



Judicial Council of California
Trial Court Budget Advisory Committee

TRIAL COURT BUDGET ADVISORY COMMITTEE
FUNDING METHODOLOGY SUBCOMMITTEE

MATERIALS FOR MARCH 7, 2024
VIRTUAL MEETING

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Judicial Council of California

Trial Court Budget Advisory Committee

www.courts.ca.gov/tbac.htm
tbac@jud.ca.gov

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TRIAL COURT BUDGET ADVISORY COMMITTEE FUNDING METHODOLOGY SUBCOMMITTEE

NOTICE AND AGENDA OF OPEN MEETING

Open to the Public (Cal. Rules of Court, rule 10.75(c)(1) and (e)(1))

THIS MEETING IS BEING CONDUCTED BY ELECTRONIC MEANS

THIS MEETING IS BEING RECORDED

Date: Thursday, March 7, 2024
Time: 12:00 p.m. to 1:00 p.m.
Public Call-in Number: <https://jcc.granicus.com/player/event/3360>

Meeting materials will be posted on the advisory body web page on the California Courts website at least three business days before the meeting.

Members of the public seeking to make an audio recording of the meeting must submit a written request at least two business days before the meeting. Requests can be emailed to tbac@jud.ca.gov.

Agenda items are numbered for identification purposes only and will not necessarily be considered in the indicated order.

I. OPEN MEETING (CAL. RULES OF COURT, RULE 10.75(C)(1))

Call to Order and Roll Call

Approval of Minutes

Approve minutes of the October 25, 2023 Funding Methodology Subcommittee meeting.

II. PUBLIC COMMENT (CAL. RULES OF COURT, RULE 10.75(K)(1))

This meeting will be conducted by electronic means with a listen-only conference line available for the public. As such, the public may submit comments for this meeting only in writing. In accordance with California Rules of Court, rule 10.75(k)(1), written comments pertaining to any agenda item of a regularly noticed open meeting can be submitted up to one complete business day before the meeting. For this specific meeting, comments should be e-mailed to tbac@jud.ca.gov. Only written comments received by 12:00pm on March 6, 2024, will be provided to advisory body members prior to the start of the meeting.

III. DISCUSSION AND POSSIBLE ACTION ITEMS

Item 1

Workload Formula Definitions for Various Funding Allocations (Action Required)

Consideration of the existing Workload Formula definitions for funding allocations for new money, no new money, and potential reductions included in the budget.

Presenter(s)/Facilitator(s): Hon. Jonathan B. Conklin, Cochair, Superior Court of California, County of Fresno
Mr. Chad Finke, Cochair, Superior Court of California, County of Alameda
Ms. Oksana Tuk, Senior Analyst, Judicial Council Budget Services

Item 2

Workload Formula Allocation Methodologies for Potential Funding Reductions (Action Required)

Consideration of Workload Formula policy and options for allocation methodologies for potential funding reductions included in the budget.

Presenter(s)/Facilitator(s): Hon. Jonathan B. Conklin, Cochair, Superior Court of California, County of Fresno
Mr. Chad Finke, Cochair, Superior Court of California, County of Alameda
Ms. Oksana Tuk, Senior Analyst, Judicial Council Budget Services

IV. ADJOURNMENT

Adjourn



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Trial Court Budget Advisory Committee

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TRIAL COURT BUDGET ADVISORY COMMITTEE
FUNDING METHODOLOGY SUBCOMMITTEE

MINUTES OF OPEN MEETING

October 25, 2023
12:15 p.m. – 1:15 p.m.

<https://jcc.granicus.com/player/event/2946>

Advisory Body Members Present: Judges: Hon. Jonathan B. Conklin (Cochair), Hon. Judith C. Clark, Hon. Wendy G. Getty, Hon. David C. Kalemkarian, and Hon. Kevin M. Seibert.

Executive Officers: Mr. Chad Finke (Cochair), Ms. Krista LeVier, Mr. David W. Slayton, Mr. Neal Taniguchi, and Mr. David H. Yamasaki.

Advisory Body Members Absent: Hon. Patricia L. Kelly, Mr. James Kim, and Mr. Brandon E. Riley.

Others Present: Mr. John Wordlaw, Mr. Zlatko Theodorovic, Ms. Fran Mueller, Ms. Donna Newman, and Ms. Rose Lane.

OPEN MEETING

Call to Order and Roll Call

The chair welcomed the members, called the meeting to order at 12:15 p.m., and took roll call.

