

The Trial Court Funding Program

Financial Implications

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Introduction

In one of the final actions taken in the 1987 Legislative Session, Senate Bill 709 was passed and sent to the Governor. This measure, which became Chapter 1211, Statutes of 1987, modified and made operative the Trial Court Funding Act of 1985. As amended, these laws provide for the state to assume primary responsibility for funding the operations of the municipal, justice and superior courts. By providing state funds to support these courts, the state is seeking to promote a more uniform level of judicial services throughout California, and to relieve fiscal pressures on the county governments now responsible for funding these courts. Given the magnitude of the increased state funding provided by the bill — in excess of \$450 million — this legislation represents the most significant change in the fiscal relationship between the state and the counties since the legislation which implemented Proposition 13.

This report has been prepared to facilitate the Legislature's efforts to implement the new law. Our focus in this report is the identification of the Trial Court Funding Program's financial implications, both in the short term and in the long term. (It should be noted that our analysis has been prepared prior to the release of the 1988 *Governor's Budget*, and does not reflect the cost estimates contained therein.) These financial implica-

tions are significant, and it may be appropriate for the Legislature to consider modifications to the measure in order to increase its effectiveness. In addition, our review of the measure indicates that there are a number of provisions where the Legislature's intent is not clear, or where additional legislative action may be necessary to clarify the technical provisions of the measure or to make them more effective in carrying out their purposes.

Throughout this report, we have consistently relied upon the language of the law as enacted, although there appears to be some consensus that certain specific changes to the law be made. We believe that this approach will facilitate the development of specific amendments, as it should make it easier to identify those provisions of the law which are in need of change. We have generally focused on those areas which have major financial implications or for which technical changes may improve the measure's workability and effectiveness. We anticipate that other parties will seek legislative consideration of additional topics.

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Executive Summary

Executive Summary

The system of trial and appellate courts for the state is established in the California Constitution, which delineates the jurisdiction of each court over judicial matters. The state has traditionally funded the operations of the Courts of Appeal and the Supreme

Court, while county governments have been responsible for financing the operations of the trial courts — the superior, municipal and justice courts. Chapter 1211 provides for the state to assume the primary responsibility for funding the operations of the trial courts.

State Costs for Trial Court Funding

Based on our review of the measure's provisions, we estimate that state-level expenditures for support of the trial courts will increase from approximately \$100 million in 1987-88 to \$900 million in 1988-89. This estimate assumes that all 58 counties elect to participate in the program. The bulk of the increased costs represents the cost of providing a block grant to counties of approximately \$500,000 per judicial position. The measure also extends the present state participation in the salary costs of superior court judges to the salary costs of the municipal court judges,

and authorizes the creation of an additional 98 superior and municipal court judgeships. Finally, the measure creates the Trial Court Improvement Fund, which is to be allocated by the Judicial Council in the form of grants to counties for court improvement projects.

Among other things, our analysis discusses concerns over the initial levels of the block grants and the provision of block grant funding for vacant judicial positions. We also suggest ways in which the Legislature may improve its oversight of expenditures made from the Trial Court Improvement Fund.

Revenue Recapture Provisions

Chapter 1211 requires counties which elect to participate in the program to turn over certain court-related revenues to the state. These funds, which we estimate will amount to approximately \$400 million in 1988-89, will be used to offset the state's cost of providing

the block grants. The recapture provisions affect a broad range of court-related revenues, including filing fees, fines, forfeitures and penalties. Our analysis examines the level and growth rates of these revenues, and concludes that predicting future levels of

these revenues cannot be accomplished with any degree of certainty. One of the difficulties involved in this regard is the impact of the revenue recapture on the counties revenue collection performance, and whether Chapter 1211's provisions tying block grant increases to revenue increases provides a sufficient incentive to maintain collections.

Our review also discusses how county programs specifically funded by these revenues may be affected by the revenue recapture, and whether there are more efficient methods to ensure that counties to maintain their revenue collection performance.

State-Mandated Local Program Provisions

As a condition of participating in the program, counties agree to forgo existing payments made by the state for state-mandated local programs in the trial court area, and to waive their rights to seek reimbursement funding for other existing but not yet funded mandated programs. Our review indicates

that the state will realize savings of approximately \$11 million by discontinuing the existing reimbursements. The amount of potential savings from the waiver provisions is unknown but probably substantial, given the time lags involved in the filing and processing of state-mandated local program claims.

