



JUDICIAL COUNCIL OF CALIFORNIA

455 Golden Gate Avenue · San Francisco, California 94102-3688
www.courts.ca.gov

REPORT TO THE JUDICIAL COUNCIL

For business meeting on May 24, 2018

| | |
|--|---|
| Title | Agenda Item Type |
| Trial Court Budget: Trial Court Trust Fund Revenue Shortfall | Action Required |
| Rules, Forms, Standards, or Statutes Affected | Effective Date |
| None | May 24, 2018 |
| Recommended by | Date of Report |
| Trial Court Budget Advisory Committee Hon. Jonathan B. Conklin, Chair | May 7, 2018 |
| | Contact |
| | Angela Guzman, 916-643-8041 angela.guzman@jud.ca.gov |

Executive Summary

The continued decline of fine, fee, and forfeiture revenues that support trial court base allocations, and the lack of an adjustment to the revenue backfill through the state budget process, has resulted in a projected current-year revenue shortfall of no more than \$7 million in the Trial Court Trust Fund (TCTF). As a result, the Trial Court Budget Advisory Committee recommends approving coverage of the current-year revenue shortfall from the TCTF's fund balance. The TCTF has a structural deficit but sufficient unrestricted funds in the fund balance to cover this shortfall.

Recommendation

The Trial Court Budget Advisory Committee unanimously recommends that the Judicial Council, effective May 24, 2018, approve that the current-year revenue shortfall, estimated at or below \$7 million, be covered from the Trial Court Trust Fund's fund balance.

Relevant Previous Council Action

At its meeting on July 28, 2017,¹ the Judicial Council approved the fiscal year (FY) 2017–18 base allocation for court operations in the amount of \$1.821 billion. These allocations did not anticipate a revenue shortfall in the TCTF.

In FY 2014–15, backfill was insufficient to cover declining revenues, which resulted in a shortfall of \$22.7 million. As a result, on July 29, 2014, the Judicial Council allocated a reduction to the trial courts of \$22.7 million. This reduction was allocated to each court based on its pro rata share of the FY 2014–15 base allocation, less each court’s FY 2011–12 non-sheriff security allocation. At its June 2015 meeting, the Judicial Council directed that any new funding for general court operations provided in the Budget Act of 2015 would be reduced by the \$22.7 million shortfall. On July 28, 2015, the Judicial Council approved a net allocation of \$67.9 million, reduced from the \$90.6 million provided in the Budget Act of 2015. This shortfall was ongoing in nature, so the use of fund balance was not a feasible alternative.

Analysis/Rationale

Since the Budget Act of 2014, the General Fund has provided funds to the TCTF to backfill shortfalls in the revenue streams that support trial court base allocations. The methodology to calculate the backfill uses FY 2013–14 as the base year of revenues. Revenue projections for the current period are completed and analyzed against the base year of revenues. If the revenue as compared to the base year is insufficient, Judicial Council staff submits to the Department of Finance (DOF) the amount of funding needed to backfill the revenue to support trial court base operations, up to the amount included in the annual budget act.

The Budget Act of 2017 includes a \$55 million appropriation for the current-year backfill. The \$55 million backfill value was calculated in the fall of 2016, before policy changes to driver’s license holds were proposed. These policy changes prohibit notification to the Department of Motor Vehicles of a defendant’s failure to pay, which could result in a driver’s license hold. Based on April revenue projections, the total backfill need was approximately \$62 million. This figure reflects an estimated shortfall of \$7 million. It is probable that the increased decline is a result of the driver’s license hold policy change.

Each month, as actual revenue data are collected, projections are updated. Revenue projections are currently being calculated and analyzed for inclusion in the FY 2018–19 May Revision to the Governor’s Budget, and the backfill need is likely to reduce once the projections are complete. The final value of the FY 2017–18 TCTF backfill shortfall will be determined in September 2018, after all months of actual revenue collections for FY 2017–18 are received.

