



Judicial Council of California

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REPORT TO THE JUDICIAL COUNCIL

Item No.: 26-037

For business meeting on April 24, 2026

Title

Trial Court Budget: Minimum Operating and
Emergency Fund Balance Policy

Report Type

Action Required

Rules, Forms, Standards, or Statutes Affected

None

Effective Date

July 1, 2026

Recommended by

Trial Court Budget Advisory Committee
Hon. Jonathan B. Conklin, Chair
Ms. Rebecca Fleming, Vice-Chair

Date of Report

April 2, 2026

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Executive Summary

The Judicial Council's suspension of the minimum operating and emergency fund balance policy will expire on June 30, 2026. This policy requires trial courts to maintain a designated percentage of funds for use in emergency situations or due to budget shortfalls. Since fiscal year 2012–13, the council has repeatedly suspended the policy due to statutory changes and the availability of other emergency funding options. The Trial Court Budget Advisory Committee recommends extending the suspension for one additional year until June 30, 2027. This will provide sufficient time to revise the policy so that it better aligns with the current financial realities and reserve needs of the trial courts.

Recommendation

The Trial Court Budget Advisory Committee recommends that, effective July 1, 2026, the Judicial Council:

1. Approve a one-year suspension of the minimum operating and emergency fund balance policy for the trial courts until June 30, 2027; and

2. Add this item to the Funding Methodology Subcommittee’s annual work plan. This will allow time to revise the policy so that it better aligns with the current financial realities and reserve needs of the trial courts.

These recommendations were presented to the Judicial Branch Budget Committee on February 19, 2026, and approved for consideration by the Judicial Council.

Relevant Previous Council Action

The Judicial Council’s minimum operating and emergency fund balance policy (Attachment A) requires the trial courts to maintain a fund balance or reserve of approximately 3 to 5 percent of their prior year General Fund expenditures. This policy was first established in fiscal year (FY) 2006–07 to ensure that dedicated funding would be available for emergency situations, revenue shortfalls, or unexpected budget imbalances. The policy remained in effect through FY 2011–12.

Beginning in FY 2012–13, the Judicial Council began suspending the minimum operating and emergency fund balance policy, extending the suspension in two-year increments as legislative changes and judicial branch advocacy efforts sought to increase the fund balance cap for trial courts. During the same fiscal year, Government Code section 68502.5 established a requirement for a 2 percent reserve in the Trial Court Trust Fund (TCTF), funded by contributions from each court’s base operational allocation. In response to this new statutory reserve, the Judicial Council suspended the minimum operating and emergency fund balance requirement for two years beginning August 31, 2012, to evaluate the impact of the change on trial court finances.

In FY 2013–14, Government Code section 77203 (Attachment B) imposed a 1 percent cap on the fund balance that courts could carry forward from one fiscal year to the next, effective June 30, 2014. Previously, a trial court could carry over all unexpended funds from the court’s operating budget from the previous fiscal year.

On October 28, 2014, the council extended the suspension of the policy for two additional years until June 30, 2016.¹ On January 19, 2017,² and May 24, 2018,³ the council approved additional two-year suspensions of the policy until June 30, 2020, in recognition of the 2 percent reserve in the TCTF and advocacy efforts by the branch to eliminate or increase the 1 percent cap. In

¹ Judicial Council of Cal., Advisory Com. Rep., *Trial Court Budget: 2 Percent State-Level Reserve Process and Minimum Operating and Emergency Fund Balance Policy* (Oct. 20, 2014), courts.ca.gov/documents/jc-20141028-itemM.pdf; mins. (Oct. 28, 2014), courts.ca.gov/documents/jc-20141028-minutes.pdf.

² Judicial Council of Cal., Advisory Com. Rep., *Trial Court Budget: Minimum Operating and Emergency Fund Balance Policy* (Dec. 29, 2016), jcc.legistar.com/View.ashx?M=F&ID=4885769&GUID=7E02378F-E7AC-407D-BDD2-DA81B5FEB9E8; mins. (Jan. 19, 2017), jcc.legistar.com/View.ashx?M=M&ID=523723&GUID=AAC05972-68BD-4B48-B46C-240B851E3CEF.