Approval of Minutes

The subcommittee approved minutes from the June 28, 2023 and August 2, 2023 Funding Methodology Subcommittee (FMS) meetings.

DISCUSSION ITEMS (ITEM 1)

Item 1

Estimate-based Workload Model for Trial Courts (Discussion Only – No Action Required)

Discuss an estimate-based workload model for the trial courts.

Notes: Opening the discussion, the subcommittee was provided a recap of the recent Trial Court Presiding Judge Advisory Committee and the Court Executive Advisory Committee meetings, which included a review of branch budget advocacy, the current Budget Change Proposal (BCP) based approach to obtain funding, and alternatives for stable, adequate, and predictable funding for the branch.

Background information was presented on the well-established Resource Assessment Study (RAS) and Workload Formula (WF) process that is currently utilized by the Judicial Council of

California (JCC). A summary of how FMS relates to the work completed by the Data Analytics Advisory Committee (DAAC) was also provided.

Additionally, the differences between the current and alternative budgeting methodologies were discussed. It was stated that the current RAS/WF process uses filings as workload metric. While there are other state budget entities that use workload measures (enrollment, caseload, and population) to adjust their budget appropriations, trial court budgets are not adjusted using that type of methodology. Rather, trial court budgets use the BCP process to increase funding levels. For context, an advisory member shared the estimate-based methodology used in the executive branch and explained the advantages of this type of estimate-based methodology.

Questions on how the courts would account for new workload was raised. It was stated that the estimate-based model would assess the increased workload, to the extent legislative changes occur. The estimate-based methodology would provide opportunities to include increases in workload through premises that would become part of the methodology in the future.

Further questions regarding how this would impact other funding sources such as the Improvement and Modernization Fund were asked. An advisory member informed the subcommittee that the funding sources could potentially be pulled into the proposed new model and is a consideration that would need to be addressed if implemented. The proposed methodology may not be inclusive of all funding needs and would be an evolutionary process.

FMS members shared concerns with predicting workload, geographical growth, and inflation challenges. Members also emphasized the importance of providing the subcommittee greater details on how an estimate-based methodology would be developed, including addressing issues such as funding floors, policy changes, inflation, and methods to project filings.

Closing remarks by the cochair stated further discussion and potential action items may be scheduled for the FMS to consider an estimate-based workload model for the trial courts. The future discussions are to include the Chair of DAAC.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:10 p.m.

Approved by the advisory body on enter date.

JUDICIAL COUNCIL OF CALIFORNIA
BUDGET SERVICES
Report to the Funding Methodology Subcommittee
(Action Item)

Title: Workload Formula Definitions for Various Funding Allocations
Date: 3/7/2024
Contact: Oksana Tuk, Senior Fiscal Analyst, Judicial Council Budget Services
916-643-8027 | oksana.tuk@jud.ca.gov

Issue

Consideration of the existing Workload Formula definitions for funding allocations for new money, no new money, and potential reductions that could be included in the final budget for the trial courts.

Background

The Judicial Council allocates the majority of the funding to the trial courts according to its approved allocation methodology, known as the Workload Formula. The Workload Formula determines the need for funding based on workload measures.

At its January 12, 2018 business meeting, the Judicial Council approved new policy parameters for the Workload Formula, effective 2018–19 and beyond, to further the objectives of the judicial branch in reaching workload-based equitable funding for the trial courts.¹ Additionally, the guiding principles for the Workload Formula were modified from a primary focus on equity to also reflect concerns about the need for greater stability and predictability in funding for the courts. The principles of the Workload Formula include the following:

- Minimize volatility, maximize stability and predictability to extent possible;
- Committed to evaluating all submissions as submitted via the Adjustment Request Process;
- Time for adjustment and adaptation;
- Responsiveness to local circumstances;
- Transparency and accountability;
- Independent authority of the trial courts; and
- Simplification of reporting while maintaining transparency.

¹ Judicial Council meeting report (January 12, 2018), <https://jcc.legistar.com/View.ashx?M=F&ID=5722980&GUID=EB419556-68BE-4685-A012-6A8D8502A126>.

