



JUDICIAL COUNCIL OF CALIFORNIA

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REPORT TO THE JUDICIAL COUNCIL

Item No.: 22-060

For business meeting on: March 11, 2022

Title

Trial Court Budget: Base Funding Floor
Allocation

Agenda Item Type

Action Required

Effective Date

July 1, 2022

Rules, Forms, Standards, or Statutes Affected

None

Date of Report

February 18, 2022

Recommended by

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

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Executive Summary

The Trial Court Budget Advisory Committee recommends that the Judicial Council approve increasing the base funding floor from \$800,000 to \$950,000. Base funding is currently allocated to the two smallest courts, Alpine and Sierra Superior Courts, and is based on the minimum level of staffing and operational costs necessary.

Recommendation

The Trial Court Budget Advisory Committee recommends that the Judicial Council, effective July 1, 2022, approve an increase of \$150,000 to the base funding floor for trial courts. This action would raise the level of funding to the smallest trial courts to \$950,000, effective July 1, 2022, for 2022–23 budget allocations.

This recommendation was presented to the Judicial Branch Budget Committee on December 7, 2021, and approved for consideration by the Judicial Council.

Relevant Previous Council Action

At its April 2013 meeting,¹ the Judicial Council approved a shift away from a funding model based on historical levels to one based on workload need when it adopted a recommendation from the Trial Court Budget Working Group, now the Trial Court Budget Advisory Committee (TCBAC), for a new trial court budget development and allocation process now known as the Workload Formula.

While the April 2013 council action established the funding and allocation methodology for the majority of trial courts, it was determined that the smallest courts' funding needs could not be established using workload metrics alone. For that reason, TCBAC temporarily deferred addressing a funding methodology for the smallest courts in the first fiscal year of the Workload Formula implementation to allow time for further evaluation.

On February 20, 2014, after the committee convened a group of leaders of the smallest courts to (1) provide input on the minimum levels of staffing needed to provide access to justice, and (2) provide detailed information about operations expenditures to help arrive at a funding floor amount, the council approved a recommendation from TCBAC to establish a base funding floor amount of \$750,000 effective 2014–15.²

At its March 15, 2019 business meeting, the council approved a \$50,000 inflationary adjustment, increasing the base funding floor to \$800,000, effective 2019–20.³ At that time, there had not been any adjustments to the initial base funding floor amount. The increase, based on inflationary adjustments as reported by the Department of Finance (DOF) at that time, helped to account for increases to employee salaries and operating expenses and equipment (OE&E).

Analysis/Rationale

Cost increases for employee salaries and OE&E are factored into the Workload Formula for trial courts. However, the two base funding floor courts have not benefitted from these adjustments in the model since base floor funding is allocated outside of the Workload Formula.

In July 2021, the court executive officers of Alpine and Sierra Superior Courts submitted requests for a funding adjustment. The court executive officer of the Sierra court indicated an

¹ Judicial Council of Cal. Rep., *Trial Court Budget Working Group: Recommendation of New Budget Development and Allocation Methodology* (Apr. 26, 2013), <https://www.courts.ca.gov/documents/jc-20130426-itemP.pdf>; Judicial Council of Cal., mins. (Apr. 26, 2013), <https://www.courts.ca.gov/documents/jc-20130426-minutes.pdf>.

² Judicial Council of Cal., Trial Court Budget Advisory Com. Rep., *Trial Court Allocations: Revisions to the Workload-Based Allocation and Funding Methodology* (Feb. 20, 2014), www.courts.ca.gov/documents/jc-20140220-itemK.pdf; Judicial Council of Cal., mins. (Feb. 20, 2014), <https://www.courts.ca.gov/documents/jc-20140220-minutes.pdf>.

³ Judicial Council of Cal., Trial Court Budget Advisory Com. Rep., *Trial Court Budget: Base Funding Floor Allocation* (Mar. 15, 2019), <https://jcc.legistar.com/View.ashx?M=F&ID=7058011&GUID=805D0070-0C38-40C7-A8CE-F08E82D8DDD5>; Judicial Council of Cal., mins. (Mar. 15, 2019), <https://jcc.legistar.com/View.ashx?M=M&ID=640295&GUID=4C88EDD5-7207-4839-BB72-89B184E22C9B>.

urgent need for a funding floor adjustment and requested a \$150,000 ongoing increase. Due to staffing challenges and the impact of wildfires in the area, the Alpine court was unable to submit a formal request for a funding floor increase but was able to provide an email request absent a targeted dollar amount and expressed a desire to align with the Sierra court's request, which the Sierra court supports.

Sierra Superior Court indicated the need for a funding floor increase driven by information technology (IT), case management system (CMS) costs, benefit cost increases, staffing, recruitment, retention, security, and the impact of inflation.

IT and CMS. It has been the Sierra court's past practice and only option to contract out for IT management and support. Due to its rural location and small pool for human resources, the Sierra court is unable to bring in an in-house specialist who can adequately support its IT needs. The cost for this service has increased from \$25,000 to \$54,000 per year.