No- and Low-Property-Tax City Provisions

No- and low-property tax cities are defined by Chapter 1211 as cities which currently receive less than 10 percent of the property tax revenues generated from property within their boundaries. The measure essentially requires that these cities be brought up to this level of revenue over a 10-year period, but only if the county in which they are located elects to participate in the Trial Court Funding Program. The additional revenues are to be funded by reducing the county government's share of property tax revenues

within the cities' boundaries. Our analysis indicates that these provisions will ultimately result in a transfer of \$201 million in revenue from the counties to these cities.

Our review of the measure's provisions and discussions with county officials indicates that there are substantial differences of opinion as to how these provisions are to operate. We discuss some of the major issues for which the Legislature may find it appropriate to provide clarification.

State and Local Fiscal Impact

The Trial Court Funding Program results in a dramatic change in state and county finances. Based on the law as enacted, we find that net state costs will increase by \$465 million to \$503 million for 1988-89. While the measure increases county resources by a similar amount, county finances will benefit only to the extent that the increased state funding displaces existing county general

funds now used to support court operations. A portion of the increased state funding may be required to be expended for increased support of local court operations.

In the longer run, we find that the block grant adjustment provisions will produce a fiscal bias in favor of the state. This is because the state's expenditures are likely to increase

at a rate slower than that of the recaptured revenues. We examine the long-run cost implications under two differing assumptions as to the rate of revenue growth. Under the slow growth scenario, net state costs increase at an average annual rate of under 3 percent, while under the moderate growth scenario, net state costs will decline dramatically in future years.

We also examine the financial implications

for the individual counties. In this regard, we find that the benefits of program participation vary dramatically between the counties, depending on the levels of their existing court-related revenues and expenditures and the amount of property tax revenues which must be transferred to the no- and low-property tax cities. In some cases, it is questionable whether participation would be in the county's financial interest.

Effect on State and Local Appropriations Limits

Implementation of the Trial Court Funding Program requires that the state's appropriations limit be increased, and those of the participating counties decreased, to reflect the state assumption of financial responsibility for funding the trial courts. These adjustments are required under the provisions of Article XIII B of the State Constitution. Chapter 1211 contains specific guidance for determining how much of a county's appropriations limit must be transferred to the state.

Our review indicates that Chapter 1211 actually contains two provisions for which appropriations limit adjustments are required. The first of these involves the state assumption of county costs through the provision of the block grants, and the second involves the partial state assumption of county costs of municipal court judges' salaries. In the first case, we find that the provisions of Chapter 1211 will result in a transfer of appropriations limit capacity which exceeds the amount of the county appropriations limit now used to cover trial court expenses. This is because the measure requires the counties to give up an amount of their limits sufficient to fund the state's cost of block grants associated with both existing and newly authorized judgeships. In the sec-

ond case, the measure provides no guidance as to how the appropriations limit transfer is to be determined.

Our analysis indicates that the appropriations limit transfer may cause some counties to exceed their appropriations limits. This is because the county's appropriations limit would be reduced while the county's proceeds of taxes would be unchanged. A county now at or near its limit would need to seek voter approval to change its appropriations limit in order to participate in the program.

In addition, we find that the state may be required to reduce its expenditures for other state programs in order to fund its expenditures for the Trial Court Funding Program. While the state's appropriations limit would be increased as a result of the program, state General Fund revenues would not be affected. Therefore, state revenues must exceed the amount which could be expended in the absence of Chapter 1211 in order for the additional appropriations authority to be utilized. If revenues do not exceed this amount by the net state cost of the program, then other state programs must be reduced in order to provide the level of funding contemplated by the Trial Court Funding Program. ♦

Summary of Findings and Recommen- dations

Summary of Findings and Recommendations

Chapter I: State Funding of the Trial Courts

Block Grant Amounts in 1988-89: The Legislature may wish to clarify its intentions regarding the level of block grants the counties will receive in 1988-89. Depending on the resolution of this issue, total block grant payments could vary by up to \$69 million in the first year, and larger amounts in subsequent years. (Page 13)