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At its July 19, 2019 business meeting, the council approved recommendations related to how Workload Formula-based allocations are calculated. These recommendations increased the accuracy and transparency of the Workload Formula by including all relevant sources of funding.²

At its September 24, 2019 business meeting, the council approved a recommendation to change the Workload Formula policy regarding reallocations in years when no “new money” was included in the budget.³

At its January 17, 2020 business meeting, the council approved the most recent changes to the Workload Formula methodology. Changes included technical refinements to the Workload Formula parameters to provide clear allocation methodologies to further the goals of funding equity, minimize adverse funding impacts to trial courts, and provide clear direction on applying policy parameters.⁴

Definition and Impact of “New Money”

At its January 12, 2018 business meeting, the Judicial Council approved new policy parameters for the Workload Formula that specifically addressed how new money included in the budget is to be allocated in the Workload Formula, including the definition of “new money”:

“New money” is defined as any new ongoing allocation of general discretionary dollars to support costs of trial court workload, excluding funding for benefits and retirement increases.

Examples of funding that have subsequently been identified as new money utilizing the Workload Formula methodology for allocation to the trial courts include:

- 2019–20 – new judgeship funding; and
- 2022–23 – equity funding, civil assessment backfill funding, and new judgeship funding.

The Workload Formula allocates funding in years with new money in the following manner:

1. *Bring all Cluster 1 courts up to 100 percent of funding need.*
2. *Allocate up to 50 percent of remaining funding to courts under the statewide average funding ratio. Allocated funds will bring courts up to but not over the statewide average funding ration.*

² Judicial Council meeting report (July 19, 2019),

<https://jcc.legistar.com/View.ashx?M=F&ID=7338800&GUID=9284F0B3-BCAE-4C0C-A110-49AA99D8A139>

³ Judicial Council meeting report (September 24, 2019),

<https://jcc.legistar.com/View.ashx?M=F&ID=7684283&GUID=BAC36D10-9191-44F8-A59D-4BA133D2560A>

⁴ Judicial Council meeting report (January 17, 2020),

<https://jcc.legistar.com/View.ashx?M=F&ID=7976128&GUID=DC14BAC5-0079-4C0C-A0E6-52C7EC068BB0>.

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- a. *The first 50 percent allocation of new funding to courts below the statewide average will be scaled by courts' distance from the statewide average and size based on the courts' Workload Formula need.*
3. *Allocate remaining funding to all courts based on the Workload Formula.*
4. *Allow no court's allocation to exceed 100 percent of its need unless it is the result of a funding floor calculation.*

In fiscal years 2021–22, 2022–23, and 2023–24, the budget included a Consumer Price Increase (CPI) adjustment to address trial court operational cost increases due to inflation. This funding was intended to benefit all courts. Therefore, it was not allocated per the methodology above, but rather it was allocated proportionally based on applying the CPI percentage increase to the prior year's Workload Formula allocation for each court in each respective fiscal year. In making the determination to allocate the CPI increases in that manner, the council did not specifically address whether the CPI increases, on their own, meet the definition of “new money.”

CPI increases have only been included in the budget in recent years. The 2024–25 Governor's Budget does not include a CPI adjustment for the courts due to the state's declining revenues and significant budget shortfall. Inquiries from trial courts have raised the issue of whether CPI adjustments should be considered “new money” for the purposes discussed in detail below during years when no new money is included in the budget.

Allocations in Fiscal Years with “No New Money”

At its January 17, 2020 business meeting, the council approved recommendations to make technical refinements to the Workload Formula policy parameters. Specifically, the allocation of funding for every second year in which no new money is included in the budget will be based on the beginning Workload Formula allocations, distributed to courts via distance from the statewide average and size based on Workload Formula need, in the following sequence:

1. *Up to 1 percent reduction for courts above the 2 percent band to courts below the 2 percent band.*
2. *Up to 2 percent reduction for courts above 105 percent of funding need to courts below the 2 percent band.*
3. *Courts above 105 percent of funding need will not fall below 104 percent of funding need.*

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4. *Courts that penetrate into the band following the up to 1 percent reallocation will not be eligible for additional funding from the 2 percent reallocation from courts above 105 percent of funding need.*

Since the Workload Formula was implemented in 2018–19, there have been no instances of the reallocation of funding due to a second year of no new money included in the budget.

Funding Reduction

The Workload Formula policy states that a methodology for applying a funding reduction will be determined in the year a reduction occurs. Two recent examples of funding reductions that occurred in 2020–21 and 2023–24 are described below:

The 2020 Budget Act included a \$167.8 million reduction to trial court baseline funding due to the sizeable budget deficit projected as a result of the COVID-19 pandemic. The council-approved methodology⁵ to allocate this reduction is described below:

- Courts within the established band around the statewide average funding level take a proportional reduction, but do not fall outside of the band;
- Courts above the band take an additional 1 percent cut from those within the band without falling into the band;
- Courts below the band take less of a cut than those within the band, scaled by their size and distance from the statewide average, not taking more of a cut than those inside of the band; and
- Cluster 1 courts – all of which are above the band – take the same percentage reduction as courts within the band but are not required to take the additional percentage reduction as those other courts above the band.

