



## JUDICIAL COUNCIL OF CALIFORNIA

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# REPORT TO THE JUDICIAL COUNCIL

For business meeting on: August 25–26, 2016

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Title

Budget: Fiscal Year 2017–2018 Budget  
Proposals for Supreme Court, Courts of  
Appeal, Judicial Council, Judicial Branch  
Facilities Program, Trial Courts, and Habeas  
Corpus Resource Center

Agenda Item Type

Action Required

Effective Date

August 26, 2016

Date of Report

August 16, 2016

Rules, Forms, Standards, or Statutes Affected

None

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Recommended by

Martin Hoshino, Administrative Director  
Mark Dusman, Interim Chief Administrative  
Officer

Zlatko Theodorovic, Budget Director

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### Executive Summary

The delegated committees of the Judicial Council recommend submission of fiscal year 2017–2018 budget proposals for the Supreme Court, Courts of Appeal, Judicial Council, Judicial Branch Facility Program, Trial Courts, and Habeas Corpus Resource Center. In addition, the Judicial Council staff recommends delegating authority to the Administrative Director to make technical changes to any budget proposals, as necessary. Submittal of budget change proposals is the standard process for proposing funding adjustments in the State Budget, which must be submitted to the state Department of Finance by September 2, 2016.

### Recommendation

Effective August 26, 2016, the following Judicial Council advisory committees and boards recommend that the Judicial Council approve and prioritize the fiscal year (FY) 2017–2018 budget proposals for submission to the state Department of Finance:

1. The Administrative Presiding Justices Advisory Committee for the Supreme Court and Courts of Appeal.
2. The Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch, the Judicial Council, and the Judicial Branch Facilities Program.
3. The Trial Court Budget Advisory Committee for the Trial Courts.
4. The Trial Court Facility Modification Advisory Committee for the Judicial Branch Facilities Program.
5. The Language Access Plan Implementation Task Force.
6. The Judicial Council Technology Committee.
7. The Habeas Corpus Resource Center board of directors for the Habeas Corpus Resource Center.

Further, the Administrative Director recommends that the Judicial Council:

8. Delegate authority to the Administrative Director to make technical changes to budget change proposals (BCPs), as necessary.
9. Prioritize all approved BCPs for submission to the state Department of Finance as follows:
  1. Support for Trial Court Operations.
  2. Sustain Justice Edition Case Management System Replacement.
  3. Court-Appointed Dependency Counsel.
  4. New Judgeships (AB 159).
  5. Supreme Court and Appellate Courts - California Court Appointed Counsel Projects, San Francisco.
  6. Appellate Court Document Management System.
  7. Sustainability of the Immediate and Critical Needs Account.
  8. Appellate Court Judicial Workload.
  9. General Fund Support of Statewide Programs and Services.
  10. Implementation of the Language Access Plan and Support for Court Interpreters.
  11. Increased Operations Costs for Existing and New/Renovated Courthouses.
  12. Statewide Electronic Filing Technology.
  13. Trial Court Facilities Operations Cost Adjustment.
  14. Appellate Court Facility Maintenance Program.
  15. Habeas Corpus Resource Center–Case Teams Staffing.
  16. Appellate Court Security.
  17. Technical BCP–Judicial Council Organizational Restructure.

18. Technical BCP–Santa Clara Capital Outlay Project Funding Plan.

10. Withhold approval and submission of the following BCPs to the Department of Finance:

1. Trial Court Facilities Modifications Cost Adjustment.
2. Self-Help Services.
3. Insurance–Risk Management.
4. Technology Improvements for Facilities.

### **Previous Council Action**

The Judicial Council has statutory authority to submit budget proposals on behalf of the Supreme Court, Courts of Appeal, Judicial Council, Judicial Branch Facilities Program, Trial Courts, and Habeas Corpus Resource Center to the Department of Finance. The recommendations in this report are consistent with the council’s past practice under this authority.

### **Rationale for Recommendation**

Each year, the Judicial Council staff presents budget proposals for review by the council. Budget proposals approved by the council will be finalized into BCPs and require supporting documents.

### **Delegation of authority to make technical changes**

If council staff receives additional information that requires technical changes to the funding requests identified in this report, BCPs being submitted to the Department of Finance may require modification. For some of the proposals included in this report, the actual amounts may change as updated information is received.

