



JUDICIAL COUNCIL OF CALIFORNIA

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REPORT TO THE JUDICIAL COUNCIL

For business meeting on: September 21, 2018

Title

Trial Court Budget: 2017–18 Preliminary
One-Time Reduction for Fund Balances
Above the 1 Percent Cap

Agenda Item Type

Action Required

Effective Date

September 21, 2018

Rules, Forms, Standards, or Statutes Affected

None

Date of Report

August 30, 2018

Recommended by

Trial Court Budget Advisory Committee
Hon. Jonathan B. Conklin, Chair

Contact

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Executive Summary

The Trial Court Budget Advisory Committee recommends that the Judicial Council approve a preliminary one-time allocation reduction of \$658,398 to eight courts that are projecting the portion of their ending fund balance that is subject to the 1 percent balance cap to exceed the cap by \$658,398, as required by Government Code section 77203.

Recommendation

The Trial Court Budget Advisory Committee (TCBAC) recommends that the Judicial Council, effective September 21, 2018, approve a preliminary one-time allocation reduction of \$658,398 to eight courts that are projecting the portion of their ending fund balance that is subject to the 1 percent balance cap to exceed the cap by \$658,398, as required by Government Code section 77203.

Relevant Previous Council Action

Government Code section 68502.5(c)(2)(A) requires the council to make a preliminary allocation reduction in July of each fiscal year (Attachment A) and a final allocation reduction before February of each fiscal year to offset the amount of fund balance (or reserves) in excess of the

amount authorized by Government Code section 77203. Government Code section 77203 limited the amount of funds to be carried over from one year to the next, beginning June 30, 2014. The reductions reflect the calculated preliminary allocation reduction amounts provided by the courts on the 1% Fund Balance Cap Calculation Form (Attachment B).

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

- 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.
- Each year, courts will be required to submit the 1 percent computation form with final year-end information by October 15.
- Before February, the Judicial Council’s Chief Financial Officer will report to the council the information provided by courts for the final allocation reduction, if any.

Analysis/Rationale

In accordance with Government Code section 68502.5(c)(2)(A), this preliminary information has been included as part of the trial court allocation recommendations presented to the council in July. This year, submission information was not received in time to present at the July 2018 Judicial Council business meeting due to a combination of the earlier council business meeting this year and the time courts required for the soft close of their prior-year finances.

Policy implications

None.

Comments

This item was not circulated for comment. No comments were received for this item.

Alternatives considered

None.

Fiscal and Operational Impacts

None.

Attachments and Links

1. Attachment A: Preliminary One-Time Allocation Reduction for Fund Balance Above the 1% Cap
2. Attachment B: 1% Fund Balance Cap Calculation Form

Preliminary One-Time Allocation Reduction for Fund Balance Above the 1% Cap
(as of July 24, 2018)