Since identifying the shortfall, Judicial Council staff have been in discussions with the DOF regarding an increase to the current-year backfill need; however, it has been determined that no

¹ A link to the minutes of the meeting is available under Attachments and Links.

adjustment will be made for the current year. Negotiations continue with the DOF regarding how to address shortfalls in future years.

The TCTF shortfall needs to be addressed to fully fund the Judicial Council–approved allocations for FY 2017–18. Providing the trial courts with their full, approved funding by using the TCTF fund balance will eliminate the need for courts to incur a reduction this late in the fiscal year, which could result in a sudden reduction in services to the public. Additionally, the fund balance in the TCTF is sufficient in FY 2017–18 and the four years subsequent to support this use of funds (Attachment B).

Policy implications

None.

Comments

This item did not circulate for comment and received no public comments.

Alternatives considered

At the April 23, 2018, meeting of the Trial Court Budget Advisory Committee, the estimated shortfall of \$7 million was presented to the committee, which considered the following alternatives:

1. Allocate a Reduction to the Trial Courts in FY 2017–18

This option would allocate a reduction in TCTF distributions to the trial courts on a pro rata basis based on the FY 2017–18 WAFM-related allocations approved by the Judicial Council on July 28, 2017 (Link A), thus keeping the TCTF fund balance intact and having trial courts absorb the revenue shortfall. The reduction would be allocated to the courts in their June 2018 distribution on a one-time basis, resulting in the courts’ having to make last-minute operational changes or budget adjustments to absorb the cut. It is possible that too large a reduction would be allocated because final revenue numbers would not be available at the time of the reduction.

2. Use TCTF Fund Balance to Cover the Shortfall in FY 2017–18 and Allocate Reductions to All Trial Courts in FY 2018–19

This option would use the fund balance in the TCTF to fund the shortfall in the current year to allow courts to finalize the year with their current budgetary and operational plans, allotting courts additional time to determine how to absorb the reduction in the following fiscal year. In FY 2018–19, a reduction would be allocated in the TCTF distribution to all trial courts on a pro rata basis based on the FY 2017–18 WAFM-related allocations. The reduction would be allocated to courts in the first quarter of the fiscal year and then used to replenish the TCTF fund balance.

Fiscal and Operational Impacts

The fiscal impact for the recommendation is a reduction to the TCTF fund balance of up to \$7 million. There are no additional operational impacts to implement the recommendation.

The fiscal impact for alternative 1 is a pro rata reduction to trial courts' base allocations of up to \$7 million in the current fiscal year (Attachment A). The operational impact for Judicial Council Budget Services to implement this alternative would be minimal; however, the operational impact for trial courts to implement a cut in the current fiscal year can vary from minimal to substantial based on the size of the court's cut, planned expenditures for the current year, and the limited amount of time for implementation.

The fiscal impact for alternative 2 is a reduction to the TCTF fund balance of up to \$7 million in the current year, with an equivalent pro rata reduction to trial courts' base allocations next fiscal year. There are no current-year operational impacts; however, next fiscal year would result in reduction implementation by Judicial Council Budget Services and various operational and budgetary impacts to trial courts.

Attachments and Links

1. Attachment A: FY 2017–18 Pro Rata Allocation of Estimated TCTF Backfill Shortfall
2. Attachment B: Trial Court Trust Fund, Fund Condition Statement, as of April 2018
3. Link A: Judicial Council meeting minutes, July 28, 2017, including item 17-095: *Trial Court Allocations: General Court Operations and Specific Costs for Fiscal Year 2017–2018*, at <https://jcc.legistar.com/View.ashx?M=M&ID=512292&GUID=8C379D3F-1774-4555-AE4D-5B8728283100>

