



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

Title	Agenda Item Type
Budget: Fiscal Year 2013-2014 Requests for the Supreme Court, Courts of Appeal, Judicial Council/Administrative Office of the Courts, the Judicial Branch Facility Program and the Trial Courts	Action Required
	Effective Date
	August 31, 2012
	Date of Report
	August 28, 2012
Rules, Forms, Standards, or Statutes Affected	Contact
None	Zlatko Theodorovic, 415-865-7584
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Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch	
Administrative Office of the Courts	
Zlatko Theodorovic, Director, Finance Division	

Executive Summary

The Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch recommends that the Judicial Council (1) approve the proposed fiscal year (FY) 2013–2014 budget requests for the Administrative Office of the Courts (AOC). It is further recommended that the Judicial Council (2) approve the proposed fiscal year (FY) 2013–2014 budget requests for the Supreme Court, Courts of Appeal, the Judicial Branch Facility Program, and trial courts and (3) delegate authority to the Administrative Director of the Courts to develop budget requests for judicial branch entities as well as the authority to make technical changes to any budget proposals, as necessary. Submittal of budget changed proposals (BCPs) is the standard

process for proposing funding adjustments in the State Budget. This year, BCPs are to be submitted to the state Department of Finance (DOF) by September 10, 2012.

Recommendation

1. The Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch recommends that the Judicial Council:
 - a. Approve the proposed fiscal year 2013–2014 budget requests for the Administrative Office of the Courts for submission to the state Department of Finance; and
 - b. Delegate authority to the Administrative Director of the Courts to make technical changes to budget proposals, as necessary.
2. The Administrative Office of the Courts recommends that the Judicial Council:
 - a. Approve the submission of budget change proposals (BCPs) to the state Department of Finance for FY 2013–2014, which would communicate funding needs for the Supreme Court, Courts of Appeal, Judicial Branch Facility Program, and trial courts, as identified in this report;
 - b. Delegate authority to the Administrative Director of the Courts to develop budget submission to the state Department of Finance; and
 - c. Delegate authority to the Administrative Director of the Courts to make technical changes to budget proposals, as necessary.

Previous Council Action

The Judicial Council has statutory authority to approve budget requests on behalf of the Supreme Court, Courts of Appeal, Judicial Branch Facility Program, trial courts, and the Judicial Council/AOC. The recommendations in this report are consistent with the council’s past practice under this authority.

Rationale for Recommendation

Each year, the AOC presents budget concepts for review by the council. Budget concepts approved by the council will be developed into full BCPs. The current estimated need is indicated in parentheses after the program title.

Judicial branch policy proposals

Legislatively approved ongoing reductions to the judicial branch from FY 2008–2009 through 2012–2013 are in excess of \$782 million. While the Legislature authorized new revenues as well as provided a series of one-time and limited-term funding offsets to mitigate the impact of the ongoing reductions on the trial courts, the Supreme Court and the Courts of Appeal, absorbing reductions of this magnitude will impose a difficult challenge and will severely impact the public’s access to justice. Judicial Council approval is requested to proceed with the development of the following FY 2013–2014 policy BCPs to address baseline resources for the trial courts and state judiciary:

Legislative/statutory changes to reduce operational costs. Propose changes in current law to allow for better management of authorized judicial branch resources and propose reductions or elimination of the least critical functions. This proposal is consistent with the DOF FY 2013–2014 Budget Letter #12-15, issued July 31, 2012, which states: “Departments may submit BCPs to propose changes in current law to reduce or reorganize their statutory responsibilities so they can better manage within their authorized spending level, and propose reductions or elimination of the least critical functions.” AOC staff will be soliciting input through the Trial Court Presiding Judges Advisory Committee and the Court Executives Advisory Committee for development of legislative proposals to implement statutory changes to reduce operational costs.

Judicial Branch legislation-based proposals. The following proposals are consistent with the DOF FY 2013-2014 Budget Preparation Guidelines Letter #12-06, issued May 4, 2012, which states that “funding for chaptered legislation that does not contain a specific appropriation must be requested in a BCP.” It also states for legislation enacted after August 31 “BCPs must be submitted no later than 10 calendar days after the chaptering of the bill.” The following proposals will address fiscal impacts to the judicial branch generated by recently enacted legislation:

The California Homeowner Bill of Rights is a nine bill legislative package that includes over 60 new causes of actions, nearly 50 expanded criminal sanctions and over 40 opportunities to file for injunctive relief, all of which rely upon the authority of the courts to adjudicate and enforce. The intent of the legislation is to respond to the impacts of the foreclosure pandemic on millions of Californians who have lost their homes without rights or remedies, and to prevent the next wave of homeowners, estimated to be at least half a million, from suffering a similar fate. The courts are required to enforce those civil rights and remedies brought before them and adjudicate the criminal prosecutions. The anticipated volume of potential victims, as characterized in the outreach speeches, materials and online postings by the bills’ proponents, is such that a budget change proposal is reasonable in light of the expected fiscal impact of these laws on the courts.