³ Judicial Council of Cal., Advisory Com. Rep., *Trial Court Budget: Minimum Operating and Emergency Fund Balance Policy* (May 11, 2018), jcc.legistar.com/View.ashx?M=F&ID=6246424&GUID=FD9DAD84-DD7D-448D-8C94-085FFC2FFBBF; mins. (May 24, 2018), jcc.legistar.com/View.ashx?M=M&ID=559783&GUID=1C4B0F75-3F17-4F8A-9712-034640BB460C.

FY 2019–20, Government Code section 77203 was amended, and the fund balance cap was increased from 1 percent to 3 percent. This allowed the trial courts to carry over unexpended funds in an amount not to exceed 3 percent of the court’s operating budget from the prior fiscal year beginning June 30, 2020.

On July 24, 2020,⁴ May 11, 2022,⁵ and May 17, 2024,⁶ the council again approved additional two-year suspensions of the policy. The last suspension expires on June 30, 2026.

Analysis/Rationale

Fund balance cap

The fund balance cap for the trial courts was increased from 1 percent to 3 percent in FY 2019–20. Since that time, the Judicial Council has continued discussions with the administration to raise the cap further, recognizing that trial courts have limited resources to support the vital programs and services they provide.

This resulted in a proposal in the FY 2024–25 Governor’s Budget to increase the fund balance cap from 3 percent to 5 percent, or \$100,000, whichever is greater, effective June 30, 2024. The proposal was to help the trial courts maintain adequate reserve funding to support operational needs and address emergency expenditures. However, the proposal was not included in the enacted budget, and the fund balance cap remains at 3 percent.

Funds held on behalf of the trial courts

Government Code section 68502.5(c)(2)(A) requires the Judicial Council to approve preliminary funding allocations for the trial courts each July and to finalize those allocations each January. When the final allocation is calculated, any court with reserves above the 3 percent cap must have the excess amount deducted unless it submits a request through the Funds Held on Behalf of the Trial Courts program.

This program, established in FY 2015–16 in consultation with the Department of Finance and approved by the Judicial Council, allows courts to preserve and use funds that exceed the

⁴ Judicial Council of Cal., Advisory Com. Rep., *Trial Court Budget: Minimum Operating and Emergency Fund Balance Policy* (July 2, 2020), jcc.legistar.com/View.ashx?M=F&ID=8648714&GUID=DAA755CB-AD69-4C95-AB23-49AF3B15A37F; mins. (July 24, 2020), jcc.legistar.com/View.ashx?M=M&ID=711582&GUID=90001AF2-7CEE-4F0F-906B-29A03ED9CB43.

⁵ Judicial Council of Cal., Advisory Com. Rep., *Trial Court Budget: Minimum Operating and Emergency Fund Balance Policy* (May 10, 2022), jcc.legistar.com/View.ashx?M=F&ID=10831522&GUID=E3E6A833-3D51-41D8-B68D-225383632DEF; mins. (May 9, 2022), jcc.legistar.com/View.ashx?M=M&ID=869099&GUID=990E26C2-797D-4F24-BAE0-4945FB131549.

⁶ Judicial Council of Cal., Advisory Com. Rep., *Trial Court Budget: Minimum Operating and Emergency Fund Balance Policy* (May 6, 2024), jcc.legistar.com/View.ashx?M=F&ID=12906835&GUID=1BD21B0F-1766-4D49-975D-A0984E3CC680; mins. (May 17, 2024), jcc.legistar.com/View.ashx?M=M&ID=1091340&GUID=CFBAE626-CB09-4BE5-872F-ECB2BCB40B99.

statutory reserve limit for approved projects or expenditures.⁷ The program was created in recognition of the limited resources available to trial courts and the reality that some needs—such as technology upgrades, facility improvements, or other multiyear initiatives—cannot be funded within a single year’s budget. Through this process, courts may request that the Judicial Council hold excess funds on their behalf and authorize their use for allowable purposes, ensuring that important projects can move forward without violating the reserve cap.