Delegating authority to the Administrative Director to make minor adjustments to these proposals in advance, rather than requesting that council staff return to the Judicial Council to seek authority to do so, will facilitate a dynamic budget process. In addition, each year during the course of developing the State Budget, issues arise that may need to be addressed on short notice. In those instances, it is advisable for the Administrative Director to have the ability to update and add funding proposals in an efficient and flexible manner. All completed BCPs will be submitted to the chair of the Executive and Planning Committee.

### **Judicial Council approval of budget proposals**

Judicial Council approval is requested on the following 2017–2018 budget proposals to address baseline resources for the state judiciary (in proposed priority order). The current estimated budgetary need, where known, is summarized in the table below:

#	Budget Change Proposal	Amount
1.	Support for Trial Court Operations	\$206.8 million General Fund
2.	Sustain Justice Edition Case Management System Replacement	\$4.9 million General Fund
3.	Court-Appointed Dependency Counsel	\$22.0 million General Fund
4.	New Judgeships (AB 159)	\$8.3 million General Fund
5.	Supreme Court and Appellate Courts - California Court Appointed Counsel Projects	\$3.5 million General Fund
6.	Appellate Court Document Management System	\$3.0 million Appellate Court Trust Fund \$0.6 million General Fund
7.	Sustainability of the Immediate and Critical Needs Account (ICNA)	To be determined
8.	Appellate Court Judicial Workload	\$2.6 million General Fund
9.	General Fund Support of Statewide Programs and Services	\$13.3 million General Fund
10.	Implementation of the Language Access Plan and Support for Court Interpreters	\$8.6 million General Fund \$0.6 million Court Interpreters Fund
11.	Increased Operations Costs for Existing and New/Renovated Courthouses	\$8.5 million General Fund
12.	Statewide Electronic Filing Technology	To be determined
13.	Trial Court Facilities Operations Cost Adjustment	\$27.5 million General Fund
14.	Appellate Court Facility Maintenance Program	\$1.3 million General Fund
15.	Habeas Corpus Resource Center–Case Teams Staffing	\$3.3 million General Fund
16.	Appellate Court Security	\$1.2 million General Fund
17.	Technical BCP–Judicial Council Organizational Restructure	\$0
18.	Technical BCP–Santa Clara Capital Outlay Project Funding Plan	Transfer of existing funds

1. ***Support for Trial Court Operations.*** Proposed ongoing General Fund augmentation of \$206.8 million in support of trial court operations, which will allow the trial courts to hire additional staff, retain existing staff, and improve the public’s access to justice. The request consists of the following:
  - \$117.5 million, the equivalent of 5 percent of the amount of funding needed by the trial courts based on the 2016–2017 Workload-Based Allocation and Funding Methodology (WAFM) estimate, to reduce the gap between the funding needed to support trial court

operations and the funding available. If approved, these funds would be allocated per the WAFM methodology.

- \$41.0 million to fund the equivalent of a 2.5 percent cost of living increase for all trial court employees, consistent with increases previously provided to executive branch employees. This augmentation would be utilized to provide any of the following (or any combination thereof): the reduction or elimination of budget reduction–related concessions such as furloughs, reduced work weeks, previously enacted or planned future layoffs; a cost of living increase; enhanced employee benefits; or to address other personnel matters as deemed appropriate by each trial court in negotiations with their related employee representatives. If approved, these funds would be allocated per the WAFM methodology.
- \$48.3 million to backfill the reduced county payments to the Trial Court Trust Fund pursuant to Assembly Bill 227 (Stats. 2007, ch.383).