Court	Fund Balance Cap	2017-18 Ending Fund Balance	Encumbrance Reserves at June 30	Excluded Funds	Prepayments	Balance of Approved 2017-18 Funds Held on Behalf	Fund Balance Subject to Cap	Current Year Reduction	Prior Year Disencumbrance	Total Preliminary Reduction	Approved 2018-19 Funds Held on Behalf ^f	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 (A - G)	Col. I	Col. J (H + I)	Col. K	Col. L (J + K)
ALAMEDA	969,785	11,258,122	7,708,020	1,212,134	0	568,183	1,769,785	(799,693)	(307)	(800,000)	800,000	0
ALPINE	8,236	57,480	42,479	12,287	0	0	2,714	0	0	0		0
AMADOR	29,371	86,181	39,001	25,939	0	0	21,241	0	0	0		0
BUTTE	136,315	808,923	134,526	330,572	147,092	58,697	138,036	(1,721)	0	(1,721)		0
CALAVERAS	27,471	322,082	0	138,504	183,578	0	0	0	0	0		0
COLUSA	21,878	412,438	0	239,973	0	0	172,465	(150,587)	0	(150,587)	100,000	0
CONTRA COSTA	589,691	5,046,899	2,491,319	2,067,588	0	0	487,992	0	0	0		0
DEL NORTE	32,018	639,163	29,581	479,515	858	0	129,209	(97,191)	0	(97,191)		(97,191)
EL DORADO	90,940	(417,305)	0	0	1,296	0	(418,601)	0	0	0		0
FRESNO	652,867	2,087,446	381,580	1,253,180	0	0	452,686	0	0	0		0
GLENN	31,602	199,853	82,918	60,942	0	29,000	26,993	0	0	0		0
HUMBOLDT	91,864	95,072	26,495	42,089	26,488	0	0	0	0	0		0
IMPERIAL	127,711	1,758,013	1,173,279	471,713	81,565	0	31,456	0	0	0		0
INYO	26,762	446,237	0	431,860	2,868	0	11,509	0	0	0		0
KERN	727,956	4,854,611	0	3,094,349	748,867	676,688	334,707	0	(27,433)	(27,433)		0
KINGS	99,328	930,000	714,517	200,483	15,000	0	0	0	0	0		0
LAKE	40,592	195,485	27,000	161,275	0	0	7,210	0	0	0		0
LASSEN	26,990	229,630	0	127,334	0	75,925	26,371	0	0	0		0
LOS ANGELES	7,530,183	58,668,451	33,000,000	18,963,000	79,000	1,150,000	5,476,451	0	0	0		0
MADERA	107,053	928,575	339,560	483,526	0	0	105,489	0	0	0		0
MARIN	141,268	1,021,332	111,485	786,504	5,000	0	118,343	0	0	0		0
MARIPOSA	16,564	45,974	5,648	23,762	0	0	16,564	0	0	0		0
MENDOCINO	71,696	617,860	429,483	188,377	0	0	0	0	0	0		0
MERCED	166,948	3,138,684	153,022	2,619,139	110,000	236,378	20,145	0	(500)	(500)		(500)
MODOC	11,541	31,076	0	28,233	0	0	2,843	0	0	0		0
MONO	21,525	313,495	35,340	37,776	16,264	0	224,115	(202,590)	0	(202,590)	20,000	(182,590)
MONTEREY	238,397	956,042	25,918	748,156	14,006	9,368	158,594	0	0	0		0
NAPA	103,113	765,913	12,140	627,836	0	94,777	31,160	0	(500)	(500)		0
NEVADA	69,772	237,865	0	237,219	0	0	646	0	0	0		0
ORANGE	1,929,671	9,308,727	1,253,226	5,639,363	978,471	491,305	946,362	0	0	0		0
PLACER	207,828	2,077,450	1,080,845	425,744	113,018	199,650	258,193	(4,562)	(45,803)	(50,365)	50,350	(15)
PLUMAS	12,760	54,559	0	54,559	0	0	0	0	0	0		0
RIVERSIDE	1,533,864	5,614,682	938,238	3,529,660	0	0	1,146,784	0	0	0		0
SACRAMENTO	927,979	5,751,410	1,385,970	1,781,659	28,537	1,639,971	915,273	0	4	4		0
SAN BENITO	30,076	163,389	90,263	6,325	36,753	0	30,048	0	0	0		0
SAN BERNARDINO	1,258,893	10,214,982	3,377,069	1,979,156	4,858,757	0	0	0	0	0		0
SAN DIEGO	1,743,704	11,374,807	291,970	10,223,982	636,420	0	222,435	0	0	0		0
SAN FRANCISCO	727,130	2,463,402	0	1,992,721	0	385,693	84,988	0	0	0		0
SAN JOAQUIN	416,173	2,353,815	161,634	1,890,765	231,728	0	69,688	0	0	0		0
SAN LUIS OBISPO	164,639	1,970,113	142,787	1,710,130	0	0	117,196	0	0	0		0
SAN MATEO	444,112	1,876,355	727,412	514,000	0	0	634,943	(190,831)	(209,169)	(400,000)	250,000	(150,000)
SANTA BARBARA	300,710	3,181,185	658,788	2,507,356	0	0	15,041	0	0	0		0
SANTA CLARA	985,873	692,794	0	669,627	0	0	23,167	0	0	0		0