Allowable projects include technology improvements or infrastructure (case management systems); court efficiency efforts (online or smart forms for court users); facilities maintenance or repair allowed under California Rules of Court, rule 10.810; and one-time expenditures such as vehicle, equipment, or furniture replacement. Funding for approved projects is held in the TCTF, and courts are reimbursed for actual expenses related to specific projects.

The funds held on behalf process is an important fiscal tool that allows the courts to fund necessary projects or purchases and meet contractual obligations within their limited allocations. This process maximizes available resources, especially given the fund balance cap and recent budget reductions.

Other emergency funding options

There are several options available to the trial courts to assist with funding shortfalls, unforeseen emergencies, or unanticipated expenses for existing programs or operations. These options provide flexibility to the trial courts while the minimum operating and emergency fund balance policy has been suspended. These funding options include:

State-level reserve. Government Code section 68502.5(c)(2)(B) authorized a one-time General Fund reserve of \$10 million in the TCTF. This reserve replaced the 2 percent reserve requirement that was in place since FY 2012–13. This reserve funding has only been used one time, in FY 2018–19 by the Superior Court of Humboldt County. Assembly Bill 170 (Stats. 2024, ch. 51) reduced the emergency reserve in the TCTF from \$10 million to \$5 million as a budget solution and because of the reserve’s limited use by the courts.

The Judicial Council established a process for the trial courts to apply for this emergency funding.⁸ If funding is used from the reserve, it must be replenished the following fiscal year by all trial courts contributing from their base allocations.

⁷ Judicial Council of Cal., Advisory Com. Rep., *Trial Court Allocations: Trial Court Reserves Held in the Trial Court Trust Fund* (Mar. 25, 2016), jcc.legistar.com/View.ashx?M=F&ID=4378277&GUID=57D6B686-EA95-497E-9A07-226CA724ADCB; mins. (Apr. 15, 2016), jcc.legistar.com/View.ashx?M=M&ID=463457&GUID=194A3350-D97F-452B-ACF4-1EBE6C105CCA.

⁸ Judicial Council of Cal., Advisory Com. Rep., *Trial Court Budget: \$10 Million State-Level Reserve Process* (Oct. 13, 2016), jcc.legistar.com/View.ashx?M=F&ID=4730556&GUID=B27BB5A7-B14B-44E8-A809-9F6FA97F6536; mins. (Oct. 28, 2016), jcc.legistar.com/View.ashx?M=M&ID=463482&GUID=71780E2D-3758-4213-B3A5-7100073AB7CF.

Cash advance. Government Code section 68502.5(c)(2)(B) and Judicial Council policy⁹ also authorized a process by which trial courts experiencing cash flow issues can request a cash advance. Whenever possible, the cash advance will be distributed from a court’s remaining TCTF allocation. The cash advance must be repaid by the borrowing court based on the repayment schedule included in the court’s approved cash advance application.

Use of statutorily restricted funds. Although statutorily restricted funds are to be used for the purpose specified in statute, there are urgent or emergency circumstances when these funds may be used by the courts. Use of these funds is also authorized under Government Code section 68502.5(c)(2)(B) and Judicial Council policy. This option requires repayment within the same month the funds are borrowed.

The trial court minimum operating and emergency fund balance policy has been suspended for 14 consecutive years. The original policy became outdated and inoperable following statutory changes governing trial court reserves. At the same time, additional statewide mechanisms for emergency funding reduced the need for courts to maintain their own minimum emergency balances. Because of these shifts, the Judicial Council has repeatedly suspended the policy since FY 2012–13.

On January 15, 2026,¹⁰ the Trial Court Budget Advisory Committee approved (1) an additional one-year suspension through June 30, 2027, to allow time to revise the policy to appropriately reflect current conditions regarding trial court financial operations and reserve needs; and (2) adding this item to the Funding Methodology Subcommittee’s annual work plan. As this item is currently on the FY 2025–26 work plan to consider repeal of the policy (Attachment C), it will be carried over to the FY 2026–27 work plan and updated to consider revisions to the existing policy based on the current fiscal environment for the trial courts.

Policy implications

While suspending the policy for an additional year does not create immediate policy changes, it is expected that future updates to the trial court minimum operating and emergency fund balance policy will be proposed. These revisions will likely address evolving conditions in trial court financial operations and the level of reserves needed to support stable and effective court services.

