is similar to the national Judicial College. But we do have obstacles.

>> It is difficult to hold the -- colleges if we did not have due judicial [Indiscernible]

>> Various leaders came together, and out of that -- CJER was born.

>> This story began 40 years ago.

>> In California, there was a step to ensure education. There were two organizations, the California Judges Association and that annual Institute for Judges. They met with the Judicial Council. And to secure stable funding for education.

>> The result of this meeting, the Center for Judicial Education Center.

>> In 1976, California added funding for CJER. We have audiotape classes. In 1993, the committee formally became an advisory committee. In 1994, it moved into that AOC office building. The responsibilities expanded to include education for the judicial system. In 1997, it was expanded to include administrators. That same year, there was training for ethnic, gender [Indiscernible-low volume] ethical training. At the dawn of the 21st century, developed a satellite broadcast system that connected all the courts in the state. As technology improved,

there was cutting edge technology introduced for education. To ensure that California courts family have education.

>> This center would not exist without the support of judicial officers across the state.

>> We have judges that are better trained in the law. And it is working well. And it will translate nicely in Los Angeles.

>> It is a wealth of knowledge.

>> We can give education or training to the judge.

>> In addition to in-person training, we have web-based training. This makes it possible for the judges to access education when needed.

>> There is the electronic discovery -- we have wonderful [Indiscernible]. And we also have online courses. We are teaching ourselves.

>> We have hundreds of resources. That support justices, judges, and the courts today.

>> They give their time, and energy, and expertise to the program.

>> This is going to be a college of judges, by judges, for judges. And teaching judges by judges is a critical course.

>> As it turns out, it benefits everybody.

>> You are teaching judicial skills. I do not know how you can teach -- and not become enthusiastic about what we have become. It is to learn and to become better.

>> This is a great way to keep judicial in the form.

>> It is a terrific group of people. Activities that help connect judicial and the public. These are the faculty members who work with [Indiscernible] .

>> We have new curriculum committees. We have judges that help with the curriculum, and classes.

>> Providing justice, consistent and fair justice for everyone in California.

>> [End of video]

>> Just so you know, the producer is Greg Dex. And if you see him tomorrow tell him he did a great job. He did all of the drawings and the computer programming. And that is his voice speaking.

>> It is extraordinarily effective. I have to use tell you, I like the judge development.

>> While we are honoring the 40th anniversary, [Indiscernible-static]

>> Since the time they joined the AOC it has benefited greatly by being a part of the AOC. It is more effective in fulfilling its [Indiscernible] .

>> Whereas there -- there were no formal programs in California. This was rectified by the judicial [Indiscernible]. It soon became clear that a more effective approach for the [Indiscernible] to combine their efforts. This collaboration resulted in the [Indiscernible-static]. Swimming and delivered -- And also delivering education to judges. Of actually merging with the Administrative Office of the Courts, and leading the council efforts in education according to the counselors' strategic plan. They continue to develop education at the highest quality utilizing effective delivery methods to meet the branch. We proclaim and acknowledge the 40th anniversary for an exceptional institution.

>> [Applause]

>> In 2011, we had a period time we have for different kinds of -- categories -- it was a difficult situation for us. As we talked about what we should do with it, this is what our long-time provisional [Indiscernible]. The solution was in our hands. It was the CJER bench guide. The materials were all there and they were available. We were talking about what to do with this. I remember a conversation with Justice [Indiscernible]. This court momentum was that everyone could grasp. And it went through with very little opposition. I made a motion to accept this approximation.

>> May I ask a favor? You allow Judge Hardcastle [Indiscernible-low volume]

>> Thank you, Chief, and members of the Council. As pointed out in the video, and the process that brought us together. It is -- we are sponsoring a program jointly with the University of Pittsburg in San Diego. We could only limited to 35. And I was told that the program was sold out in 15 minutes. We are glad to continue that. And I am enthusiastic that we should -- and I am enthusiastic about this program.

>> We have worked with CJER for many years.

>> I have been able to teach. I have been teaching since that year 2000. It touches upon the lives of every single judge. Whether it is new judge orientation, or judges -- courses, or starting as a criminal judge. How to be an expert in family law. The tireless work, who created a wealth

of resources that provide judges with the ability to keep up with the law. There are video courses, online courses -- you can go to a bench guide. And now that step by step -- what to do to cover that area of law. It is such a comfort to the judges. And all of the judges rely on those resources and education. I could not teach without the support of the staff. I could not do this with my day job. They provide the resources, that outline, and the materials. We love the assistance and the support. For the teaching judges, we could not do this without the excellent support of this staff. I congratulate you on your success in the last 40 years.

>> It's baking -- I think baseball metaphors are important. It has occurred to me as judges we have to bat 1000 times. You are hitting over 300. But judges we have to hit the ball every time. We have to get it right every single time. Education is important. And I have had the perspective of [Indiscernible] and being a student. I just recently spoke to it -- a college. This provides judicial education throughout the country. I have to say for most of her perspective I am impressed, with the staff and not programs. You are so professional. As a student and as a teacher, I want to say, well done.