This reduction was restored in the 2021 Budget Act and the funding was allocated to the courts in the same amounts as the initial reduction.

Per the 2022 Budget Act, effective 2023–24, the civil assessment backfill amount decreased by \$10 million to \$100 million ongoing, due to the elimination of one-time funding for prior uncollected debt. In addition, the backfill amount was reduced by an additional \$2.5 million for debt service obligation payments as approved by the council at its May 12, 2023 business meeting.⁶ As a result, there was a total reduction of \$12.5 million ongoing to the amount of civil assessment backfill funding allocated to the trial courts beginning in 2023–24.

⁵ Judicial Council meeting report (July 24, 2020), <https://jcc.legistar.com/View.ashx?M=F&ID=8651228&GUID=27A3B6D8-9783-4865-8C5A-F6697EB58734>.

⁶ Judicial Council meeting report (May 12, 2023), <https://jcc.legistar.com/View.ashx?M=F&ID=11916929&GUID=4F4B033A-9A14-4C88-8654-8CF355F8E8D5>.

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The \$12.5 million was reduced proportionally based on courts’ percentage of 2022–23 civil assessment backfill funding – with additional adjustments to three courts funded over 100 percent and a redirection of \$421,000 to five courts below the statewide average funding level.⁷ As approved by the council at its July 21, 2023 business meeting, the \$12.5 million ongoing reduction was reflected in the trial court allocations beginning in 2023–24.⁸

Summary of Funding in Fiscal Years 2019–20 through proposed 2024–25

Fiscal Year	Funding Type	New Money (Yes or No)
2019–20	New judgeship	Yes
2020–21	Reduction	No – Reduction
2021–22	CPI	CPI TBD
2022–23	CPI, equity funding, civil assessment backfill, new judgeship	Yes; CPI TBD
2023–24	CPI, civil assessment backfill reduction	No – Reduction; CPI TBD
2024–25 (proposed)	No new funding or reduction	No

Recommendation

1. Determine if CPI adjustments should be considered new money, which could potentially impact the application of the Workload Formula’s policy for redistribution of funding in years when there is no new money included in the final budget for the trial courts.

⁷ Judicial Branch Budget Committee meeting report (June 6, 2023), <https://www.courts.ca.gov/documents/jbbc-20230606-materials.pdf>.

⁸ Judicial Council meeting report (July 21, 2023), <https://jcc.legistar.com/View.ashx?M=F&ID=12124713&GUID=2A166CFF-E318-4E77-AA91-C06AE38FDFC2>.

JUDICIAL COUNCIL OF CALIFORNIA
BUDGET SERVICES
Report to the Funding Methodology Subcommittee
(Action Item)

Title: Workload Formula Allocation Methodologies for Potential Funding Reductions

Date: 3/7/2024

Contact: Oksana Tuk, Senior Fiscal Analyst, Judicial Council Budget Services
916-643-8027 | oksana.tuk@jud.ca.gov

Issue

Consideration of the Workload Formula policy and options for allocation methodologies for potential funding reductions that could be included in the final budget for the trial courts.

Background

The Judicial Council allocates the majority of the funding to the trial courts according to its approved allocation methodology, known as the Workload Formula. The Workload Formula determines the need for funding based on workload measures.

At its January 12, 2018 business meeting, the Judicial Council approved new policy parameters for the Workload Formula that specifically addressed how new discretionary funding included in the budget is to be allocated in the Workload Formula for the trial courts.¹ The new policy also stated that allocations in fiscal years for which a budget reduction must be implemented will be addressed as needed, with special consideration toward those courts below the statewide average funding level.

Previous Funding Reductions

The Workload Formula policy states that a methodology for applying a funding reduction will be determined in the year a reduction occurs. Two recent examples of funding reductions that occurred in 2020–21 and 2023–24 are described below:

The 2020 Budget Act included a \$167.8 million reduction to trial court baseline funding due to the sizeable budget deficit projected as a result of the COVID-19 pandemic. The council-approved methodology² to allocate this reduction is described below:

¹ Judicial Council meeting report (January 12, 2018), <https://jcc.legistar.com/View.ashx?M=F&ID=5722980&GUID=EB419556-68BE-4685-A012-6A8D8502A126>.

