



JUDICIAL COUNCIL OF CALIFORNIA

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REPORT TO THE JUDICIAL COUNCIL

Item No.: 21-027

For business meeting on January 22, 2021

Title

Trial Court Budget: 2019–20 Final One-Time Reduction for Fund Balances Above the 3 Percent Cap

Agenda Item Type

Action Required

Effective Date

January 22, 2021

Rules, Forms, Standards, or Statutes Affected

None

Date of Report

December 16, 2020

Recommended by

Judicial Council staff
Fran Mueller, Deputy Director
Budget Services

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Executive Summary

Under Government Code section 77203(b), a trial court may carry over unexpended funds in an amount not to exceed 3 percent of the court's operating budget from the prior fiscal year. The Trial Court Budget Advisory Committee recommends approving a final one-time reduction allocation of \$6,378,106 related to the fund balance cap in 2019–20 and prior-year excluded funds, as required by Government Code section 68502.5(c)(2)(A), which nets to \$271,379 after adjusting for \$6,106,727 in funds held on behalf of trial court reductions.

Recommendation

The Trial Court Budget Advisory Committee recommends that the Judicial Council, effective January 22, 2021, approve the final reduction allocation of \$6,378,106 to match the trial courts' final calculations of the amount above the 3 percent fund balance cap, further reduced by \$6,106,727 in approved funds held on behalf of the trial courts, to \$271,379 to be reverted to the Trial Court Trust Fund.

Relevant Previous Council Action

At its July 29, 2014 business meeting, the Judicial Council approved an annual process beginning in 2015–16 for courts to provide preliminary and final computations on the portion of their ending fund balance that is subject to the 1 percent cap required by Government Code section 68502.5(c)(2)(A):

1. Each year, courts will be required to submit the 1 percent computation form with preliminary year-end information by July 15. The information provided by courts will be used by the council to make the preliminary allocation of reductions as required by statute. Courts would not be required to provide the details related to encumbrances, prepayments, and restricted revenue when submitting the form for the preliminary allocation.
2. Each year, courts will be required to submit the 1 percent computation form with final year-end information by October 15.
3. Before February, the Judicial Council director of Budget Services will report to the council the information provided by the courts for the final allocation reduction, if any.

Analysis/Rationale

Pursuant to Government Code section 77203(b), a trial court could carry over unexpended funds in an amount not to exceed 1 percent of the court's operating budget from the prior fiscal year commencing June 30, 2014, and concluding June 30, 2019. Commencing June 30, 2020, a trial court may carry over unexpended funds in an amount not to exceed 3 percent of the court's operating budget from the prior fiscal year.

Government Code section 68502.5(c)(2)(A) requires that “[i]n January of each fiscal year, after review of available trial court reserves as of June 30 of the prior fiscal year, the Judicial Council shall finalize allocations to trial courts and each court's finalized allocation shall be offset by the amount of reserves in excess of the amount authorized to be carried over pursuant to subdivision (b) of Section 77203.”

The figures in Attachment A reflect courts' finalized and closed accounting records for 2019–20, which have been reviewed by the Judicial Council's Budget Services and Branch Accounting and Procurement staff:

- Column A displays the calculated fund balance cap amount for each court;
- Column G displays the courts' 2019–20 fund balance amounts subject to the cap, excluding statutorily restricted funds per Government Code section 77203(b), encumbrances consistent with the state contracting process, prepayments, and approved funds held on behalf (FHOB) returned to courts;
- Column H displays the courts' final computation of the amount above their 3 percent cap, totaling \$5.366 million;
- Column I displays FHOB returned to the Trial Court Trust Fund (TCTF), totaling \$1,806;

- Column J provides those 2019–20 adjustments to the courts’ 2017–18 and 2018–19 fund balance cap, totaling \$1.011 million; and
- Column K displays the courts’ final total reduction computation of \$6.378 million.