2017-18 Pro Rata Allocation of Estimated TCTF Revenue Shortfall

| Court | 2017-18 WAFM-Related Allocation | Percent of Total State Allocation | TCTF Base Distribution June 2018 (Based on Dist's thru Apr) | Pro Rata Reduction to Fund Shortfall | Percent of June Distribution Needed to Fund Shortfall |
|----------------|---------------------------------|-----------------------------------|---|--------------------------------------|---|
| Alameda | 71,177,696 | 4.1% | 3,147,048 | 285,436 | 9% |
| Alpine | 750,000 | 0.0% | 11,063 | 3,008 | 27% |
| Amador | 2,241,333 | 0.1% | 90,889 | 8,988 | 10% |
| Butte | 9,429,305 | 0.5% | 413,732 | 37,813 | 9% |
| Calaveras | 2,086,017 | 0.1% | 83,762 | 8,365 | 10% |
| Colusa | 1,924,339 | 0.1% | 67,210 | 7,717 | 11% |
| Contra Costa | 39,026,415 | 2.2% | 1,579,719 | 156,503 | 10% |
| Del Norte | 2,526,250 | 0.1% | 106,359 | 10,131 | 10% |
| El Dorado | 6,490,171 | 0.4% | 269,462 | 26,027 | 10% |
| Fresno | 46,817,167 | 2.7% | 1,886,914 | 187,746 | 10% |
| Glenn | 1,913,869 | 0.1% | 76,855 | 7,675 | 10% |
| Humboldt | 6,066,295 | 0.3% | 265,665 | 24,327 | 9% |
| Imperial | 8,096,356 | 0.5% | 360,282 | 32,468 | 9% |
| Inyo | 1,887,477 | 0.1% | 82,144 | 7,569 | 9% |
| Kern | 44,861,835 | 2.6% | 1,808,635 | 179,904 | 10% |
| Kings | 6,456,377 | 0.4% | 299,381 | 25,891 | 9% |
| Lake | 3,191,914 | 0.2% | 143,099 | 12,800 | 9% |
| Lassen | 1,874,999 | 0.1% | 88,988 | 7,519 | 8% |
| Los Angeles | 500,921,465 | 28.7% | 21,352,766 | 2,008,788 | 9% |
| Madera | 7,217,623 | 0.4% | 303,498 | 28,944 | 10% |
| Marin | 11,827,220 | 0.7% | 468,653 | 47,429 | 10% |
| Mariposa | 1,243,717 | 0.1% | 50,291 | 4,988 | 10% |
| Mendocino | 5,177,799 | 0.3% | 218,493 | 20,764 | 10% |
| Merced | 11,120,780 | 0.6% | 445,478 | 44,596 | 10% |
| Modoc | 875,000 | 0.1% | 33,967 | 3,509 | 10% |
| Mono | 1,870,411 | 0.1% | 58,650 | 7,501 | 13% |
| Monterey | 16,672,361 | 1.0% | 737,604 | 66,859 | 9% |
| Napa | 6,811,234 | 0.4% | 259,490 | 27,314 | 11% |
| Nevada | 4,476,628 | 0.3% | 214,284 | 17,952 | 8% |
| Orange | 130,596,195 | 7.5% | 5,480,873 | 523,715 | 10% |
| Placer | 15,275,383 | 0.9% | 657,294 | 61,257 | 9% |
| Plumas | 1,098,287 | 0.1% | 43,721 | 4,404 | 10% |
| Riverside | 83,822,337 | 4.8% | 3,714,480 | 336,143 | 9% |
| Sacramento | 72,854,304 | 4.2% | 3,037,036 | 292,159 | 10% |
| San Benito | 2,490,431 | 0.1% | 102,021 | 9,987 | 10% |
| San Bernardino | 90,574,193 | 5.2% | 4,013,742 | 363,219 | 9% |
| San Diego | 131,157,679 | 7.5% | 5,607,340 | 525,967 | 9% |
| San Francisco | 51,695,109 | 3.0% | 1,922,827 | 207,307 | 11% |
| San Joaquin | 33,424,312 | 1.9% | 1,406,203 | 134,038 | 10% |