⁹ Judicial Council of Cal., Advisory Com. Rep., *Trial Court Budget: \$10 Million State-Level Reserve Policy* (Dec. 16, 2019), jcc.legistar.com/View.ashx?M=F&ID=7972039&GUID=AD0ECA77-5B7A-41B7-8680-5D1B5D64F90D; mins. (Jan. 17, 2020), jcc.legistar.com/View.ashx?M=M&ID=711572&GUID=AC46528C-6E37-406A-A1CE-B41CC33E29EB.

¹⁰ Trial Court Budget Advisory Committee meeting materials (Jan. 15, 2026), courts.ca.gov/system/files/file/tcbac-20260115-materials.pdf.

Comments

This proposal was not circulated for public comment. However, the recommendations were considered at committee meetings that were open to the public, and no public comments were received.

Alternatives considered

The Trial Court Budget Advisory Committee deliberated a possible repeal of the policy due to multiple suspension extensions and other means of addressing emergency situations and revenue shortages. The committee considered the financial and operational benefits of maintaining a policy to establish a minimum fund balance for emergencies as a best practice for the courts.

Fiscal and Operational Impacts

None.

Attachments and Links

1. Attachment A: Trial Court Financial Policies & Procedures Fund Balance Policy
2. Attachment B: Gov. Code, § 77203
3. Attachment C: Funding Methodology Subcommittee Fiscal Year 2025–26 Work Plan

Trial Court Financial Policies & Procedures Fund Balance Policy

June 2020

Fund Balance

1. As publicly funded entities, and in accordance with good public policy, trial courts must ensure that the funds allocated and received from the state and other sources are used efficiently and accounted for properly and consistently. The trial courts shall account for and report fund balance in accordance with established standards, utilizing approved classifications. Additionally, a fund balance can never be negative.
2. Beginning with the most binding constraints, fund balance amounts must be reported in the following classifications:
 - a. Nonspendable Fund Balance
 - b. Restricted Fund Balance
 - c. Committed Fund Balance
 - d. Assigned Fund Balance
 - e. Unassigned Fund Balance (General Fund only)
3. When allocating fund balance to the classifications and categories, allocations must follow the following prioritization:
 - a. Nonspendable Fund Balance
 - b. Restricted Fund Balance
 - c. Contractual commitments to be paid in the next fiscal year
 - d. The minimum calculated operating and emergency fund balance
 - e. Other Judicial Council mandates to be paid in the next fiscal year
 - f. Contractual commitments to be paid in subsequent fiscal years
 - g. Assigned Fund Balance designations
 - h. Unassigned Fund Balance
4. Nonspendable Fund Balance includes amounts that cannot be spent because they are either (a) not in spendable form (not expected to be converted to cash), or (b) legally or contractually required to be maintained intact. Examples include: Inventories, prepaid amounts, Long-Term Loans and Notes Receivable, and Principal of a Permanent (e.g., endowment) Fund.
5. Restricted Fund Balance includes amounts constrained for a specific purpose by external parties, constitutional provision, or enabling legislation.

- a. Externally imposed—imposed externally by grantors, creditors, contributors, or laws or regulations of other governments (i.e., monies received by a grantor that can only be used for that purpose defined by the grant).
 - b. Imposed by Law (Statutory)—restricted fund balance that consists of unspent, received revenues whose use is statutorily restricted (e.g., children’s waiting room and dispute resolution program funding).
6. Committed Fund Balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Judicial Council. These committed amounts cannot be used for any other purpose unless the Judicial Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed Fund Balance must also include contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. While the requirement to include contractual commitments is a policy decision of the Judicial Council, the type, number, and execution of contracts is within the express authority of presiding judges or their designee.
7. **[NOTE: The minimum operating and emergency fund requirement discussed here is temporarily suspended until the Judicial Council lifts the suspension.]** The Judicial Council has authorized a stabilization arrangement (Operating and Emergency fund category) to be set aside for use in emergency situations or when revenue shortages or budgetary imbalances might exist. The amount is subject to controls that dictate the circumstances under which the court would spend any of the minimum operating and emergency fund balance. Each court must maintain a minimum operating and emergency fund balance at all times during a fiscal year as determined by the following calculation based upon the prior fiscal year’s ending total unrestricted general fund expenditures (excluding special revenue, debt service, permanent proprietary, and fiduciary funds), less any material one-time expenditures (e.g., large one-time contracts).