Chaptered legislation with fiscal impacts. As many as 45 bills creating new crimes are winding their way through the legislative process this session. Examining the average time spent by judicial officers and court staff on the various case types, average costs of new felonies, misdemeanors and infractions can be quantified. While the dollar figure for these 45 bills could exceed \$10 million (based on estimates as prepared by the Office of Governmental Affairs since the Judicial Council has no way to predict the number of new felonies, misdemeanors, or infractions that will be filed under the authority created by these bills), the current number of bills with fiscal impacts (two) and their dollars amounts (combined for \$76,500) are limited to those signed by Governor Brown as of August 17. This information will be updated as the final outcome of these other bills is determined.

Appellate Courts baseline realignment proposals

The Judicial Council’s approval is requested to proceed with the development of BCPs for FY 2013–2014 to address realignment of existing resources and request restoration of baseline

funding for the Supreme Court and the Courts of Appeal. Ongoing cumulative budget reductions to the Supreme Court and Courts of Appeal total \$4.250 million and \$19.194 million respectively. The Legislature annually appropriates funds in the enacted state budget to fund courts of review operations. Any unused funds are returned to the state fund from which the appropriation originated. The appellate system's ability to manage reductions of this magnitude are further constrained as they have no fund balances that may be used to mitigate or offset the impacts to court operations. Pending further review of baseline resources; workload needs and evaluation of new appellate filing fees authorized by the Legislature that partially offset reductions to the appellate courts budget change proposals may be developed to address the realignment of existing resources and propose restoration of baseline funding.

Trial Courts

From FY 2005–2006 through FY 2007–2008, the trial courts received new funding from the General Fund based on the percentage change in the State Appropriations Limit (SAL). As a result, few trial court BCPs were submitted to the DOF during that time. With the worsening of the fiscal situation in FY 2008–2009, SAL was suspended for the trial courts and, instead, new court funding was approved based on the lower Consumer Price Index. Beginning in FY 2009–2010, the Legislature suspended formula-based funding increases for all state funded entities. With the continuance of the fiscal issues facing the state, suspension of these indexed increases is expected to continue in FY 2013–2014.

Historically, we would propose the submission of BCPs to address cost growth in certain nondiscretionary areas. However, the DOF FY 2013–2014 Budget Policy Letter #12-15, issued July 31, 2012, states: “Departments must continue to control costs, increase efficiency, and refrain from creating new or expending existing program. In furtherance of the Administration’s goal to establish a structurally balanced budget, departments’ ability to submit BCPs or Enrollment/Caseload/Population policy changes for the 2013–2014 Budget will be limited. These limits will apply regardless of funding source.” As they did in the prior fiscal year, staff will work with the DOF to pursue baseline adjustments to address increased costs in the areas of court employee retirement, retiree health, health benefits, and parole revocation. Once again, this process will eliminate the need for BCPs in these areas. In addition to these baseline adjustments the following Trial Court BCPs are proposed for FY 2013-2014:

- Costs associated with statutorily required audits, which will be performed by the Bureau of State Audits;
- Replacement of case management systems not related to the SUSTAIN Justice Edition case management system (discussed on the following page);
- Replacement of the SUSTAIN Justice Edition case management system (discussed on the following page); and
- Solutions for facility costs that courts can no longer support due to funding reductions related to fund balance.

Trial Courts Audits (\$3.75 million)

Pursuant to SB 78 (Chap. 10, Stats. 2011) and amended or added to pursuant to SB 92 (Chap. 36, Stats. 2011), the judicial branch's implementation of the California Judicial Branch Contract Law shall be assessed (audited) by the State Auditor. The audits of six superior courts selected by the State Auditor as a pilot audit program shall commence no later than December 15, 2012. PCC § 19210 (d) states the cost of the audits shall be paid from funds of the local trial court being audited.

Trial Court Case Management Systems Replacement

Given the magnitude of the cumulative ongoing reductions to the Trial Courts, at the March 27, 2012 Judicial Council meeting the council voted to stop deployment of the California Court Case Management System (CCMS) V4. Additionally, the council directed the CCMS Internal Committee, in partnership with the trial courts, to develop timelines and recommendations to the council for strategies to assist trial courts with existing critical CMS needs including those courts currently utilizing the Sustain Justice Edition application. Budget proposals to address the courts' critical CMS needs are discussed below.

