



JUDICIAL COUNCIL OF CALIFORNIA

455 Golden Gate Avenue · San Francisco, California 94102-3688
www.courts.ca.gov

REPORT TO THE JUDICIAL COUNCIL

For business meeting on: September 24, 2019

Title	Agenda Item Type
Trial Court Budget: Policy for Courts that Exceed 100 Percent of Workload Formula Funding	Action Required
Rules, Forms, Standards, or Statutes Affected	Effective Date
None	September 24, 2019
Recommended by	Date of Report
Trial Court Budget Advisory Committee Hon. Jonathan B. Conklin, Chair Leah Rose-Goodwin, Manager, Business Management Services	September 5, 2019
	Contact
	Leah Rose-Goodwin, 415-865-7708 leah.rose-goodwin@jud.ca.gov

Executive Summary

The Trial Court Budget Advisory Committee recommends that the Judicial Council approve a new Workload Formula policy for courts whose funding allocations relative to workload exceed 100 percent. Further, the committee recommends that the council allocate any funding received for cost increase adjustments to trial courts separately from the Workload Formula allocation. These actions continue efforts previously made by the council to refine the Workload Formula, make progress towards trial court funding equity, and ensure adequate funding for trial courts.

Recommendation

The Trial Court Budget Advisory Committee recommends that the Judicial Council:

1. Approve a change to the workload formula policy concerning reallocations in years with no new money so that any court above 105 percent of funding be subject to a 2 percent reduction of funding without going below 104 percent; and
2. Allocate any funding received for cost increase adjustments to trial courts separately from the workload formula allocation.

Relevant Previous Council Action

Allocation of trial court funds is one of the principal responsibilities of the Judicial Council. At its April 2013 meeting, the Judicial Council affirmed 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 TCBAC, for a new trial court budget development and allocation process, known as the Workload-based Allocation and Funding Methodology (WAFM).¹

Since then, the council has approved a number of interim policy decisions concerning various aspects of the funding formula. At its January 2018 meeting, the council adopted new policy parameters for workload funding that were designed to continue making progress on achieving funding equity, following the end of the five-year WAFM implementation.² One of the recommendations approved by the council at that meeting was to direct TCBAC to propose changes or modifications to the model as needed.

Analysis/Rationale

One of the items on the Funding Methodology Subcommittee (FMS) of TCBAC's 2018–19 workplan was to develop policy parameters regarding allocations to trial courts whose funding levels exceed 100 percent of their Workload Formula. This was prompted by two recent changes to the Workload Formula. For one, new discretionary funding received by courts in the 2018 Budget Act brought many trial courts closer to 100 percent of funding based on workload. Also, a policy recommendation approved by the council at its July 18, 2019 meeting to identify all relevant funding sources and include net civil assessments in the Workload Formula brought some courts closer to or above 100 percent of funding need. These changes prompted a closer look at the policies concerning allocations to courts in that funding range.

January 2018 Workload Formula policy parameters

The policy parameters for the Workload Formula approved by the council in 2018 specifically address how discretionary funding is to be allocated in the Workload Formula:

¹ See <http://www.courts.ca.gov/documents/jc-20130426-itemP.pdf>.

² See <https://jcc.legistar.com/LegislationDetail.aspx?ID=3291425&GUID=F3037BC9-9BBD-4C91-9D9B-73E8E4213D7B>.

Allocations in fiscal years for which no new money is provided.

- A band will be established that is 2 percent above and below the statewide average funding level, eliminating annual allocation fluctuations from minor changes in workload. Courts more than 2 percent above or below the statewide average funding ratio would be subject to an allocation change, whereas courts within the band would not be. The size of the band identified may be subject to reevaluation in the future.
- No allocation adjustment will occur for those courts within the band or for Cluster 1 courts. The goal is to fully fund the Cluster 1 courts, and an allocation adjustment would be contrary to that outcome.
- Funds will be reallocated from courts above the band to courts below the band every other fiscal year for which no new money is provided regardless of years of increase or decrease in between. The first year of no new money will provide time to adjust for a second year of no new money in which an allocation change will occur.
- Up to 1 percent of allocations for courts above the band will be reallocated to courts below the band to provide an increased allocation of up to 1 percent. The allocation reductions are capped at 1 percent, regardless of the need of the courts below the band. Conversely, the allocation increases are capped at 1 percent, regardless of the available funding of the courts above the band. If adequate funds are available, some courts under the band may be able to penetrate into the band.