Court	Fund Balance Cap	2017-18 Ending Fund Balance	Encumbrance Reserves at June 30	Excluded Funds	Prepayments	Balance of Approved 2017-18 Funds Held on Behalf	Fund Balance Subject to Cap	Current Year Reduction	Prior Year Disencumbrance	Total Preliminary Reduction	Approved 2018-19 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 (A - G)	Col. I	Col. J (H + I)	Col. K	Col. L (J + K)
SANTA CRUZ	145,873	532,703	33,088	375,026	0	0	124,589	0	0	0		0
SHASTA	184,721	439,551	18,468	248,761	0	0	172,322	0	0	0		0
SIERRA	9,068	46,018	19,813	11,205	15,000	0	0	0	(43,295)	(43,295)		(43,295)
SISKIYOU	41,723	404,148	178,766	184,767	0	0	40,615	0	0	0		0
SOLANO	264,377	1,459,495	191,121	1,024,380	0	0	243,994	0	(183,965)	(183,965)		(183,965)
SONOMA	275,199	2,200,730	0	1,711,088	488,095	0	1,547	0	0	0		0
STANISLAUS	275,061	679,865	0	7,600	397,204	0	275,061	0	0	0		0
SUTTER	63,669	649,694	296,525	291,636	0	45,204	16,329	0	0	0	9,041	0
TEHAMA	48,464	753,626	578,495	167,260	0	0	7,871	0	0	0		0
TRINITY	21,447	86,503	33,128	39,576	0	0	13,799	0	0	0		0
TULARE	297,227	800,032	159,709	373,205	159,833	0	107,285	0	(45,020)	(45,020)	45,020	0
TUOLUNME	41,470	149,650	0	112,552	0	0	37,098	0	0	0		0
VENTURA	511,227	3,403,255	3,229,404	125,969	0	0	47,882	0	0	0		0
YOLO	132,903	955,483	408,801	455,755	0	0	90,927	0	(842)	(842)		(842)
YUBA	65,799	272,744	162,129	103,152	0	0	7,463	0	(1,409)	(1,409)	1,409	0
TOTALS	25,271,077	165,666,764	62,380,960	73,250,244	9,375,698	5,660,839	14,999,023	(1,447,175)	(558,239)	(2,005,414)	1,275,820	(658,398)

¹ The Approved Trial Court Trust Fund (TCTF) Funds Held on Behalf requests include those requests approved by the Judicial Council at its July 20, 2018 business meeting.