2017-18 Pro Rata Allocation of Estimated TCTF Revenue Shortfall

| | | | | | |
|-----------------|----------------------|------|-------------------|------------------|-----|
| San Luis Obispo | 12,318,837 | 0.7% | 530,900 | 49,401 | 9% |
| San Mateo | 32,424,159 | 1.9% | 1,338,294 | 130,027 | 10% |
| Santa Barbara | 20,357,653 | 1.2% | 855,309 | 81,638 | 10% |
| Santa Clara | 74,835,992 | 4.3% | 3,075,990 | 300,106 | 10% |
| Santa Cruz | 11,697,897 | 0.7% | 482,864 | 46,911 | 10% |
| Shasta | 10,265,807 | 0.6% | 547,941 | 41,168 | 8% |
| Sierra | 750,000 | 0.0% | 29,788 | 3,008 | 10% |
| Siskiyou | 2,795,948 | 0.2% | 111,546 | 11,212 | 10% |
| Solano | 19,955,896 | 1.1% | 872,972 | 80,027 | 9% |
| Sonoma | 22,514,091 | 1.3% | 940,923 | 90,286 | 10% |
| Stanislaus | 21,192,531 | 1.2% | 858,759 | 84,986 | 10% |
| Sutter | 4,842,299 | 0.3% | 201,980 | 19,419 | 10% |
| Tehama | 3,860,637 | 0.2% | 156,884 | 15,482 | 10% |
| Trinity | 1,383,657 | 0.1% | 76,835 | 5,549 | 7% |
| Tulare | 18,414,977 | 1.1% | 793,187 | 73,847 | 9% |
| Tuolumne | 3,046,522 | 0.2% | 138,363 | 12,217 | 9% |
| Ventura | 33,415,817 | 1.9% | 1,470,377 | 134,004 | 9% |
| Yolo | 9,011,585 | 0.5% | 408,858 | 36,138 | 9% |
| Yuba | 4,450,232 | 0.3% | 190,450 | 17,846 | 9% |
| Total | 1,745,554,822 | | 73,992,134 | 7,000,000 | |