2. ***Sustain Justice Edition Case Management System Replacement.*** Proposed General Fund augmentation of \$4.9 million (\$4.0 million in 2017-18, \$0.8 million in 2018-19, and \$0.1 million in 2019-20) for transfer to the Trial Court Trust Fund to replace the legacy system, Sustain Justice Edition (SJE), with a vendor-supplied case management system in the following California superior courts: Humboldt, Lake, Madera, Modoc, Plumas, San Benito, Sierra, Trinity, and Tuolumne counties. SJE is an aging client/server application developed with older technology and does not have the capabilities of a modern case management system such as a document management system or e-filing capability. Journal Technologies, Inc. (JTI) is the software vendor and while JTI continues to provide support for the SJE product, at some point in the future it is likely that they will declare the product at “end of life.” Obtaining funding to replace SJE with a modern case management system is the next step towards the Digital Courts goal in the Court Technology Strategic Plan.
3. ***Court-Appointed Dependency Counsel.*** Proposed ongoing augmentation of \$22.0 million General Fund for transfer to the Trial Court Trust Fund to support court-appointed dependency counsel workload. The need based on the current workload model to achieve the Judicial Council’s statewide caseload standard of 141 clients per attorney is \$202.9 million. This request represents 25 percent of the current estimated shortfall of \$88.2 million required to fully fund the adequate and competent representation for parents and children at every stage of the dependency proceeding, from the initial detention hearing until the court terminates its jurisdiction. The 2015 Budget Act included an ongoing augmentation of \$11 million for court-appointed dependency counsel workload. The 2016–2017 base budget for court-appointed dependency counsel is \$114.7 million. Under this funding, the statewide average attorney caseload is sufficient to provide representation at a rate of only one attorney per 250 clients. This average caseload is 2.5 times greater than the dependency attorney caseload of 100 clients per attorney recommended by the American Bar Association, and almost two times greater than the Judicial Council’s target caseload of 141 clients per attorney. The council has taken measures to address the problem within existing resources including implementing a reallocation methodology that allocates all existing funding to

courts based upon their caseload needs and ensuring that all of the \$11 million augmentation is provided to courts with the highest caseload and funding needs, in proportion to each court's percentage of unmet need. Inadequate funding and subsequent high caseloads lead to high attorney turnover and lack of retention of qualified advocates for children. Effective counsel can ensure that the complex requirements in juvenile law for case planning, notice, and timeliness are adhered to, thereby reducing case delays, improving court case processing and the quality of information provided to the judge, and ultimately shortening the time children spend in foster care.

4. ***New Judgeships (AB 159).*** Proposed augmentation of \$8.3 million General Fund for 10 of the 50 trial court judgeships authorized by the Legislature in FY 2007–2008 (Assem. Bill 159; Stats. 2007, ch. 722). This includes \$8.2 million in ongoing funding and \$117,000 one-time for the 10 judgeships and accompanying support staff<sup>1</sup>. While the latest Judicial Needs Assessment (2014) shows that the branch needs just over 269 judgeships based on workload metrics, efforts to secure funding for the 50 previously authorized judgeships have been unsuccessful. This request for a more modest amount of 10 judgeships begins to address the critical resource shortfalls in trial courts with the greatest need. The allocation of these judgeships would be based on the current judicial workload needs assessment. In the absence of funding, no judges can be appointed to those positions, even though they were authorized eight years ago based on a determination of the branch's critical need for these resources to serve the population of California. The Judicial Council requests that the Department of Finance grant the authority to adjust the appropriation as needed between fiscal years to accommodate the timing of the judicial appointments.
5. ***Supreme Court and Appellate Courts - California Court Appointed Counsel Projects.*** Proposed ongoing augmentation of \$3.5 million General Fund and a one-time augmentation of \$50,000 General Fund to support an increase in the contracts with the five Court of Appeal Court-Appointed Counsel Projects and the Supreme Court Court-Appointed Counsel Project, San Francisco (CAP-SF). These six projects provide assistance and oversight to the panel of private attorneys appointed in criminal court of appeal cases, capital appeals and habeas corpus and clemency proceedings for indigent defendants. California's Court-Appointed Counsel Program fulfills the constitutional mandate of providing adequate representation for indigent appellants in the Courts of Appeal on non-capital cases. The objectives of California's appellate court-appointed counsel system are to: (1) ensure the right of indigent clients to receive the effective assistance of appointed appellate counsel as guaranteed to them by the U.S. Constitution, and (2) provide the Courts of Appeal with useful briefings and arguments that allows the Courts to perform its function efficiently and effectively. CAP-SF is also responsible for assisting unrepresented death row inmates by collecting and preserving records and evidence for later post-conviction use, and by providing advocacy needed before counsel is appointed. The funding would support significant increases in the cost of rent and

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<sup>1</sup> Because of the urgent need for new judicial officers, 3.0 FTE in courtroom support staff requested in this BCP is a subset of the full staff complement that is needed to support a new judgeship using the Resource Assessment Study model.

staff benefits, new staff, salary increases, training, and increased costs for record collection and preservation.