Annual General Fund Expenditures
5 percent of the first \$10,000,000
4 percent of the next \$40,000,000
3 percent of expenditures over \$50,000,000

If a court determines that it is unable to maintain the minimum operating and emergency fund balance level as identified above, the court must immediately notify the Administrative Director, or designee, in writing and provide a plan with a specific time frame to correct the situation.

8. Assigned Fund Balance is constrained by the presiding judge, or designee, with the intent that it be used for specific purposes or designations that are neither unspendable,

restricted, nor committed. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. Assigned amounts are based on estimates, and explanations of the methodology used to compute or determine the designated amount must be provided.

Assigned Fund Balances include:

- a. All remaining amounts that are reported in governmental funds, other than general funds, that are not classified as nonspendable and are neither restricted nor committed; and
- b. Amounts in the general fund that are intended to be used for a specific purpose in accordance with the provision identified by the presiding judge or designee.

Assigned Fund Balances will be identified according to the following categories:

- a. One-time Facility–Tenant Improvements. Examples include carpet and fixture replacements.
- b. One-time Facility–Other Examples include amounts paid by the Judicial Council on behalf of the courts.
- c. Statewide Administrative Infrastructure Initiatives. Statewide assessment in support of technology initiatives (e.g., Phoenix) will be identified in this designation.
- d. Local Infrastructure (technology and nontechnology needs). Examples include interim case management systems and nonsecurity equipment.
- e. One-time Employee Compensation (leave obligation, retirement, etc.). Amounts included in this category are exclusive of employee compensation amounts already included in the court’s operating budget and not in a designated fund balance category.
 - i. One-time leave payments at separation from employment. If amounts are not already accounted for in a court’s operating budget, estimated one-time payouts for vacation or annual leave to employees planning to separate from employment within the next fiscal year should be in this designated fund balance subcategory. This amount could be computed as the average amount paid out with separations or other leave payments during the last three years. Any anticipated non-normal or unusually high payout for an individual or individuals should be added to at the average amount calculated.

- ii. Unfunded pension obligation. If documented by an actuarial report, the amount of unfunded pension obligation should be included as a designated fund balance. Employer retirement plan contributions for the current fiscal year must be accounted for in the court's operating budget.
- iii. Unfunded retiree health care obligation. If documented by an actuarial report, the amount of unfunded retiree health care obligation should be included as a designated fund balance.

The current year's unfunded retiree health care obligation contains: (i) the current year Annual Required Contribution (ARC) based on a 30-year amortization of retiree health costs as of last fiscal year-end, and (ii) the prior year retiree health care obligation less (iii), the retiree health care employer contributions and any transfers made to an irrevocable trust set up for this purpose. The current year's unfunded retiree health care obligation is to be added to the prior year's obligation.

- iv. Workers' compensation (if managed locally). The amount estimated to be paid out in the next fiscal year.
 - v. Use of reserve funds for liquidation of outstanding leave balances for employees in a layoff situation, consistent with the requirements of GASB 45; other examples would include reserving funds for the implementation of "enhanced retirement" or "golden handshake" programs in the interest of eliminating salaries at the "high end" or "top step," and thereby generating salary savings or rehires at the low end of a pay scale for position(s), but realizing one-time costs in the interest of longer-term savings for the court.
- f. Professional and Consultant Services. Examples include human resources, information technology, and other consultants.
 - g. Security. Examples include security equipment and pending increases for security service contracts.
 - h. Bridge Funding. A court may choose to identify specific short or intermediate term funding amounts needed to address future needs that are otherwise not reportable, nor fit the criteria, in either restricted nor committed classifications, that it believes are necessary to identify through specific designations. These designations must be listed with a description in sufficient detail to determine their purpose and requirements.
 - i. Miscellaneous (required to provide detail). Any other planned commitments that are not appropriately included in one of the above designated fund balance subcategories

should be listed here with a description in sufficient detail to determine its purpose and requirements.