Fifteen courts have submitted requests totaling \$6.107 million (Column L) under the Judicial Council–approved process for trial courts to request that TCTF-reduced allocations related to the fund balance cap be retained in the TCTF as restricted fund balance for the benefit of those courts. This retention allows the courts to prudently plan for and fund necessary court infrastructure projects such as technology or infrastructure improvements, facilities maintenance and repair allowed under rule 10.810 of the California Rules of Court, court efficiencies projects, and other court infrastructure projects that would not be possible as an unintended consequence of the 3 percent fund balance cap.

Attachment B provides detail on the final allocation adjustments for the 3 percent cap adjustment for 2019–20 and TCTF FHOB requests that will be distributed in the February 2021 distribution to the trial courts:

- Column A displays the preliminary 3 percent cap reductions (due to timing and when information would become available, the preliminary reduction amounts related to trial court reserves above the 3 percent cap were set at \$0 for the Judicial Council’s July 24, 2020 business meeting and deferred to be considered as the final allocation reductions for fund balances above the 3 percent cap prior to recommendation to the Judicial Council at its business meeting in January 2021);
- Column B displays the final reductions and includes 23 courts;
- Column C shows the adjustment between the preliminary and final 3 percent cap calculations;
- Column D reflects the preliminary TCTF FHOB requests returned to the courts;
- Column E reflects the final TCTF FHOB requests totaling \$6.107 million. Of this amount, \$3.301 million will be allocated to trial courts for 2020–21 expenditures (Column F) and \$2.806 million will be held in the TCTF fund balance for the courts that are saving funds for expenditures in future years shown in Column G; and
- Column H displays the February 2021 allocation adjustment for TCTF FHOB of the trial courts.

The amounts that will be returned to courts have been adjusted for those courts that have approved FHOB requests that exceed their reduction for the 3 percent fund balance cap. The net adjustment column, Column I, displays the total net allocation adjustment for both the 3 percent cap and the TCTF FHOB requests.

Policy implications

None.

Comments

This item was not circulated for comment.

Alternatives considered

None.

Fiscal and Operational Impacts

Maintaining an allowable fund balance and FHOB consistent with statutory requirements enable the trial courts to prudently manage available funding to support court operations.

Attachments and Links

1. Attachment A: Final One-Time Allocation Reduction for Fund Balance Above the 3% Cap
2. Attachment B: Final Allocation Adjustments for 2019–20 3% Cap Adjustment and TCTF Funds Held on Behalf