| Trial Court Trust Fund - Detailed Fund Condition Statement | | | | | | | | | |
|---|------------------------------|------------------------------|------------------------------|---------------|---------------|---------------|---------------|---------------|--|
| | FY 2014-15 | FY 2015-16 | 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | |
| | Year-End Financial Statement | Year-End Financial Statement | Year-End Financial Statement | Estimated | Estimated | Estimated | Estimated | Estimated | |
| Beginning Fund Balance | 21,218,232 | 6,614,017 | 34,829,875 | 66,569,098 | 62,208,186 | 51,902,561 | 66,834,444 | 54,720,632 | |
| Prior-Year Adjustments ¹ | 5,624,798 | 7,208,461 | 5,759,000 | 2,479,627 | - | - | - | - | |
| Revenues and Transfers | 2,333,631,984 | 2,431,232,814 | 2,486,227,327 | 2,464,977,324 | 2,641,096,419 | 2,630,663,817 | 2,608,663,817 | 2,608,663,817 | |
| <i>Total Revenues</i> | 1,341,324,951 | 1,294,611,392 | 1,270,421,327 | 1,267,154,024 | 1,258,365,437 | 1,249,701,823 | 1,249,701,823 | 1,249,701,823 | |
| Transfers/Charges/Reimbursements | | | | | | | | | |
| General Fund Transfer | 922,648,255 | 943,724,000 | 1,021,832,000 | 986,281,000 | 1,158,535,000 | 1,158,535,000 | 1,158,535,000 | 1,158,535,000 | |
| General Fund Transfer - Court-Appointed Dependency Counsel | | 114,700,000 | 114,700,000 | 136,700,000 | 136,700,000 | 136,700,000 | 114,700,000 | 114,700,000 | |
| General Fund Transfer - Revenue Backfill | 30,900,000 | 58,900,000 | 61,300,000 | 55,000,000 | 89,094,000 | 89,094,000 | 89,094,000 | 89,094,000 | |
| <i>GF Backfill Adjustments</i> | | | | | (21,260,318) | (22,538,306) | (22,538,306) | (22,538,306) | |
| <i>Proposed backfill for Civil Assessments</i> | | | | - | - | | | | |
| General Fund Loan - Statewide E-Filing | | | | 671,000 | 491,000 | | | | |
| Reduction Offset Transfers ² | 26,080,000 | 6,080,000 | 6,080,000 | 6,080,000 | 6,080,000 | 6,080,000 | 6,080,000 | 6,080,000 | |
| Net Other Transfers/Charges/Reimbursements ³ | 12,678,778 | 13,217,422 | 11,894,000 | 13,091,300 | 13,091,300 | 13,091,300 | 13,091,300 | 13,091,300 | |
| Total Resources | 2,360,475,014 | 2,445,055,292 | 2,526,816,202 | 2,534,026,049 | 2,703,304,605 | 2,682,566,378 | 2,675,498,261 | 2,663,384,449 | |
| Expenditures/Encumbrances/Allocations | | | | | | | | | |
| Program 30/30.05 (0140010) - Judicial Council (AOC Staff) | 4,095,938 | 3,620,851 | 2,306,934 | 3,842,676 | 3,616,676 | 3,127,676 | 3,127,676 | 3,130,676 | |
| Program 30.15 (Formerly Program 45.10) (0140019) - Trial Court Op | 15,622,980 | 12,369,281 | - | - | - | - | - | - | |
| Program 45.10 (0150010) - Support for Operation of the Trial Courts | 1,883,174,214 | 1,816,242,767 | 1,860,003,547 | 1,839,647,639 | 2,009,126,713 | 1,983,417,296 | 1,989,061,432 | 1,989,061,432 | |
| Program 0150011 - Court-Appointed Dependency Counsel | - | 114,387,117 | 114,699,919 | 136,700,000 | 136,700,000 | 136,700,000 | 136,700,000 | 136,700,000 | |
| Program 45.15 - Trial Court Security | - | - | - | - | - | - | - | - | |
| Program 45.25 (0150019) - Compensation of Superior Court Judges | 319,803,869 | 330,369,783 | 335,384,000 | 338,231,000 | 338,161,000 | 338,161,000 | 338,161,000 | 338,231,000 | |
| Program 45.35 (0150028) - Assigned Judges | 24,792,538 | 25,199,733 | 25,923,351 | 27,005,000 | 28,117,000 | 28,117,000 | 28,117,000 | 28,117,000 | |
| Program 45.45 (0150037) - Court Interpreters | 96,802,928 | 99,598,715 | 102,282,915 | 105,481,840 | 115,749,840 | 106,615,840 | 106,615,842 | 103,632,000 | |
| 9892 Supplemental Pension Payments (State Ops) | | | | | 98,000 | 105,000 | 169,000 | 177,000 | |
| Program 0150095 - Expenses on Behalf of the Trial Courts⁴ | - | - | 11,391,069 | 11,341,570 | 10,636,887 | 10,745,269 | 10,033,380 | 10,450,380 | |
| Item 601 - Redevelopment Agency Writ Case Reimbursements | 704,280 | 291,169 | 108,368 | - | - | - | - | - | |
| Total, Expenditures/Encumbrances/Allocations | 2,353,860,997 | 2,410,225,417 | 2,460,247,104 | 2,471,817,863 | 2,651,402,044 | 2,615,731,934 | 2,620,777,629 | 2,618,288,787 | |
| Ending Fund Balance | 6,614,017 | 34,829,875 | 66,569,098 | 62,208,186 | 51,902,561 | 66,834,444 | 54,720,632 | 45,095,662 | |
| Urgent Needs Reserve | | | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | |
| Funds Held on Behalf of the Trial Courts | | | | 150,000 | 150,000 | 150,000 | | | |
| Court Interpreter Funds Held in Reserve | 10,917,600 | 9,043,514 | 5,697,270 | 6,847,430 | 4,997,590 | 3,147,750 | 1,297,908 | 1,297,908 | |
| CAC Dependency Collections Held in Reserve | 1,574,692 | 2,186,060 | 2,155,664 | 2,184,768 | 2,112,454 | 2,075,356 | 2,075,356 | 2,075,356 | |
| Redevelopment Agency Writ Case Reimbursements Held in Reserve | 927,837 | 636,668 | | - | - | - | - | - | |
| Refund to courts of overcharges for JCC services | 380,151 | | | | | | | | |
| Equal Access Fund Held in Reserve | | 454,039 | 966,617 | - | 0 | 0 | 0 | 0 | |
| Sargent Shriver Civil Counsel Held in Reserve | 2,494,429 | 1,449,503 | 595,004 | 699,737 | - | - | - | - | |
| <i>Total Restricted Funds</i> | 16,294,708 | 13,769,783 | 19,414,554 | 19,881,934 | 17,260,044 | 15,373,105 | 13,373,263 | 13,373,263 | |
| Ending Unrestricted Fund Balance | (9,680,691) | 21,060,092 | 47,154,544 | 42,326,252 | 34,642,517 | 51,461,339 | 41,347,369 | 31,722,398 | |
| Appropriation Authority | 2,374,768,317 | 2,422,079,000 | 2,492,488,255 | 2,584,707,000 | 2,676,591,000 | 2,670,958,000 | 2,670,958,000 | 2,670,958,000 | |
| Program 30/30.05 Appropriation | 5,099,100 | 5,711,100 | 3,309,000 | 4,123,000 | 3,945,000 | 3,945,000 | 3,945,000 | 3,945,000 | |
| Program 30.15 Appropriation | 19,634,000 | 12,525,000 | - | - | - | - | - | - | |