>> Judge Elias?

>> The first time I taught was in 1991. I always look forward to teaching. I think my work with CJER has been wonderful. It is wonderful when a judge gets help.

>> Judge Herman ?

>> I would like to second that thought. The lawyers that help prepare the material, the staff that assist us at the college, a new orientation. It is a wonderful partnership. And also one of the features that was not mentioned, was CJER on the road. I was at a meeting -- [Indiscernible-low volume]

>> I know those courses are being taught onsite. I think the next one is going to be in Courree County.

>> Kudos to Dr. Cowdrey. I hope I look this good when I turn 40. [Laughter]

>> I never have taught -- but I have been a consumer of its services. I cannot tell you how every single day -- working with CJER has been outstanding.

>> All in favor of adopting this proclamation, say aye.

>> I want to thank Dr. Cowdrey, and I would like to have some photo opportunities with the council.

>> Thank you.

>> Item number four. It is an informational item.

>> Thank you. Our next item deals with restructuring CJER [Indiscernible-static]. We felt it was the time to come before the council and review the efforts that CJER has made and our adjustments to them. That video that you have just seen, they have grown over the last four decades. We have a detailed history and growth. We have had to make changes in the response to court resources. The fiscal downturn has resulted in a significant restructuring in the CJER organization. How do we develop educational products? And to bring existing curriculum to new audiences. The educational program to trial courts, Dr. Cowdrey, worked with the governing committee to determine best how to postpone [Indiscernible]. The council will soon review and hopefully approve the next two-year plan. We do have information about the changes that have resulted in this directive.

>> Over the course of the last few years, CJER has gone over some significant restructuring. It is due to the budget restrictions. We are looking for a way to greater streamlined services and create and find more efficiencies in the program. I think if you will take a look at Attachment A, you will see the organizational structure. This is transparent structure. And it is focused clearly on our direct functions. It identifies the correct function the office is performing. Diane and her staff work together to put this together. And it is functioning quite well. We did not get Ellen's report. I do want to mention a few -- other couple have been implemented. We have 82 which was that CCMS scheme. And to move the staff and redeployed into education. The same in 83 which was a reduction in the delivery of educational technology. And a number of staff being redirected to other places. There has been significant reduction in the course content and publication unit. Through that, there has been some significant streamlining of their functions. One other note I want to make in reference to the restructuring and reorganization. They have been working extraordinarily well with the other directors in the court operation division. I think that has aided the entire division. Seeing this collaboration. Making each of our offices within our division stronger. And better educated. And better providers of services. And part of those have already been implemented. And plan on coming back with those in October. One last thing before Diane gives you the details. I want to congratulate CJER, Diane, and her staff. They continue to provide quality program in a world of reduced resources. And in the midst of going through a challenging restructuring. And we continue to deliver quality courses. I did get to know Diane and her staff well. They are definitely committed to provide education. And thanks to Justice Dondero. I think this is a strong piece of AOC. With that, Diane would you like to talk?

>> Thank you. What a nice thing it is to be part of the 40th anniversary. But I thought -- wait, I have been here for the last five years too. So it is nice to hear some positive. I'm going to talk about the restructuring. I have a graph. This is just a summary on what is in the chart. I think it is Attachment B in your material. This shows the reduction in our staff. It has been reduced by 37%, I apologize it is 36%. Some of it was natural nutrition. We have had some people leaving from a voluntary separation program. We also had to lay some people off. Then we had some positions transferred. But overall, the goal was to reduce the size of CJER. In June, we had 104.

Now we are down to 67. Is that right? The other thing that we did, we had temporary staff. And we converted all of those, those there and those were supported. I think this is a streamlined smaller organization and we are clear about the responsibilities. And it is about development and one is about delivery. And we work collaboratively together. You will note some of the financial reduction we have experienced. And some of those reductions fuel some of these efficiencies. It is noted in Attachment C. We do talk about how we get the pressure of budget reduction and to be creative. It has impacted how we provide our education products. And the number of live events we do. I think the funding to support education has been from [Indiscernible] when it is over 60% reduction for us. We started in fiscal year 2010 with \$3 million, now we have \$.3 million. Just an example on how we did some of these reductions. We offered our institutes that used to be annual institutes for expert areas, to do this every other year. We started to do some of these smaller programs. We could courses to the court. We typically did something that was a half day or a full day. We would do 35 or 40 people. This is one way that we try to do things differently. We also have faculty in rotation. We brought our faculty in the studio and created videos. And people were able to see these videos at their leisure. There were many options available to deliver their education. We were able to meet these changes. I think the most important factor is the dedication of our staff who cared enormously about their service. I cannot stress enough how the dedication made it possible for us to be flexible and to adjust the way we do business. If you look at Attachment D, you will be able to see all the things that we did this fiscal year. We did 36 statewide programs, 30 a regional, 14 [Indiscernible] in 18 broadcasts, six video conferences, WebEx programs, online courses, and bench guides.