Final One-Time Allocation Reduction for Fund Balance Above the 3% Cap

Attachment A

Court	Fund Balance Cap	FY 2019-20 Ending Fund Balance	Encumbrance Reserves at June 30	Excluded Funds	Prepayments	Funds Held on Behalf Returned to Court	Fund Balance Subject to Cap	Current Year Reduction	Funds Held on Behalf Returned to TCTF	Prior Year Disencumbrance	Total Final Reduction	Approved 2020-21 Funds Held on Behalf ¹	Net Reduction after Funds Held on Behalf
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G (B - C - D - E - F)	Col. H	Col. I	Col. J	Col. K (H + I + J)	Col. L	Col. M (K - L)
ALAMEDA	3,267,417	7,659,698	3,443,669	1,456,064	541,530	0	2,218,435	0	0	653,378	653,378	483,830	169,548
ALPINE	24,654	51,253	8,081	6,391	10,944	0	25,837	1,183	0	0	1,183	0	1,183
AMADOR	136,757	341,118	250,883	47,966	17,024	0	25,245	0	0	0	0	0	0
BUTTE ²	469,705	1,106,413	57,596	358,545	217,089	0	473,183	0	1,806	2,265	4,071	0	4,071
CALAVERAS	104,244	772,400	23,555	197,002	203,757	0	348,086	242,993	0	849	243,842	243,833	9
COLUSA	63,098	985,576	19,660	283,204	174,445	80,000	428,267	365,169	0	0	365,169	365,169	0
CONTRA COSTA	1,892,934	3,779,294	504,809	1,530,825	1,032,152	0	711,508	-	0	0	0	0	0
DEL NORTE	106,112	984,544	0	524,071	21,233	0	439,240	321,425	0	11,703	333,128	300,000	33,128
EL DORADO	293,649	918,084	566,619	154	62,469	0	288,842	0	0	0	0	0	0
FRESNO	2,055,295	3,296,966	586,061	1,520,426	265,643	0	924,836	0	0	0	0	0	0
GLENN	96,098	224,412	0	103,382	21,552	0	99,478	3,380	0	0	3,380	0	3,380
HUMBOLDT	276,320	475,318	53,781	102,876	43,662	0	275,000	0	0	0	0	0	0
IMPERIAL	347,177	3,272,095	1,214,066	728,251	220,703	0	1,109,075	761,898	0	0	761,898	761,898	0
INYO	93,892	391,544	0	294,111	13,506	0	83,927	0	0	0	0	0	0
KERN	2,568,547	4,890,703	17,144	2,890,744	991,510	676,688	314,617	0	0	0	0	0	0
KINGS	314,688	2,371,827	328,523	326,931	355,977	0	1,360,396	1,045,708	0	0	1,045,708	1,045,708	0
LAKE	144,159	730,800	260,891	207,896	136,756	0	125,257	0	0	0	0	0	0
LASSEN	97,500	486,932	153,036	147,410	18,549	75,926	92,011	0	0	0	0	0	0
LOS ANGELES	24,120,883	69,078,093	21,087,123	27,728,692	0	0	20,262,278	0	0	0	0	0	0
MADERA	344,968	743,900	156,950	354,137	62,570	0	170,243	0	0	0	0	0	0
MARIN	436,408	1,674,375	201,367	1,090,087	41,918	0	341,003	0	0	0	0	0	0
MARIPOSA	52,828	179,406	7,406	32,946	111,340	0	27,714	0	0	0	0	0	0
MENDOCINO	272,564	871,567	339,873	230,579	56,463	0	244,652	0	0	507	507	0	507
MERCED	556,474	2,791,831	13,120	2,660,950	115,094	0	2,667	0	0	0	0	0	0
MODOC	51,515	164,242	88,430	26,696	8,098	0	41,018	0	0	0	0	0	0
MONO	66,206	649,706	28,846	65,179	57,902	128,939	368,840	289,564	0	13,070	302,634	302,634	0