6. ***Appellate Court Document Management System.*** Proposed one-time augmentation of \$3.0 million Appellate Court Trust Fund and an ongoing \$0.6 million General Fund for the acquisition, deployment, and maintenance of an Appellate Court Document Management System (DMS). This system will capture, manage, store, share, and preserve essential case documents. This funding request is needed to complete the statewide initiative of moving all of the Appellate Courts to an e-filing system that meets the modernization and public access goals of the branch. This project is in alignment with the Court Technology Governance and Strategic Plan, and it supports the strategic plan's goals for promoting the digital court and the tactical plan's initiative for document management system expansion.
7. ***Sustainability of the Immediate and Critical Needs Account (ICNA).*** Proposed one-time augmentation of \$TBD General Fund for transfer to the ICNA. The requested funding restoration will support the solvency of the ICNA and will allow for the judicial branch to complete the Senate Bill 1407 capital outlay projects while retaining the current expenditure level of facility modification work, debt service, and other expenses.
8. ***Appellate Court Judicial Workload.*** Proposed augmentation of \$2.6 million General Fund in 2017–2018 and \$2.4 million beginning in 2018–2019, and ongoing for two additional appellate court justices and their necessary chambers staff for Division Two of the Fourth Appellate District to meet substantial and growing workload demands. Division Two has an annual average of 1,165 appeals becoming fully briefed, resulting in a case weight of 119 cases per justice—far exceeding all of the other divisions. Adding two justices would reduce the weighted workload to 93 weighted cases per justice—still above the optimal number of 89 cases per justice—and would prevent cases from being transferred from one division to another, which would pose a hardship for litigants who would bear the expense and burden of traveling to a distant division. It would also allow local issues to be decided in the geographic area where the dispute arose.
9. ***General Fund Support of Statewide Programs and Services.***  
*Programs supporting trial courts statewide.* Proposed ongoing augmentation of \$6.9 million General Fund to shift costs supporting programs that provide services to trial courts statewide, currently funded from the State Trial Court Improvement and Modernization Fund (IMF) to the General Fund. Impacted Judicial Council programs include staffing for Treasury Services Cash Management; Trial Court Procurement; Audit Services; California Courts Protective Order Registry; Data Integration; California Courts Technology Center; Civil, Small Claims, Probate and Mental Health (V3) CMS staff; Uniform Civil Fees; and Regional Office Assistance Group units. This proposal will ensure that statewide operations costs of the judicial branch are funded from the General Fund rather than from the IMF, and would provide a stable funding source to serve the branch's needs

*Judicial Branch Litigation Management Program.* Proposed ongoing augmentation of \$5.6 million General Fund to support the legal defense of all judicial branch entities, including trial court operations. Increasing and consolidating litigation management expenditures within the General Fund will assist with the long-term solvency of the IMF as well as centralize the Litigation Management Program into a single pool of available funds. The Litigation Management Program is dedicated to the defense and indemnification of all judicial branch entities for claims and litigation alleging acts arising in the course and scope of judicial employment, as well as various risk reduction expenditures. Providing an augmentation to the General Fund, increasing total funding to address rising costs of litigation, broadening the use of the funds, and permitting the Judicial Council to encumber funds through June 30, 2019, will provide Legal Services the flexibility to better serve the branch's litigation needs.

*Judicial Officer Orientation Programs.* Proposed ongoing augmentation of \$0.8 million General Fund to support costs of faculty and trial court participants at required education courses. These courses are for newly appointed or elected judges, newly hired subordinate judicial officers, and judges and judicial officers assigned to adjudicate a substantive law assignment in which they have not worked before. Additionally, this request includes provisional language to provide additional augmentation authority during the fiscal year (upon approval of the Department of Finance) to the extent that existing authority is insufficient.

**10. *Implementation of the Language Access Plan (LAP) and Support of Court Interpreters.***

Proposed augmentation of \$8.6 million General Fund in FY 2017–2018 and \$7.3 million in FY 2018–2019 and ongoing, and 7.0 positions for the implementation and support of the Strategic Plan for Language Access in the California Courts (adopted by the Judicial Council on January 22, 2015), and a one-time augmentation of \$0.6 million Court Interpreters Fund to support identifying and retaining qualified court interpreters, and expansion of language certification programs (Gov. Code, §§ 68561–68562). Implementation of the LAP benefits California's 7 million LEP individuals and the courts by providing them with additional resources and tools to help increase language access, such as the translation of Judicial Council forms and creation of multilingual videos to assist limited-English-proficient court users; standards and training for bilingual court staff and court staff interpreters; advancement of a pilot program for video remote interpreting; and to support the work of the task force to conduct both business and community meetings, including the provision of interpreters and translated materials for LEP individuals attending or participating in said meetings, and consultant services to create work products.

