



JUDICIAL COUNCIL OF CALIFORNIA

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REPORT TO THE JUDICIAL COUNCIL

For business meeting on September 24, 2019

Title

Trial Court Budget: 2018–19 Preliminary
One-Time Reduction for Fund Balances
Above the 1 Percent Cap

Agenda Item Type

Action Required

Effective Date

September 24, 2019

Rules, Forms, Standards, or Statutes Affected

None

Date of Report

August 30, 2019

Recommended by

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

Contact

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Executive Summary

Under Government Code section 77203(b), 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. The Trial Court Budget Advisory Committee recommends that the Judicial Council approve a preliminary one-time allocation reduction of \$7,890,830 to 16 courts that are projecting the portion of their 2018-19 ending fund balance that is subject to the 1 percent balance cap to exceed the cap by \$7,890,830. Government Code section 68502.5(c)(2)(A) requires the council to make a preliminary allocation reduction in July of each fiscal year. This year, submission information was not received in time to present to the Judicial Council at its July business meeting.

Recommendation

The Trial Court Budget Advisory Committee (TCBAC) recommends that the Judicial Council, effective September 24, 2019, approve a preliminary one-time allocation reduction of \$7,890,830 to 16 courts that are projecting the portion of their 2018-19 ending fund balance that is subject to the 1 percent balance cap to exceed the cap by \$7,890,830.

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. 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 business meeting on July 29, 2014, 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.

The Budget Act of 2019 increased the cap to 3 percent effective July 1, 2019, which will be in effect for courts' 2019-20 ending fund balance.

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 to the Judicial Council at its business meeting on July 20, 2019, due to a combination of the date of the July council business meeting 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 2018-19 Ending Fund Balance Above the 1% Cap
2. Attachment B: 1% Fund Balance Cap Calculation Form

Preliminary One-Time Allocation Reduction for 2018-19 Ending Fund Balance Above the 1% Cap
(as of July 30, 2019)