Allocations in fiscal years for which new money is provided. Allocations of new money are to be made in the fiscal year for which the funding is intended in the following sequenced manner:

1. Bring all Cluster 1 courts up to at least 100 percent of funding need.
2. Allocate up to 50 percent of remaining funding to courts under the statewide average funding ratio. Allocated funds will bring courts up to but not over the statewide average funding ratio.
3. Allocate remaining funding to all courts based on the workload formula.
4. Allow no court's allocation to exceed 100 percent of its need unless it is the result of a funding floor calculation.

Ongoing and one-time funds designated for nondiscretionary purposes will be addressed as needed.

Policy changes to the allocation model adopted by the Judicial Council in 2018 did not address scenarios where courts might reach or surpass 100 percent of their Workload Formula, except to

fully fund the smallest, two-judge courts where economies of scale and cost-saving efficiencies were deemed more difficult to implement. Discretionary funding received in the 2018 Budget Act, combined with annual updates to court workload measures and other changes in policy to the workload formula prompted the committee to revisit the issue.

Committee analysis

A working group of FMS was convened in early 2019 to study this issue and propose recommendations to TCBAC. The principal concern was that there was little guidance to make allocations in instances where courts' funding levels exceed 100 percent. While the group affirmed that the basic principles of the 2018 allocation policies should be upheld, it also recognized that in years with no new money, the pace of achieving equity in funding could be very slow. For that reason, a proposal was made to revise the policy concerning reallocation of funding in years with no new money. Whereas the current policy caps reallocation of funding at 1 percent for those courts above the 2 percent band, the group proposed that any court above 105 percent of funding must be subject to a 2 percent reduction of funding. Courts up to 105 percent of funding would continue to be subject to a 1 percent reallocation.

When FMS met to review this item at its June 17, 2019 meeting, a further refinement was made to the recommendation to cap the 2 percent funding reduction so that those courts' funding levels did not decrease below 104 percent. This change helps preserve stability of funding, another one of the Workload Formula's primary principles, while also recognizing the need for continued progress towards funding equity.

In addition, the subcommittee of FMS discussed the impact of a separate funding proposal for cost increase adjustments to trial courts. The premise of that budget change proposal, approved for submission to the Department of Finance by the Judicial Council at its July 19, 2019 meeting, is to account for general cost increases that affect the cost of doing business in all courts, regardless of funding level. The committees wanted to ensure that the present proposal would not "undo" the allocation of any funding that might be made if the cost increase proposal were implemented. Also, as a result of this potential funding, the group refrained from proposing additional changes to the workload formula policies, instead recommending that any further review or action be incorporated into other discussion that FMS might have concerning the workload formula.

Policy implications

Adoption of the first recommendation will provide direction to TCBAC for making allocations to courts whose Workload Formula exceeds 105 percent. By making this policy explicit, it will also give those courts advance notice and time to prepare for a possible funding reduction. Finally, this policy will help address equity issues by redirecting a slightly greater percentage of funds to courts below the statewide average funding level.

The second recommendation, if adopted, would help ensure that courts subject to a reallocation of funding under the first recommendation would still receive funding allocated for cost increase

adjustments, if approved. This recommendation is intended to recognize that, regardless of funding level, there are expenses incurred by trial courts that increase annually.

Comments

This issue was reviewed at two public meetings: the Funding Methodology Subcommittee meeting on June 17, 2019, and the Trial Court Budget Advisory Committee meeting on July 25, 2019. There were no public comments received on this item in either venue.

Alternatives considered

In their discussions, FMS and TCBAC did not propose specific alternatives to the recommendations proposed in this report, though the proposal reflects the careful consideration given to balancing competing priorities in the Workload Formula such as achieving equity and ensuring stable and adequate funding.

Fiscal and Operational Impacts

There are no associated costs to implementing this policy proposal. In terms of the fiscal and operational impacts to trial courts, this proposal will result in a decrease of funding, capped at 2 percent, to those courts that are at or above 105 percent of funding need in those years in which the judicial branch does not receive discretionary funding.

Attachments and Links

None.