**11. *Increased Operations Costs for New/Renovated Facilities.*** Proposed ongoing augmentation of \$8.5 million General Fund for transfer to the Court Facilities Trust Fund to support unfunded facility operating costs associated with maintaining newly constructed trial court facilities. The requested funding will be used to maintain the new facilities at a level of care that will prevent deterioration and preserve state assets.

12. ***Statewide Electronic Filing Technologies.*** Proposed augmentation of \$TBD General Fund to develop and implement a statewide electronic filing solution. The majority of courts do not have any e-filing capability. Those courts that do have e-filing rely on either the Electronic Filing Service Provider or Electronic Filing Managers to provide identity management and financial gateway integration. This request will allow for the development, implementation, and maintenance of a statewide electronic filing system to assist the trial courts with e-filing.
13. ***Trial Court Facilities Operations Cost Adjustment.*** Proposed ongoing augmentation of \$22.5 million General Fund for transfer to the Court Facilities Trust Fund to fund unfunded inflationary costs associated with maintaining existing trial court facilities and \$5 million General Fund for transfer to the Court Facilities Trust Fund to refresh, maintain, and replace security equipment, including aging camera, access control, duress alarm, and intrusion alarm systems, and entrance screening equipment in state trial court facilities.
14. ***Appellate Court Facility Maintenance Program.*** Proposed one-time augmentation of \$24,000 General Fund to perform an in-depth building assessment of the two state-owned, court-managed appellate court facilities and an ongoing augmentation of \$1.2 million General Fund to establish and support an Appellate Court Facility Maintenance Program. The facility assessment will document the current condition of the two state-owned, court-managed buildings and create project and cost estimates for identified deficiencies. The \$1.2 million ongoing funding is comprised of \$4.12/sq. ft. for the two court-managed facilities, which is based on Building Owners and Managers Association standards and will include preventative and routine maintenance. \$2/sq. ft. for the remaining seven appellate court facilities will provide for minor facility modifications and demand maintenance not covered by the building owner. The appellate courts occupy a total of just over 500,000 square feet of space in nine facilities.
15. ***Habeas Corpus Resource Center–Case Teams Staffing.*** Proposed augmentation of \$3.3 million General Fund (\$2.1 million ongoing and \$1.2 million one-time in 2017-18 and \$1.6 million beginning in 2018-19 and ongoing) to create four additional legal case teams to accept additional appointments in death-penalty post-conviction cases. This proposal is necessary to reduce the increasing backlog of inmates on California’s death row who lack counsel for state habeas corpus proceedings, and will ultimately result in cost saving to the State of California. As of July 1, 2016, 350 inmates are without counsel necessary to pursue post-conviction relief. Nearly half of those inmates have waited for more than 10 years. Not only has this untoward delay in the appointment of counsel rendered California’s capital punishment system arbitrary and thus unconstitutional, but the delay in appointment of counsel costs the taxpayers hundreds of thousands of dollars in additional and unnecessary costs each year.
16. ***Appellate Court Security.*** Proposed ongoing augmentation of \$1.2 million General Fund and a one-time augmentation of \$21,000 General Fund in 2017–2018 to support security services

provided by the California Highway Patrol Judicial Protection Section at the Courts of Appeal.

17. **Technical BCP–Judicial Council Organizational Restructure.** Proposed technical change to merge the Judicial Council Facility Program within the Judicial Council for budgeting, accounting, and display purposes. Currently, these two programs are budgeted separately under different program structures Judicial Branch Facility Program–Program 0145, and Judicial Council–Program 0140. The consolidation of these two programs within the Judicial Council–Program 0140 would reflect the centralization of all judicial branch functions to support the Supreme Court, Courts of Appeal, and trial courts. Additionally, this restructure may assist the public with better understanding our budget by consolidating our display into one program, rather than splitting the Judicial Council from the Judicial Branch Facility Program.
18. **Technical BCP–Santa Clara Cap Outlay Project Funding Plan.** Proposed technical change to transfer an estimated \$3.2 million from the Court Facilities Trust Fund to the Immediate and Critical Needs Account to support the financial plan for the construction of the Santa Clara County–New Santa Clara Family Justice Center. This transfer would consist of the County Facility Payments for the six facilities being replaced by the new courthouse, less the amount required to offset ongoing facility operations of the new courthouse. The transfer would take place annually until the debt service from the bonds sold to finance the new courthouse is retired in 22 years, and would not begin until the termination of the existing leases for the six replaced facilities.