Court	Fund Balance Cap	FY 2018-19 Ending Fund Balance	Encumbrance Reserves at June 30	Excluded Funds	Prepayments	Balance of Approved Funds Held on Behalf	Fund Balance Subject to Cap	Current Year Reduction	Prior Year Disencumbrance	Total Preliminary Reduction	Approved Funds to be Held on Behalf of Courts in 2019-20 ¹
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G (B - C - D - E - F)	Col. H (A - G - I)	Col. I	Col. J (H + I)	Col. K
ALAMEDA	1,000,169	7,606,206	2,928,273	1,675,561	0	0	3,002,372	(1,978,877)	(23,326)	(2,002,203)	
ALPINE	7,947	28,703	0	14,974	0	0	13,729	(5,782)	0	(5,782)	
AMADOR	37,545	176,800	130,000	16,688	0	0	30,112	0	(1,900)	(1,900)	
BUTTE	153,555	1,140,072	292,718	367,075	326,858	0	153,421	0	0	0	
CALAVERAS	32,189	579,098	131,836	170,165	244,908	0	32,189	0	0	0	
COLUSA	19,658	792,358	46,867	261,424	139,409	0	344,658	(325,000)	0	(325,000)	100,000
CONTRA COSTA	592,379	3,129,929	857,338	1,871,886	80,000	0	320,705	0	(35,978)	(35,978)	
DEL NORTE	35,840	603,216	11,703	509,429	0	0	82,084	(46,180)	(64)	(46,244)	
EL DORADO	91,928	60,427	0	0	5,946	0	54,481	0	0	0	
FRESNO	669,416	4,752,038	2,627,425	1,610,100	0	0	514,513	0	0	0	
GLENN	32,443	90,708	0	81,803	0	0	8,905	0	0	0	
HUMBOLDT	96,751	211,924	455	99,903	15,319	0	96,247	0	0	0	
IMPERIAL	121,560	2,003,100	1,243,592	641,589	76,867	0	41,052	0	0	0	
INYO	30,239	408,671	0	399,439	2,015	0	7,217	0	0	0	
KERN	836,756	4,288,018	0	3,443,570	167,760	676,688	0	0	0	0	
KINGS	114,281	1,734,777	1,434,371	264,037	30,000	0	6,369	0	0	0	
LAKE	47,288	497,574	284,463	176,800	0	0	36,311	0	0	0	
LASSEN	32,073	590,663	358,836	123,829	0	75,925	32,073	0	0	0	
LOS ANGELES	7,831,950	32,240,816	7,024,000	23,726,834	57,045	0	1,432,937	0	0	0	
MADERA	108,782	591,085	158,205	409,978	0	0	22,902	0	0	0	
MARIN	149,815	1,742,001	682,605	939,751	5,000	0	114,645	0	0	0	
MARIPOSA	19,333	47,712	0	28,194	2,359	0	17,159	0	0	0	
MENDOCINO	73,827	1,274,361	187,127	236,406	0	0	850,828	(777,001)	0	(777,001)	
MERCED	183,048	3,453,620	543,391	2,659,169	241,886	8,914	260	0	0	0	
MODOC	14,552	111,191	81,788	28,094	0	0	1,309	0	0	0	
MONO	24,057	257,350	32,700	49,054	27,337	0	148,259	(120,874)	(3,328)	(124,202)	20,000
MONTEREY	263,530	2,051,497	903,043	848,424	181,900	9,368	108,762	0	0	0	
NAPA	101,713	694,708	16,687	620,882	0	18,088	39,051	0	0	0	
NEVADA	71,420	337,467	0	301,109	0	0	36,358	0	0	0	
ORANGE	1,986,353	12,614,584	2,490,819	6,802,912	1,000,000	465,234	1,855,619	0	0	0	
PLACER	236,639	1,151,053	121,322	484,000	139,271	45,453	361,007	(120,126)	(4,242)	(124,368)	
PLUMAS	14,481	80,861	23,483	56,272	0	0	1,106	0	0	0	
RIVERSIDE	1,698,282	9,097,498	4,000,000	3,891,835	200,000	0	1,005,663	0	0	0	
SACRAMENTO	962,013	6,501,256	200,000	2,116,386	24,039	1,412,664	2,748,167	(1,700,000)	(86,154)	(1,786,154)	
SAN BENITO	33,186	924,028	239,759	22,920	113,538	0	547,811	(514,625)	0	(514,625)	
SAN BERNARDINO	1,408,161	10,017,270	3,850,980	2,366,763	3,799,527	0	0	0	0	0	
SAN DIEGO	1,853,396	17,757,984	3,355,104	11,822,991	1,434,877	0	1,145,012	0	0	0	
SAN FRANCISCO	747,008	807,172	0	421,479	0	385,693	0	0	0	0	
SAN JOAQUIN	464,081	2,846,604	40,539	2,251,204	223,047	0	331,814	0	0	0	
SAN LUIS OBISPO	179,565	2,663,399	550,921	1,958,768	0	0	153,710	0	(4,633)	(4,633)	
SAN MATEO	483,115	5,241,417	2,285,770	508,000	150,000	0	2,297,647	(1,781,658)	(32,874)	(1,814,532)	2,160,000
SANTA BARBARA	315,020	4,871,275	1,580,234	2,827,103	360,885	0	103,053	0	0	0	
SANTA CLARA	1,043,028	742,464	0	474,989	0	0	267,475	0	0	0	
SANTA CRUZ	163,199	848,267	100,000	603,691	0	0	144,576	0	0	0	
SHASTA	201,404	464,672	19,219	315,538	0	0	129,915	0	0	0	
SIERRA	8,834	22,295	4,515	2,164	9,960	0	5,656	0	0	0	
SISKIYOU	42,416	378,724	108,078	228,498	0	0	42,148	0	0	0	
SOLANO	292,951	2,267,904	799,796	1,170,104	33,701	0	264,303	0	0	0	
SONOMA	285,054	2,601,710	0	1,857,372	474,426	0	269,912	0	0	0	
STANISLAUS	311,462	1,887,741	695,314	265,614	622,304	0	304,509	0	0	0	
SUTTER	73,862	1,249,075	618,397	339,115	0	2,889	288,674	(214,812)	0	(214,812)	50,000

Court	Fund Balance Cap	FY 2018-19 Ending Fund Balance	Encumbrance Reserves at June 30	Excluded Funds	Prepayments	Balance of Approved Funds Held on Behalf	Fund Balance Subject to Cap	Current Year Reduction	Prior Year Disencumbrance	Total Preliminary Reduction	Approved Funds to be Held on Behalf of Courts in 2019-20 ¹
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G (B - C - D - E - F)	Col. H (A - G - I)	Col. I	Col. J (H + I)	Col. K
TEHAMA	56,569	573,292	127,527	200,817	0	75,000	169,948	(112,209)	(1,170)	(113,379)	
TRINITY	23,849	63,555	5,400	50,581	4,763	0	2,811	0	0	0	
TULARE	337,968	1,289,407	719,000	377,970	191,490	0	947	0	0	0	
TUOLUNME	46,749	179,600	0	132,834	0	0	46,766	(17)	0	(17)	
VENTURA	560,903	4,008,713	3,656,883	98,892	0	0	252,938	0	0	0	
YOLO	160,993	1,628,053	1,040,994	569,626	0	0	17,433	0	0	0	
YUBA	67,528	371,210	262,887	104,113	0	0	4,210	0	0	0	
TOTAL	26,852,113	164,647,173	46,874,364	83,898,718	10,386,437	3,175,916	20,311,738	(7,697,161)	(193,669)	(7,890,830)	2,330,000

¹Approved requests for funds to be held on behalf of courts in the Trial Court Trust Fund balance for expenditure in future years.