1% Fund Balance Cap Calculation Form

SUMMARY TOTALS

2017-18

PRELIMINARY

		FY 2015-16	FY 2016-17	FY 2017-18	Instructions
Line #	Part A - Computation of Cap				
1	Expenditures	2,375,268,993	2,449,345,801	2,515,248,149	Court enters expenditures for ending fiscal year.
2	Accruals	93,529,935	61,755,623	47,851,905	Court enters expense accruals for ending fiscal year.
3	Less: Expenses related to Encumbrance Reserves for FY13/14	(38,372,588)			Current year expenditures relating to prior year encumbrance reserves.
4	Less: Expenses related to Encumbrance Reserves for FY14/15	(33,494,106)	(20,781,150)		Current year expenditures relating to prior year encumbrance reserves.
5	Less: Expenses related to Encumbrance Reserves for FY15/16		(51,858,853)	(26,256,427)	Court enters current year expenditures relating to prior year encumbrance reserves. Enter a negative number.
6	Less: Expenses related to Encumbrance Reserves for FY16/17			(49,797,860)	Court enters current year expenditures relating to prior year encumbrance reserves. Enter a negative number.
7	Encumbrance Reserves as of June 30	117,105,716	100,303,224	62,380,960	Court enters total year ending fund balance reserved for encumbrances (Do not include TCTF Funds Held Purchase Order)
8	Less: remaining Encumbrance Reserves from FY13/14	(7,438,956)			The amount of the fund balance reserved for encumbrances (line 7) that is related to prior fiscal years.
9	Less: remaining Encumbrance Reserves from FY14/15	(29,152,488)			The amount of the fund balance reserved for encumbrances (line 7) that is related to prior fiscal years.
10	Less: remaining Encumbrance Reserves from FY15/16		(27,216,178)		fiscal years.
11	Less: remaining Encumbrance Reserves from FY16/17			(22,319,444)	related to prior fiscal years. Enter a negative number.
12	Operating Budget	2,477,446,506	2,511,548,467	2,527,107,283	Cell is formula driven. This row calculates Operating Budget.
13	Fund Balance Cap (1% of Operating Budget)	24,774,465	25,115,485	25,271,073	Cell is formula driven. This row calculates Fund Balance Cap.
	Part B - Computation of Fund Balance Subject to Cap				
14	Ending fund balance	212,948,907	210,230,174	165,666,764	Court enters actual year end fund balance.
15	Less: Encumbrance Reserves as of June 30	117,105,716	100,303,224	62,380,960	Cell is formula driven. This line is the encumbrance reserves amount entered above from line 7.
16	Less: Excluded Funds Per GC 77203	69,471,670	73,931,812	73,250,244	Cell is formula driven. Court enters details on the Excluded Detail tab.
17	Less: Prepayments	8,584,958	12,397,032	9,375,698	Court enters any Prepayment amounts.
18	Less: TCTF Funds Held (approved and returned to court)	-	5,066,406	5,660,839	Cell is formula driven. Court enters details on the TCTF Funds Held tab.
19	Fund Balance Subject to Cap	17,786,564	18,531,701	14,999,023	Cell is formula driven. This row calculates Fund Balance Subject to Cap and is what will be compared to the Fund Balance Cap (line 13).
	Part C - Potential Additional Allocation Reduction				
20	Amount above cap if no Encumbrance Reserves	110,855,312	94,188,524	56,507,741	Cell is formula driven.
21	Maximum amount of encumbered fund balance that, if not expensed in the next two years, is subject to the cap	79,259,255	91,871,382	39,902,075	These amounts will be liquidated if not spent (year of encumbrance, plus 2 additional). These are the encumbrance amounts for the fiscal year listed above.
22	Maximum amount of non-excluded encumbered fund balance that can be disencumbered without resulting in an allocation reduction	7,612,528	6,933,391	5,975,116	Cell is formula driven. This total is the threshold the court can disencumber without having to reduce their allocations.
	Part D - Liquidations				
23	FY13/14 Liquidation in third year	6,556,868			This is the amount of unused encumbrance on closed contracts in third year following original encumbrance.
24	FY14/15 Liquidation in second year	885,619			This is the amount of unused encumbrance on closed contracts in second year following original encumbrance.
25	FY14/15 Liquidation in third year		8,272,519		This is the amount of unused encumbrance on closed contracts in third year following original encumbrance.
26	FY15/16 Liquidation in second year		1,442,548		This is the amount of unused encumbrance on closed contracts in second year following original encumbrance.
27	FY15/16 Liquidation in third year			956,446	Cell is formula driven. This is the amount of unused encumbrance on closed contracts in third year following original encumbrance.
28	FY16/17 Liquidation in second year			969,742	Cell is formula driven. This is the amount of unused encumbrance on closed contracts in second year following original encumbrance.
	Part E - Fund Balance Subject to Allocation Reduction				
29	Current Year Subject to Cap	2,117,636	#VALUE!	1,447,175	Cell is formula driven. This is the amount of fund balance over the cap.
30	TCTF Funds Held to be returned to the Trial Court Trust Fund	-	-	-	Cell is formula driven. Court enters details on the TCTF Funds Held tab.
31	FY13/14 Encumbered Fund Balance Subject to Allocation Reduction	6,302,820			FY13/14 total liquidation less maximum amount of encumbered fund balance that can be disencumbered without resulting in an allocation reduction .
32	FY14/15 Encumbered Fund Balance Subject to Allocation Reduction	33,095	5,954,147		FY14/15 total liquidation less maximum amount of encumbered fund balance that can be disencumbered without resulting in an allocation reduction .
33	FY15/16 Encumbered Fund Balance Subject to Allocation Reduction		82,217	118,645	Cell is formula driven. FY15/16 total liquidation less maximum amount of encumbered fund balance that can be disencumbered without resulting in an allocation reduction .
34	FY16/17 Encumbered Fund Balance Subject to Allocation Reduction			439,602	Cell is formula driven. FY16/17 total liquidation less maximum amount of encumbered fund balance that can be disencumbered without resulting in an allocation reduction .
35	Total Allocation Reduction	8,763,540	7,392,571	2,005,422	Cell is formula driven. This is the amount that will revert to the Trial Court Trust Fund.