>> I was told to talk about hotel selection. So the process of attaining [Indiscernible] is done by the conference service which is located in CJER. They perform [Indiscernible] for the educational program. They manage this process. I will not go through all of these steps. I will just show you this version. It is nine-step process. There are 2 1/2 people in the conference registration services. They conduct all of the solicitation for lodging. We have about 75 that are conducted every year. Because this is a process -- where we do not have flexibility. It is the same processing we have supporting 40 people or hundreds of people. One issue that we have experienced, we have a reemerging economy, where hotels are less interested in our business. We are getting fewer and fewer hotels that are getting business from us. A couple of examples, we had a presentation in June, we did not have any San Francisco hotels bid on it. The only one within [Indiscernible] so we had to settle our people. In February 2012, we had no responses in San Francisco. We had to go outside of Sacramento for another orientation. Sometimes we will have a date that will work for hotels. It is really a luck of the draw. We cannot communicate with the hotels during the contracting process. It is really a shot in the dark. I think it is next week -- for the [Indiscernible] we just happen to have a lot of bids. But it does make it difficult -- they will see judges being shuttled. And the presiding judges get the best hotels. This is nothing that we can control. It is hit or miss with the hotels. They do get higher rates with other businesses and there is more application. And that hurts us. You may or may not be aware, a hotel, the Bellagio, told us they did not want to do business with us anymore.

>> They are not interested in us. [Laughter]

>> The other issue is we have a very complex process that we are required to follow. Because we are contracting -- often it does take a long time. And sometimes the hotels do not want to deal with it. We have mandated an evaluation process. And so we have to go with the cheapest one. We have had some questions about why we don't hold more programs -- some of the costs are higher if we were to go to Los Angeles. If we would go to Los Angeles it would cost four to six times more than if we met here. There is more AOC cost. In Sacramento in terms of holding programs there, we have been experiencing fewer hotels responding to us. We will ask the whole state and we will get very few bids from Sacramento. That is a quick summary about the idiosyncrasies and what the issues are.

>> Judge O'Malley.

>> I was curious, when you talk about this process for RSVP what is the amount of time it takes? Sometimes, you do not have time to put in another bid to get another hotel. You need to tell people how long it takes.

>> It typically takes -- the range is between 2 1/2 and 3 months. It is a long process. And it does make it harder if we do not get a bid and we have to find a new location or a new set of dates.

>> Thank you. I have admired your work for quite a long time. It is impressive. I do want to make one note concerning your information about the Bellagio Hotel. I had stayed there. I want to quote Groucho Marx, I do not want to stay in a hotel that would have me as a guest.
[Laughter]

>> Thank you, Diane and Curt.

>> I want to remind the counsel that the CJER provides high quality education to the trial courts in California. This work is naturally dependent on the superior quality of the staff that works at CJER. I would like to emphasize, and it has been said already by others, we now know anyone that has attended a CJER course uses CJER long after court. We could not find the time to prepare these materials ourselves. We rely on CJER to do the work. Ladies and gentlemen, the bottom line, CJER does the same work that the courts experience daily. I share the concern with these attorneys, that they not be reclassified. Thank you for your time and attention.

>> I want to thank you for an extraordinary program. Thank you.

>> I have had the privilege of serving many years as a faculty member for CJER. The judges who receive my instruction are fully mature. It has been 25 years since I taught my first course. It was 1988, actually. It is a great treat and a great joy. It is about frosting on the cake.

>> The fiscal difficulties have made greater demands, because the cost of face to face education costs the most. I am grateful to the governing committee and to CJER and the fine work they have done.

>> Thank you.

>> Our last item is that judicial distinguished award.

>> Claudia Fernandez will present.

>> Thank you. It is a special honor to be able to represent recommendation to the council. You will find our report and the information on the awards. And the nomination process. It is item number five. It is in the process of being distributed. We present five distinguished awards to recognize individuals. We received a number of nominations this year. We have had many examples -- as we have done in previous years. These awards will be presented in January. The nominations were reviewed by Justice Miller, Justice Hull, and myself, and with assistance with Justice Jahr and Claudia Fernandez. The Ronald M. George award goes to Laurie M. Earl, the presiding judge of Sacramento.

>> I am not sure about that. [Laughter]

>> For the William C. Vickrey Leadership in Judicial Administration Award. The recommendation is to present that award to Jim Turner, executive officer of the superior court.

>> And for the Bernard E. Witkin Amicus Curiae Award, the recommendation is to present that award to the Hon. David Rothman, retired judge of the Los Angeles superior court. A name, I might add, that is synonymous with judicial ethics. And for the Richard D. Huffman Justice for Children & Families Award, there are two individuals recommended: Judge Becky Dugan, from Riverside and retired Court of Appeal Justice Laurence D. Kay who chairs the Domestic Violence Task Force.

>> And finally for the Stanley Mosk Defender of Justice Award. A native of California, a member of the California Bar, and an individual who has an impeccable reputation, Secretary Leon Panetta. With that I move the recommendations.

>> It was seconded by Judge Baker. All in favor, please say aye.

>> It has passed.

>> This concludes our business meeting today. We will reconvene tomorrow, Friday, at 8:30.

>> That address is casual.

>> [Event concluded]