9. Unassigned Fund Balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to any other fund balance classification. The general fund is the only fund that shall report a positive unassigned fund balance amount.

State of California

GOVERNMENT CODE

Section 77203

77203. (a) Prior to June 30, 2014, a trial court may carry over all unexpended funds from the courts operating budget from the prior fiscal year.

(b) Commencing June 30, 2014, and concluding June 30, 2019, a trial court may 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, 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. The calculation of the percentage authorized to be carried over from the previous fiscal year shall not include funds received by the court pursuant to the following:

(1) Section 470.5 of the Business and Professions Code.

(2) Section 116.230 of the Code of Civil Procedure, except for those funds transmitted to the Controller for deposit in the Trial Court Trust Fund pursuant to subdivision (h) of that section.

(3) Subdivision (f) of Section 13963, Sections 26731, 66006, 68090.8, 70640, 70678, and 76223, subdivision (b) of Section 77207.5, and subdivision (h) of Section 77209.

(4) The portion of filing fees collected for conversion to micrographics pursuant to former Section 26863, as that section read immediately before its repeal, and Section 27361.4.

(5) Sections 1027 and 1463.007, subdivision (a) of Section 1463.22, and Sections 4750 and 6005, of the Penal Code.

(6) Sections 11205.2 and 40508.6 of the Vehicle Code.

(Amended by Stats. 2019, Ch. 36, Sec. 2. (SB 95) Effective June 27, 2019. Section conditionally inoperative as provided in Section 77400.)

**Funding Methodology Subcommittee
Fiscal Year 2025–26 Work Plan
Approved as of October 29, 2025**

The Funding Methodology Subcommittee is responsible for (1) the ongoing review and refinement of the Workload Formula policy and (2) the development of allocation methodologies for funding augmentations and reductions for the trial courts as necessary. The subcommittee will continue its ongoing work to evaluate existing allocation methodologies and consider alternative allocation approaches based on the Workload Formula's core principles to advance the goal of funding equity, stability, and predictability to support trial court operations.

Ongoing Through FY 2025–26

1. Reevaluate the court cluster system, which is determined by the number of authorized judicial positions, and the impact of trial courts' cluster placement in the Resource Assessment Study (RAS).
2. Reevaluate the Trial Court Minimum Operating and Emergency Fund Balance Policy and consider if it should be repealed.
3. Evaluate the equity-based reallocation policy including technical refinements and clarification of the application of the existing methodology.
4. Evaluate the impact of the RAS data on the Workload Formula calculation and timing of implementation of new caseweights in the model.
5. Evaluate the Bureau of Labor Statistics factor and its impact on the Workload Formula calculation.
6. Consider a revised allocation methodology for court-appointed juvenile dependency counsel funding to determine an appropriate and effective way to address challenges faced by the trial courts in providing quality representation for children and families.

Ongoing Annual Updates

7. Review the Workload Formula policy to address adjustments as needed to ensure that it stays current to advance the goal of funding equity, stability, and predictability to support trial court operations.
8. Review the base funding floor amounts annually, if requested by the applicable courts, for consideration by the Trial Court Budget Advisory Committee no later than December of each year, to determine whether an inflationary adjustment is needed.

9. Review the Workload Formula adjustment request process submissions as referred by the Trial Court Budget Advisory Committee chair.

The following proposals were received in response to the 2025 Workload Formula adjustment request process. As these proposals could impact the RAS, which calculates different caseweights to determine the workload-based funding need for the trial courts, the requests are under consideration by the Data Analytics Advisory Committee.

1. Superior Court of Alameda County – proposed a minimum staff-to judge ratio be factored into the RAS as a supplemental need and included in the Workload Formula calculations.
2. Superior Court of Stanislaus County – proposed a factor in the RAS model to be included in the Workload Formula calculations that accounts for the additional time and costs to conduct background checks using the Automated Firearms System for domestic violence restraining orders required by the Domestic Violence Prevention Act (AB 3083; Stats. 2024, ch. 541).