Trial Courts Critical Case Management System Replacement Needs (\$TBD)

A number of Trial Courts deferred replacing their case management systems with the expectation that the California Court Case Management System – CCMS V4 -would be deployed as the statewide, enterprise case management solution. As a result of Judicial Council decision to stop the deployment of CCMS V4, a long term solution for courts with critical case management needs is now required. Due to outdated technology, lack of support services, and the suspension of county hosting services a solution is critical for a number of courts. A proper, functioning case management system is required for the courts to operate effectively and continue to serve the public without business interruption.

Four courts (Kings, Mono, Solano, and Sonoma Counties) have been identified as having critical case management system needs and will require a case management system replacement in the next 12 months. From the Court Technology Needs Survey, a number of courts were identified with needing case management system replacement in the next 1 – 5 years. Besides the Sustain courts (funding being sought in a separate BCP), there are 14 courts; these include: Alameda, Butte, Calaveras, Contra Costa, Fresno, Mendocino, Orange, Sacramento, San Diego, San Mateo, Santa Clara, Sierra, Tehama, and Ventura.

Trial Courts Sustain Case Management System Replacement (\$TBD).

Currently 16 Superior Courts use the interim case management system, Sustain Justice Edition ("SJE"); a software package developed by Sustain Technologies, Inc. ("Sustain"). With support for 2,000+ users, and 27% of the counties, the Sustain application was intended as an interim case management system solution, pending the deployment of the statewide California Courts Case Management System – CCMS-V4 beginning in FY 2014-2015. The SJE product from Sustain is a client/server application developed with older technology. While the Sustain vendor

continues to support the SJE product and issue new SJE releases at this time, they are currently marketing and deploying a new Web based system known as E-Court. Given the legacy nature of the underlying technology used for the SJE application and release of the E-Court web based system it is anticipated that in the near future Sustain will likely discontinue support for the SJE application. The BCP will provide funding for courts currently using SJE and hosted at the CCTC (California Court Technology Center).

Trial Court Facility Costs (\$TBD)

Over the previous years, a number of courts accumulated fund balances to pay for multi-year facility costs (e.g., leases). With the funding reduction targeting courts' fund balances, including a \$235 million reduction that was required by the Budget Act of 2012 to be allocated according to each court's share of statewide 2011–2012 ending fund balance, these courts will likely not have the resources to pay for the future costs without further reductions to court operations.

Judicial Council/Administrative Office of the Courts

The AOC has reviewed workload and cost information related to the provision of services to the courts and the public, as well as for internal infrastructure needed to support judicial branch operations. The review process included determining whether the costs associated with workload growth and cost increases are justifiable, whether or not the judiciary has sufficient resources that may be redirected to address these workload growth and cost increases, and, finally, submittal of AOC proposed BCPs to the Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch.

The advisory committee was appointed by the Chief Justice to, among other responsibilities, review and make recommendations to the Chief Justice, Judicial Council, and Administrative Director of the Courts on annual budget change proposals for the AOC. The committee recommended approval of the following proposed AOC BCPs at their August 13, 2012, meeting (committee recommendation is not an indication of AOC or branch priorities):

Judicial Branch Facility Program budget proposals:

- Ongoing General Fund appropriation for service fee for the new Long Beach Courthouse (\$33,832,000) as required for the Project Agreement entered into by the Judicial Council of California, AOC and the Long Beach Judicial Partners LLC for the design, construction, financing, operation, maintenance and management of the New Long Beach Court Building. Occupancy is scheduled for September 2013.
- Increased appropriation authority from the General Fund (for transfer to the Court Facilities Trust Fund) to address increased operation costs for new and renovated courthouses for Contra Costa, Fresno-Sisk, Lassen, Mono, Plumas/Sierra, Calaveras, Riverside Mid-County, San Benito, San Bernardino, and Tulare (\$2,132,000).
- Increased appropriation authority from the General Fund (for transfer to the Court Facilities Trust Fund) for property and liability insurance premiums (\$2,740,000).

Delegation of authority to make technical changes

To the extent that the AOC receives additional information that requires technical changes to the funding request identified in this report, there may be a need to modify the BCPs being submitted to the DOF. For some of the proposals included in this report, the actual amounts may change as updated information is received. Rather than requesting that the AOC return to the council to seek authority to make minor adjustments to these proposals, having authority delegated to the Administrative Director to do so in advance will facilitate the dynamic budget process. In addition, each year during the course of developing the State Budget, issues arise that may need to be addressed on short notice. This possibility makes it advisable for the Administrative Director to have the ability to update and add funding proposals in an efficient and flexible manner. If the BCPs that are submitted to the DOF contain changes from the proposals contained in this report, AOC staff will report to the Judicial Council on these revisions.

Comments, Alternatives Considered, and Policy Implications

An alternative to recommendations 2(b) and (c) is for the AOC to return to the Judicial Council prior to submission of the BCPs at any time technical adjustments need to be made or if unanticipated issues arise. This approach could cause delays in getting proposals updated and submitted in a timely manner, and, for this reason, this alternative is not recommended. AOC staff will report to the Judicial Council on changes made to the proposals in this report.