The Administrative Director recommends that the Judicial Council withhold approval of and submission to the Department of Finance of the following BCPs:

1. **Trial Court Facilities Modifications Cost Adjustment.** This request proposed an ongoing augmentation of \$12.7 million General Fund to assist in reducing the deferred maintenance on the state’s trial court facilities by addressing major repairs, system life-cycle replacements, and renovation projects in existing courthouses to provide safe and secure facilities for the benefit of all court users. This request is unnecessary as the 2017–2018 Budget Policy Letter issued on July 19, 2016, by the Department of Finance indicates that all deferred maintenance requests will be coordinated on a statewide basis. The 2016 Budget Act included \$45 million to support deferred maintenance projects in the judicial branch.
2. **Self Help Services.** This request proposed an ongoing augmentation of \$22 million General Fund to support self-help centers in trial court facilities. The 2016 Budget Act included \$25 million General Fund for a Court Innovations Grant Program to focus on high-priority innovations, modernizations, and efficiencies in the courts. Of the amount provided, \$8 million was specified for self-help services. This request is premature given funding is currently available to increase self-help programs and services.

3. ***Insurance Risk Management.*** This request proposed an ongoing augmentation of \$3.1 million General Fund to pay counties for shared property insurance costs, purchase facilities-related property and excess liability insurance, and to increase funding for the annual legal defense and loss cost of expected public liability claims and lawsuits. Given current state policy to self-insure facilities, except in cases where it is required—such as for bond funded facilities or if required by contract—this request would require the state to hold trial court facilities to a different standard than all other state-owned buildings. Additionally, the County Facility Payments required by statute provide a limited source of funds for transferred facilities with which to make payments required by contract.
4. ***Technology Improvements for Facilities.*** This request proposed an augmentation of \$8.4 million General Fund to advance efficiencies in the Capital Program and Real Estate and Facilities Management by implementing an Electronic Records Management and Document Control System and an Integrated Work Management System. This request is premature as the Judicial Council Technology Committee has not reviewed this proposal or approved the submission to the Judicial Council.

### **Comments, Alternatives Considered, and Policy Implications**

An alternative to recommendation 8 is for the council staff to return to the Judicial Council before submission of the BCPs any time technical adjustments are necessary or unanticipated issues arise. This approach could cause delays in timely updating and submitting proposals, and for this reason, this alternative is not recommended. Council staff will report to the Judicial Council on changes made to the proposals in this report.

### **Implementation Requirements, Costs, and Operational Impacts**

Not applicable.

### **Relevant Strategic Plan Goals and Operational Plan Objectives**

The funding proposals requested for the Supreme Court, Courts of Appeal, Judicial Council, Judicial Branch Facilities Program, Trial Courts, and Habeas Corpus Resource Center will address the strategic plan goals of Goal I, Access, Fairness, and Diversity; Goal III, Modernization of Management and Administration; and Goal IV, Quality of Justice and Service to the Public.

### **Attachments and Links**

1. Attachment A: Department of Finance 2017–2018 Budget Policy Letter #16-15, issued July 19, 2016

# BUDGET LETTER

<b>SUBJECT:</b> 2017-18 BUDGET POLICY	<b>NUMBER:</b> 16-15
<b>REFERENCES:</b> BL 16-01 AND BL 16-10	<b>DATE ISSUED:</b> July 19, 2016  <b>SUPERSEDES:</b> 15-09

TO: Agency Secretaries  
 Department Directors  
 Department Chief Counsels  
 Department Chief Information Officers  
 Department Budget and Accounting Officers  
 Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter sets forth the Governor's policy direction for his proposed 2017-18 Budget. As a reminder, BL16-10, issued May 27, 2016, outlines the technical and procedural requirements for preparation of the 2017-18 Governor's Budget.