1% Fund Balance Cap Calculation Form

Attachment B

SUMMARY TOTALS

2018-19

PRELIMINARY

		FY 2016-17	FY 2017-18	FY 2018-19	Instructions
Line #	Part A - Computation of Cap				
1	Expenditures	2,449,345,801	2,488,290,005	2,631,060,683	Court enters expenditures for ending fiscal year.
2	Accruals	61,755,623	67,958,759	65,375,187	Court enters expense accruals for ending fiscal year.
3	Less: Expenses related to Encumbrance Reserves for FY14/15	(20,781,150)			Current year expenditures relating to prior year encumbrance reserves.
4	Less: Expenses related to Encumbrance Reserves for FY15/16	(51,858,853)	(26,030,113)		Current year expenditures relating to prior year encumbrance reserves.
5	Less: Expenses related to Encumbrance Reserves for FY16/17		(54,303,446)	(16,373,897)	Court enters current year expenditures relating to prior year encumbrance reserves. Enter a negative number.
6	Less: Expenses related to Encumbrance Reserves for FY17/18			(31,608,163)	Court enters current year expenditures relating to prior year encumbrance reserves. Enter a negative number.
7	Encumbrance Reserves as of June 30	100,303,224	59,678,196	46,874,363	Court enters total year ending fund balance reserved for encumbrances (Do not include TCTF Funds Held Purchase Order)
8	Less: remaining Encumbrance Reserves from FY15/16	(27,216,178)			The amount of the fund balance reserved for encumbrances (line 7) that is related to prior fiscal years.
9	Less: remaining Encumbrance Reserves from FY16/17	-			The amount of the fund balance reserved for encumbrances (line 7) that is related to prior fiscal years.
10	Less: remaining Encumbrance Reserves from FY17/18		-		The amount of the fund balance reserved for encumbrances (line 7) that is related to prior fiscal years.
11	Operating Budget	2,511,548,467	2,535,593,401	2,685,211,192	Cell is formula driven. This row calculates Operating Budget.
12	Fund Balance Cap (1% of Operating Budget)	25,115,485	25,355,934	26,852,113	Cell is formula driven. This row calculates Fund Balance Cap.
	Part B - Computation of Fund Balance Subject to Cap				
13	Ending fund balance	210,230,174	167,374,625	164,647,173	Court enters actual year end fund balance.
14	Less: Encumbrance Reserves as of June 30	100,303,224	59,678,196	46,874,363	Cell is formula driven. This line is the encumbrance reserves amount entered above from line 7.
15	Less: Excluded Funds Per GC 77203	73,931,812	76,439,410	83,898,718	Cell is formula driven. Court enters details on the Excluded Detail tab.
16	Less: Prepayments	12,397,032	9,587,630	10,386,437	Court enters any Prepayment amounts.
17	Less: TCTF Funds Held (approved and returned to court)	5,066,406	5,380,398	3,175,916	Cell is formula driven. Court enters details on the TCTF Funds Held tab.
18	Fund Balance Subject to Cap	18,531,701	16,288,990	20,311,739	Cell is formula driven. This row calculates Fund Balance Subject to Cap and is what will be compared to the Fund Balance Cap (line 12).
	Part C - Potential Additional Allocation Reduction				
19	Amount above cap if no Encumbrance Reserves	94,188,524	54,574,814	43,029,552	Cell is formula driven.
20	Maximum amount of encumbered fund balance that, if not expensed in the next two years, is subject to the cap	91,871,382	41,595,046	36,235,896	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.
21	Maximum amount of non-excluded encumbered fund balance that can be disencumbered without resulting in an allocation reduction	6,916,201	4,907,535	6,833,936	Cell is formula driven. This total is the threshold the court can disencumber without having to reduce their allocations.
	Part D - Liquidations				
22	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.
23	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.
24	FY15/16 Liquidation in third year		1,182,760		This is the amount of unused encumbrance on closed contracts in third year following original encumbrance.
25	FY16/17 Liquidation in second year		1,069,250		This is the amount of unused encumbrance on closed contracts in second year following original encumbrance.
26	FY16/17 Liquidation in third year			1,340,453	Cell is formula driven. This is the amount of unused encumbrance on closed contracts in third year following original encumbrance.
27	FY17/18 Liquidation in second year			238,699	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	1,356,206	1,177,443	7,697,161	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	-	8,311	-	Cell is formula driven. Court enters details on the TCTF Funds Held tab.
31	FY14/15 Encumbered Fund Balance Subject to Allocation Reduction	5,954,147			FY14/15 total liquidation less maximum amount of encumbered fund balance that can be disencumbered without resulting in an allocation reduction .
32	FY15/16 Encumbered Fund Balance Subject to Allocation Reduction	82,217	73,324		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 .
33	FY16/17 Encumbered Fund Balance Subject to Allocation Reduction		433,029	156,924	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 .
34	FY17/18 Encumbered Fund Balance Subject to Allocation Reduction			36,745	Cell is formula driven. FY17/18 total liquidation less maximum amount of encumbered fund balance that can be disencumbered without resulting in an allocation reduction .
35	Total Allocation Reduction	7,392,571	1,692,107	7,890,830	Cell is formula driven. This is the amount that will revert to the Trial Court Trust Fund.