Implementation Requirements, Costs, and Operational Impacts

Not applicable.

Relevant Strategic Plan Goals and Operational Plan Objectives

The funding proposals requested for the appellate courts, trial courts, and Judicial Council/Administrative Office of the Courts will address the strategic plan goals of Access, Fairness, and Diversity (Goal I); Modernization of Management and Administration (Goal III); Quality of Justice and Service to the Public (Goal V).

Attachments

1. Department of Finance 2013-14 Budget Policy Letter #12-15, issued July 31, 2012

BUDGET LETTER

SUBJECT: 2013-14 BUDGET POLICY	NUMBER: 12-15
REFERENCES: BL 12-06	DATE ISSUED: July 31, 2012
	SUPERSEDES: BL 11-18

TO: Agency Secretaries
Department Directors
Department Chief Counsels
Department Budget Officers
Department Accounting Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter sets forth the Governor's policy direction for his proposed 2013-14 Budget. As a reminder, BL 12-06, issued May 4, 2012, outlines due dates and the technical and procedural requirements for preparation of the 2013-14 Governor's Budget.

Priorities

The Administration's primary budget priority continues to be maintaining a structurally balanced budget that preserves critical state services and promotes the Governor's priorities. While the 2012 Budget Act closes the state's structural deficit based on current projections, departments must continue to control costs, increase efficiency, and refrain from creating new—or expanding existing—programs to ensure the state's fiscal stability.

Budget Change Proposals (BCPs) and Enrollment/Caseload/Population (ECP) policy

To continue a structurally balanced budget, departments' ability to submit BCPs or ECP policy changes for the 2013-14 Budget will be significantly limited. These limits will apply regardless of the BCP's funding source.

Accordingly, departments (including those not under the Governor's direct authority) should submit BCPs or ECP policy changes for the 2013-14 Budget, only in the following circumstances:

- **Statutory Changes Necessary for Departments to Manage Within Their Budgets**
Departments may submit BCPs to propose changes in current law to reduce or reorganize their statutory responsibilities so they can better manage within their authorized spending level and special fund balances. Departments should continue evaluating their responsibilities and propose reductions or eliminations of the least critical functions.
- **ECPs**
Departments may submit BCPs to reflect expected changes in programs' enrollment, caseload, or population. No new policy components will be accepted for ECP adjustments.
- **Governor's Reorganization Plans**
Departments may submit BCPs to implement the Governor's Reorganization Plans that have been approved by the Legislature.

- **Existing or Ongoing Information Technology (IT) Projects**
Departments may submit BCPs related to an IT project only if the project is currently underway or has been authorized to proceed.
- **Existing or Ongoing Capital Outlay Projects**
Departments may submit BCPs to fund a future phase of an authorized capital outlay project only if the project is underway or has been authorized to proceed. For new projects, only the most critical fire, life, safety, or court ordered projects will be considered.
- **Cost-Cutting**
Departments may submit BCPs to cut costs, or to authorize efficiencies to offset unavoidable costs such as price increases.
- **Improved Budgeting Practices**
Departments may submit BCPs as a result of any efforts to improve budgeting practices conducted as part of Executive Order B-13-11. In addition, any departments wishing to undertake such efforts, such as zero-based budget plans, should discuss options with their Finance counterparts.

Departments should assess whether statutory changes (including budget bill language) are necessary to effectuate any BCP that is submitted. If statutory changes are necessary, the Department's BCP must include a copy of the proposed legislation. This requirement is necessary for Finance to comply with its obligations under Government Code §13308 to submit proposed statutory changes to the Legislature, through the Legislative Counsel. BCPs, including requests for Budget Bill language changes, must be submitted to Finance no later than **September 10, 2012**.

In submitting BCPs for the 2013-14 Budget, Departments must use the latest BCP form. The BCP form and instructions can be found on the Finance public website: <http://www.dof.ca.gov/Budgeting/Forms>

BCP Confidentiality

Information contained in BCPs is an integral part of the Governor's deliberation process. Accordingly, every BCP must be treated as privileged and confidential until and unless the BCP is released to the Legislature as part of the Governor's Budget, the April 1 Finance Letter process, or the May Revision. Disapproved, unapproved, and draft BCPs (i.e., BCPs not released to the Legislature) remain confidential indefinitely, and may not be released. Final BCPs are those that contain a Finance supervisor's signature attesting that the BCP has been submitted to the Legislature.

Questions about Public Records Act requests, or litigation discovery requests, for budget documents should be directed to department legal staff and, if necessary, by department legal staff to Finance legal staff.

If you have any questions about this Budget Letter, please contact your Finance budget analyst.

/s/ Ana Matosantos

ANA J. MATOSANTOS
Director