## Priorities

The Administration's primary budget focus continues to be maintaining a structurally balanced budget that preserves critical state services and pays down state debts and obligations. Departments should continue to control costs and implement efficiencies. With another recession inevitable, departments should refrain from creating new—or expanding existing—programs.

## Budget Change Proposals (BCPs) and Enrollment/Caseload/Population (ECP) Policy

To maintain a structurally balanced budget, departments' ability to submit BCPs or ECP policy changes for the 2017-18 Budget remains limited.

Accordingly, departments (including those not under the Governor's direct authority) should limit BCPs or ECP policy changes for the 2017-18 Budget to the following circumstances:

- a. Statutory changes necessary for departments to manage within their budgets.
- b. Expected changes in programs' ECPs only as required under current law.
- c. Paying down state debts and liabilities.
- d. Existing or ongoing Information Technology (IT) projects.
- e. Existing or ongoing Capital Outlay projects.
- f. New Capital Outlay projects, if critical, such as fire, life, safety, or court-ordered projects.
- g. Cost-cutting measures or implementing efficiencies to offset unavoidable costs.
- h. Improved budgeting practices related to zero-base budgeting, performance measures, and other efforts as directed by Executive Order B-13-11.

Finance will again coordinate deferred maintenance requests on a statewide basis, and individual BCPs are not necessary. In the event there is a critical need that does not meet the criteria outlined above and the agency secretary believes a new BCP or ECP adjustment is needed to address problems a department will or is encountering, contact your Finance Program Budget Manager before the BCP or ECP due date. **I strongly encourage you to work collaboratively with your Finance Program Budget Manager, prior to submitting any proposals, on a plan for prioritizing your budget requests.**

Departments should assess whether statutory changes (including budget bill language) are necessary to effectuate any BCP or ECP change that is submitted. If statutory changes are necessary, the department's BCP or ECP proposal must include a copy of the proposed legislation. This requirement is necessary for Finance to comply with its obligations under Government Code §13308 to submit proposed statutory changes to the Legislature, through the Legislative Counsel. Consistent with timeframes reflected in BL 16-10, BCPs, including requests for Budget Bill language changes, must be submitted to Finance no later than **September 2, 2016**. Contact your Finance budget analyst for ECP due dates.

Departments using FISCAL/Hyperion should work closely with their Finance budget analysts to provide all necessary budget information by either keying data in the system directly or by uploading data into the system using BCP upload templates. Various enhancements to the system are underway and departments will be notified when updated templates are available. Departments must use the most current version of the BCP template on the Finance Website, as this will reflect the latest chart of account codes and several enhancements. **Submissions using older versions of the BCP template will be returned to the department.** Departments may obtain the updated forms on the Finance website: [http://www.dof.ca.gov/budget/Resources\\_for\\_Departments/Budget\\_Forms/](http://www.dof.ca.gov/budget/Resources_for_Departments/Budget_Forms/).

### **Budget Position Transparency**

Pursuant to the 2015-16 Budget, Government Code section 12439 was repealed. Departmental positions remaining vacant for six or more consecutive months will no longer be abolished. To improve budget transparency, Finance implemented a new budget process and departmental budget display for the Governor's Budget that more accurately captures departments' expenditures for personal services, staff benefits, and operating expenses and equipment. This budgetary display occurs biennially and was previously included in the 2016-17 Governor's Budget. The exercise will be performed again as part of the 2018-19 Governor's Budget process.

### **Budget Confidentiality**

Information contained in BCPs and ECP proposals are an integral part of the Governor's deliberation process. Accordingly, departments must treat proposals as privileged and confidential until and unless the proposal is released to the Legislature as part of the Governor's Budget, the April 1 Finance Letter process, or the May Revision. Disapproved, unapproved, and draft BCPs or ECP changes (i.e., proposals not released to the Legislature) remain confidential indefinitely, and may not be released. Final BCPs are those that contain a Finance supervisor's signature/approval attesting that the BCP has been submitted to the Legislature. BCPs and ECPs approved by the Administration will be posted on Finance's Website.

Questions about Public Records Act or litigation discovery requests for budget documents should be directed to department legal staff and, if necessary, to Finance legal staff.

If you have any questions about this Budget Letter, please contact your Finance budget analyst.

/s/Michael Cohen

MICHAEL COHEN  
Director