MONTEREY	768,611	2,104,917	8,403	873,000	285,449	0	938,065	169,454	0	0	169,454	169,454	0
NAPA	313,500	1,165,205	44,389	763,048	51,327	14,038	292,403	0	0	0	0	0	0
NEVADA	217,192	516,219	0	277,868	42,529	0	195,822	0	0	0	0	0	0
ORANGE	6,159,934	8,713,546	1,026,420	4,596,739	2,206,264	667,848	216,275	0	0	158,168	158,168	110,085	48,083
PLACER	704,047	1,201,314	130,977	552,615	269,211	0	248,511	0	0	335	335	0	335
PLUMAS	47,638	116,492	0	67,534	11,095	0	37,863	0	0	0	0	0	0
RIVERSIDE	5,179,686	8,855,558	2,622,128	4,197,385	548,784	0	1,487,261	0	0	0	0	0	0
SACRAMENTO	3,194,161	9,894,558	2,671,611	2,224,876	716,200	2,518,942	1,762,929	0	0	1,624	1,624	0	1,624
SAN BENITO	118,068	1,228,686	388,352	40,766	37,647	0	761,921	643,852	0	1	643,853	643,853	0
SAN BERNARDINO	4,342,991	10,344,954	2,182,511	1,060,175	5,239,536	0	1,862,732	0	0	0	0	0	0
SAN DIEGO	5,620,303	17,978,247	4,331,244	9,809,193	3,564,518	0	273,292	0	0	0	0	0	0
SAN FRANCISCO	2,244,484	4,077,109	0	1,403,603	396,026	190,655	2,086,825	0	0	0	0	0	0
SAN JOAQUIN	1,435,878	4,037,820	327,212	2,060,882	329,881	0	1,319,845	0	0	0	0	0	0
SAN LUIS OBISPO	542,170	2,780,498	13,672	2,152,447	72,210	0	542,169	0	0	9,499	9,499	0	9,499
SAN MATEO	1,512,841	2,443,088	495,384	326,165	400,882	2,249	1,218,408	0	0	134,983	134,983	134,983	0
SANTA BARBARA	973,532	5,243,142	1,089,369	3,004,010	679,212	0	470,551	0	0	0	0	0	0
SANTA CLARA	3,199,031	533,449	121,824	207,242	80,589	0	123,794	0	0	0	0	0	0
SANTA CRUZ	505,121	1,185,209	118,023	477,873	101,238	0	488,075	0	0	0	0	0	0
SHASTA	656,676	1,617,255	0	369,228	119,681	0	1,128,346	471,670	0	0	471,670	471,670	0
SIERRA	25,802	107,939	0	4,056	84,308	0	19,575	0	0	0	0	0	0
SISKIYOU	125,054	416,653	0	284,873	35,192	0	96,588	0	0	0	0	0	0
SOLANO	885,549	3,044,565	369,613	1,365,616	65,020	0	1,244,316	358,767	0	0	358,767	358,767	0
SONOMA	954,304	3,360,365	0	2,032,029	434,839	0	893,497	0	0	0	0	0	0
STANISLAUS	932,550	2,258,921	299,484	287,103	886,952	0	785,382	0	0	0	0	0	0
SUTTER	218,593	1,435,047	0	407,509	112,052	200,000	715,486	496,893	0	0	496,893	496,893	0
TEHAMA	171,361	1,021,021	6,806	248,028	282,986	93,890	389,311	193,611	0	24,339	217,950	217,950	0
TRINITY	77,442	151,157	279	64,062	57,429	0	29,387	0	0	0	0	0	0
TULARE	1,049,547	1,345,120	336,884	227,639	391,742	0	388,855	0	0	0	0	0	0
TUOLUNME	158,143	663,427	350,000	155,681	32,837	0	124,909	0	0	0	0	0	0
VENTURA	1,699,426	1,747,749	219,495	150,097	122,244	0	1,255,913	0	0	0	0	0	0
YOLO	498,822	1,741,326	500,345	608,008	139,342	0	493,631	0	0	0	0	0	0
YUBA	207,721	574,788	29,845	134,710	268,447	0	141,786	0	0	12	12	0	12
TOTAL	82,994,270	210,797,441	47,095,759	83,349,575	22,867,555	4,649,175	52,835,378	5,365,567	1,806	1,010,733	6,378,106	6,106,727	271,379