The Sierra court's CMS is currently hosted by Placer Superior Court because the court does not have the internal appliances/servers and onsite staff expertise necessary to manage and maintain the system. As a result, the court pays a fee for these services as well as a fee for a licensing agreement, which have both increased from 1 to 3 percent each year. The current annual licensing fee for the CMS and the annual cost to host the CMS is currently \$88,000 or 46 percent of the Sierra court's operational expenses.

Modernization Projects. Recently, the Sierra court was able to participate in some court modernization projects due to the reprioritization of these critical efforts among limited court staff resources and with the additional assistance of a project manager from the Judicial Council Information Technology office. With IT management now in place, the court will use this resource to support the necessary security advancements required by the Judicial Council as well as advancements in technology to better serve the public. Sierra's cost for the project manager, labor, and equipment (not covered by grant money) is approximately \$33,000.

Benefits. The health costs for the court have increased more than 5 percent each year over the last seven years, and a recent County Board of Supervisors' decision approved the refinance of the current pension obligation bond to reduce the interest rate and shorten the repayment period. Once the bond is refinanced, the payment amount is expected to increase to \$107,000, which represents a 45 percent increase. Because both the Sierra and Alpine courts are base funding floor courts, increases in benefit costs are not provided to the court dollar for dollar, as they are for the other 56 trial courts.

Staffing, Recruitment, and Retention. The court is currently operating with reduced staffing to stay within budget and left 1.5 positions vacant last year. This resulted in the court operating with 3.5 full-time equivalent employees instead of 5.0, which provides difficulty in covering sick and vacation time, and is impacting the quality of service provided. Additional funds for staffing and the opportunity to retain employees through regular step increases and negotiated cost-of-living adjustments are needed.

The court must carefully balance its obligation to provide access to justice to the public with the rising operational costs of providing critical services. Investments in IT access are essential for small courts in rural areas to support public access, given the unique challenges of rural locations. These include the lack of economy of scale for key services given the small size of the court, and the travel distance to the courthouse and the impact of inclement weather for court users. Adequate financial resources for staffing and IT support will ensure continued public access to justice and safety for court users and staff.

Alpine Superior Court has expressed a need to address (1) deficiencies in areas of IT management and support, including a CMS upgrade; (2) managing the ongoing cost impact of Judicial Council court modernization projects, security, and disaster recovery; (3) human resources, including training, cost-of-living adjustments, and benefits; (4) jury and grand jury management; and (5) accounting, finance, and audit support. The court is currently operating with three clerks instead of four to stay within budget, which is not sustainable.

Policy implications

A funding augmentation of \$150,000 represents an approximate 19 percent increase to the current base funding floor amount of \$800,000. This is intended to reflect adjustments for the Consumer Price Index (CPI) as well as increased operational costs for managing IT, CMS, and unfunded accrued liability. For reference, the percent change in the CPI for California from 2018–19—the year following information used for the last funding floor increase—through 2022–23 is 12.3 percent for the Los Angeles region and 13.1 percent for the San Francisco region (see Table 1).

Table 1: CPI Information as Available from the DOF⁴

Fiscal Year	Los Angeles % Change	San Francisco % Change
2018–19	3.4	4.0
2019–20	2.5	2.4
2020–21	2.0	2.1
2021–22	1.9	2.1
2022–23	2.5	2.5
Total	12.3%	13.1%

Information as of April 2021; fiscal years 2021–22 and 2022–23 are forecasted.

⁴ Dept. of Finance, Consumer Price Indices, May 2021 Revision Forecast, <http://www.dof.ca.gov/Forecasting/Economics/Indicators/Inflation/>.

Fund balance information over the last three years is outlined in Table 2. The TCBAC and Judicial Branch Budget Committee (Budget Committee) determined that the balances each court has been carrying are not sufficient to cover ongoing cost increases and funding needs.

Table 2: Fund Balance Information

Fiscal Year	Fund Balance Subject to Cap		Total Fund Balance Reduction	
	Alpine	Sierra	Alpine	Sierra
2018–19	\$9,927	\$4,783	\$2,097	\$0
2019–20	\$25,837	\$19,575	\$1,183	\$0
2020–21	\$11,716	\$27,423	\$5	\$0

Comments

No public comments were received for this item.

Alternatives considered

The TCBAC and the Budget Committee did not consider alternative allocation amounts. The committees relied on information provided by the two trial courts that qualify for the base funding floor, and available fund balance information that justified a need for additional funding that other courts are eligible to receive through the Workload Formula.

Fiscal and Operational Impacts

Approving the funding floor adjustment is consistent with the principles of the Workload Formula, which incorporates cost of living and cost of labor adjustments. This policy has a minimal net effect to overall funding allocations. An additional \$150,000 directed to the two smallest courts, totaling \$300,000, represents a negligible fraction of the over \$2 billion total base allocation for trial courts in 2021–22 and would provide critical funding to support operations and access to justice.

Attachments and Links

None.