| | | |
|---|--|--|
| Trial Court Trust Fund - Detailed Fund Condition Statement | | |
|---|--|--|

| | FY 2014-15 | FY 2015-16 | 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 |
|--|------------------------------|------------------------------|------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| | Year-End Financial Statement | Year-End Financial Statement | Year-End Financial Statement | Estimated | Estimated | Estimated | Estimated | Estimated |
| Program 45.10 Appropriation (0150010) | 1,889,621,000 | 1,815,721,000 | 2,006,487,000 | 1,936,776,000 | 2,021,204,000 | 2,021,204,000 | 2,021,204,000 | 2,021,204,000 |
| Program 0150011 Appropriation | - | 114,700,000 | | 136,700,000 | 136,700,000 | 136,700,000 | 136,700,000 | 136,700,000 |
| Program 45.15 Appropriation | - | - | - | - | - | - | - | - |
| Program 45.25 Appropriation (0150019) | 326,399,255 | 336,356,000 | 331,674,255 | 356,206,000 | 356,206,000 | 356,206,000 | 356,206,000 | 356,206,000 |
| Program 45.35 Appropriation (0150028) | 26,047,000 | 26,646,000 | 26,406,000 | 28,117,000 | 28,117,000 | 28,117,000 | 28,117,000 | 28,117,000 |
| Program 45.45 Appropriation (0150037) | 98,413,062 | 99,937,000 | 103,458,000 | 103,632,000 | 108,766,000 | 103,632,000 | 103,632,000 | 103,632,000 |
| Program 45.55 Appropriation | 9,554,900 | 9,554,900 | 9,829,000 | 9,829,000 | 10,329,000 | 9,829,000 | 9,829,000 | 9,829,000 |
| Program 0150095 Appropriation | - | - | 11,325,000 | 9,324,000 | 11,324,000 | 11,325,000 | 11,325,000 | 11,325,000 |
| Item 601 - Reimbursement Appropriation | - | 928,000 | - | | | | | |
| Appropriation Authority Surplus/(Deficit) | 20,907,320 | 11,853,583 | 32,241,151 | 112,889,137 | 25,188,956 | 55,226,066 | 50,180,371 | 52,669,213 |