¹ Approved TCTF FHOB requests include those requests pending before the Judicial Council at its business meeting on January 21-22, 2021.

² Prior year liquidations applied against fund balance subject to cap brought court below the fund balance cap and resulted in no current year reduction.

Final Allocation Adjustments for 2019-20
3% Cap Adjustment and TCTF Funds Held on Behalf

	3% Cap Adjustments			TCTF Funds Held on Behalf (FHOB)					
	Preliminary Reduction for Fund Balance Above the 3% Cap	Final Reduction for Fund Balance Above the 3% Cap	Allocation Adjustment for Reduction for Fund Balance Above the 3% Cap	Preliminary TCTF Funds Held on Behalf of the Trial Courts Returned to Courts	Total Final TCTF Funds Held on Behalf of the Trial Courts	TCTF Funds Held on Behalf of the Trial Courts to be Returned for 2020-21	TCTF Funds Held in Reserve in the TCTF for Future Years ¹	Allocation Adjustment for TCTF FHOB of the Trial Courts	
	One-Time		One-Time	One-Time					
			Feb #8 Dist						
Court	Col. A	Col. B	Col. C (B - A)	Col. D	Col. E	Col. F (E - G)	Col. G	Col. H (F)	Col. I Net Adjustment (C + H)
Alameda	-	(653,378)	(653,378)	-	483,830	483,830	-	483,830	(169,548)
Alpine	-	(1,183)	(1,183)	-	-	-	-	-	(1,183)
Amador	-	-	-	-	-	-	-	-	-
Butte	-	(4,071)	(4,071)	-	-	-	-	-	(4,071)
Calaveras	-	(243,842)	(243,842)	-	243,833	203,833	40,000	203,833	(40,009)
Colusa	-	(365,169)	(365,169)	-	365,169	-	365,169	-	(365,169)
Contra Costa	-	-	-	-	-	-	-	-	-
Del Norte	-	(333,128)	(333,128)	-	300,000	300,000	-	300,000	(33,128)
El Dorado	-	-	-	-	-	-	-	-	-
Fresno	-	-	-	-	-	-	-	-	-
Glenn	-	(3,380)	(3,380)	-	-	-	-	-	(3,380)
Humboldt	-	-	-	-	-	-	-	-	-
Imperial	-	(761,898)	(761,898)	-	761,898	558,529	203,369	558,529	(203,369)
Inyo	-	-	-	-	-	-	-	-	-
Kern	-	-	-	-	-	-	-	-	-
Kings	-	(1,045,708)	(1,045,708)	-	1,045,708	-	1,045,708	-	(1,045,708)
Lake	-	-	-	-	-	-	-	-	-
Lassen	-	-	-	-	-	-	-	-	-
Los Angeles	-	-	-	-	-	-	-	-	-
Madera	-	-	-	-	-	-	-	-	-
Marin	-	-	-	-	-	-	-	-	-
Mariposa	-	-	-	-	-	-	-	-	-
Mendocino	-	(507)	(507)	-	-	-	-	-	(507)
Merced	-	-	-	-	-	-	-	-	-
Modoc	-	-	-	-	-	-	-	-	-
Mono	-	(302,634)	(302,634)	-	302,634	-	302,634	-	(302,634)
Monterey	-	(169,454)	(169,454)	-	169,454	169,454	-	169,454	-
Napa	-	-	-	-	-	-	-	-	-
Nevada	-	-	-	-	-	-	-	-	-
Orange	-	(158,168)	(158,168)	-	110,085	-	110,085	-	(158,168)
Placer	-	(335)	(335)	-	-	-	-	-	(335)
Plumas	-	-	-	-	-	-	-	-	-
Riverside	-	-	-	-	-	-	-	-	-
Sacramento	-	(1,624)	(1,624)	-	-	-	-	-	(1,624)
San Benito	-	(643,853)	(643,853)	-	643,853	257,541	386,312	257,541	(386,312)
San Bernardino	-	-	-	-	-	-	-	-	-
San Diego	-	-	-	-	-	-	-	-	-
San Francisco	-	-	-	-	-	-	-	-	-
San Joaquin	-	-	-	-	-	-	-	-	-
San Luis Obispo	-	(9,499)	(9,499)	-	-	-	-	-	(9,499)
San Mateo	-	(134,983)	(134,983)	-	134,983	-	134,983	-	(134,983)
Santa Barbara	-	-	-	-	-	-	-	-	-
Santa Clara	-	-	-	-	-	-	-	-	-
Santa Cruz	-	-	-	-	-	-	-	-	-
Shasta	-	(471,670)	(471,670)	-	471,670	471,670	-	471,670	-
Sierra	-	-	-	-	-	-	-	-	-
Siskiyou	-	-	-	-	-	-	-	-	-
Solano	-	(358,767)	(358,767)	-	358,767	358,767	-	358,767	-
Sonoma	-	-	-	-	-	-	-	-	-
Stanislaus	-	-	-	-	-	-	-	-	-
Sutter	-	(496,893)	(496,893)	-	496,893	496,893	-	496,893	-
Tehama	-	(217,950)	(217,950)	-	217,950	-	217,950	-	(217,950)
Trinity	-	-	-	-	-	-	-	-	-
Tulare	-	-	-	-	-	-	-	-	-
Tuolumne	-	-	-	-	-	-	-	-	-
Ventura	-	-	-	-	-	-	-	-	-
Yolo	-	-	-	-	-	-	-	-	-
Yuba	-	(12)	(12)	-	-	-	-	-	(12)
Total	-	(6,378,106)	(6,378,106)	-	6,106,727	3,300,517	2,806,210	3,300,517	(3,077,589)

¹ Approved requests for TCTF funds held on behalf will be held in reserve in the TCTF account for courts that have indicated they will incur expenditures in future years.