² Judicial Council meeting report (July 24, 2020), <https://jcc.legistar.com/View.ashx?M=F&ID=8651228&GUID=27A3B6D8-9783-4865-8C5A-F6697EB58734>.

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- Courts within the established band around the statewide average funding level take a proportional reduction, but do not fall outside of the band;
- Courts above the band take an additional 1 percent cut from those within the band without falling into the band;
- Courts below the band take less of a cut than those within the band, scaled by their size and distance from the statewide average, not taking more of a cut than those inside of the band; and
- Cluster 1 courts – all of which are above the band – take the same percentage reduction as courts within the band but are not required to take the additional percentage reduction as those other courts above the band.

This reduction was restored in the 2021 Budget Act and the funding was allocated to the courts in the same amounts as the initial reduction.

Per the 2022 Budget Act, effective 2023–24, the civil assessment backfill amount decreased by \$10 million to \$100 million ongoing, due to the elimination of one-time funding for prior uncollected debt. In addition, the backfill amount was reduced by an additional \$2.5 million for debt service obligation payments as approved by the council at its May 12, 2023 business meeting.³ As a result, there was a total reduction of \$12.5 million ongoing to the amount of civil assessment backfill funding allocated to the trial courts beginning in 2023–24.

The \$12.5 million was reduced proportionally based on courts' percentage of 2022–23 civil assessment backfill funding – with additional adjustments to three courts funded over 100 percent and a redirection of \$421,000 to five courts below the statewide average funding level.⁴ As approved by the council at its July 21, 2023 business meeting, the \$12.5 million ongoing reduction was reflected in the trial court allocations beginning in 2023–24.⁵

Options for Potential Budget Reductions

The proposed 2024–25 Governor's Budget does not include new funding or reductions for the trial courts. However, due to the significant multiyear budget shortfall projected for the state, it is prudent to review how recent reductions were allocated and discuss allocation methodology options for potential future funding reductions.

³ Judicial Council meeting report (May 12, 2023), <https://jcc.legistar.com/View.ashx?M=F&ID=11916929&GUID=4F4B033A-9A14-4C88-8654-8CF355F8E8D5>.

⁴ Judicial Branch Budget Committee meeting report (June 6, 2023), <https://www.courts.ca.gov/documents/jbbc-20230606-materials.pdf>.

⁵ Judicial Council meeting report (July 21, 2023), <https://jcc.legistar.com/View.ashx?M=F&ID=12124713&GUID=2A166CFF-E318-4E77-AA91-C06AE38FDFC2>.

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Possible allocation options for deliberation include, but are not limited to, the following:

1. ***Pro rata reduction allocation.*** This approach will allocate the reduction proportionally to all trial courts based on each court's Workload Formula allocation amount. Courts with a greater allocation amount will receive a larger share of the reduction.

2. ***Reverse Workload Formula equity reduction allocations***
 - a. ***Reverse Workload Formula equity reduction allocation with reduction limitation.*** This approach will allocate the first 50 percent, or a specified portion, of the reduction to courts above the statewide average funding level scaled by each court's distance from the statewide average and size based on the courts' Workload Formula need. The allocated reduction will bring courts down to but not below the statewide average funding level. The other 50 percent, or balance of the reduction, will be allocated to all courts based on the Workload Formula.

This methodology is the reverse of the existing Workload Formula allocation methodology used to distribute new money when it is included in the budget for trial courts. Consistent with the Workload Formula policy, this methodology gives special consideration to courts below the statewide average funding level to support the goal of workload-based equitable funding.

- b. ***Reverse Workload Formula equity reduction allocation without reduction limitation.*** This approach will establish a funding band with specific criteria and a sequence of steps in which the reduction is allocated. The band will be established around a determined funding level (i.e.: statewide average funding level) and a specified reduction methodology, such as a proportional reduction, will be allocated to courts within the band. An additional reduction will be allocated to courts that are above the band and a smaller reduction will be allocated to courts that are below the band. Similar to option 2a, this methodology also gives special consideration to courts below the statewide average to support the goal of workload-based equitable funding.

This methodology was the approach used in 2020–21 to allocate the \$167.8 million reduction due to the COVID-19 pandemic as described in the aforementioned "Previous Funding Reductions" section of this report.

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Recommendation

1. Consider the various options for allocation methodologies for potential future funding reductions for the trial courts and make a recommendation for consideration by the Trial Court Budget Advisory Committee.