Block Grants for Newly Authorized Judgeships: We recommend that the Legislature prorate first-year block grants to the 98 judgeships created by Chapter 1211 so that the state does not compensate counties for vacant judgeships. Adoption of this recommendation would result in one-time General Fund savings of up to \$37 million. (Page 16)

Block Grants for Justice Court Judgeships: In response to county concerns, the Judicial Council is currently reviewing the methodology it uses to determine the number of full-time equivalent justice court judges. We recommend that the Legislature consider utilizing this information to develop a more specific formula for determining the number of justice court judges in the block grant calculations. (Page 17)

Oversight of the Trial Court Improvement Fund: We recommend that Chapter 1211 be

amended to require the Judicial Council to present its guidelines and funding priorities for the fund to the Legislature prior to its annual review of the council's budget. (Page 18)

Half-Year Appropriation for the Trial Court Improvement Fund: We recommend that the Legislature provide one-half of the specified annual appropriation for the fund in 1988-89, because the program will be in operation for only six months of the fiscal year. Adoption of this recommendation would result in a General Fund savings of \$10 million. (Page 18)

Trial Court Improvement Fund Administrative Costs: We recommend that the Legislature amend the law to specify that the Judicial Council's administrative costs are to be paid from the annual appropriation to the Trial Court Improvement Fund, and to specify that administrative costs may not exceed 5 percent of the annual appropriation. (Page 19)

County Option Procedure: We recommend that the law be amended to require the counties to notify the state of their intent to participate in the trial court funding system earlier in the year, in order to facilitate legislative action on the state budget. (Page 19)

Chapter II: Revenue Recapture Provisions

State Revenue Recapture in 1988-89: The counties will turn over to the state approximately \$400 million in court-related revenues in 1988-89. These revenues will offset part of the state's cost of providing the judicial block grants. (Page 21)

Recapture of Earmarked Revenues: The "recapture" of county revenues which are earmarked for specified programs may deter the Legislature's policy objectives in those

program areas. The Legislature may wish to consider allowing counties to retain certain of these revenues for support of such programs. (Page 26)

Revenue Collection Incentive: The Legislature may wish to consider amending the law to increase the effectiveness of its approach to maintaining the growth in county revenue collections. (Page 27)

Chapter III: State-Mandated Local Program Provisions

State Savings in 1988-89: The state will realize annual savings of approximately \$11 million, beginning in 1988-89, by discontinuing reimbursements for state-mandated programs in the trial court area.

We recommend that the Legislature amend the law to specifically identify the state-mandated local programs for which counties must forego reimbursement. (Page 29)

Chapter IV: No- and Low- Property Tax City Provisions

Property Tax Transfer: Under the Tax Equity Allocation formula (TEA), the counties will transfer to the no- and low- property tax cities approximately \$3.5 million in 1988-89. This amount will increase to approximately \$201 million by 1998-99. Some of the low-property tax cities will not receive any increased property tax revenues in the initial years of the phase-in period, because their existing allocation exceeds the amount they could be distributed under the TEA formula. (Page 36)

Redevelopment Agencies: The Legislature may wish to consider amending the law to exclude, for the purpose of determining the

TEA Amount, the property tax revenues dedicated to redevelopment project areas within cities. (Page 37)

Municipal Service Responsibilities: The Legislature may wish to consider amending the law to reflect cities' differing methods of service provision for the purpose of determining the TEA Amount. (Page 37)

County Termination: The Legislature may wish to consider amending the law to require the reallocation of property tax revenues when a county elects to terminate its participation in the Trial Court Funding Program. (Page 38)

Chapter V: State and Local Fiscal Impact of the Trial Court Funding Program

State Costs: In its present form, the Trial Court Funding Program will result in increased net costs to the state of \$465 million to \$503 million in 1988-89. (Page 42)

Block Grant Adjustment Mechanism: The block grant adjustment mechanism ensures that the state's outlays for block grants will grow at a slower rate than the counties' court-related revenues. (Page 46)

Variations in Net Benefits: Although the Trial Court Funding Program provides for uniform block grants per judicial position, the counties will receive disparate levels of net benefits from the program. This is because the amount of court-related revenue "recaptured" by the state will vary from county to county. Over time, certain counties may experience negative net benefits from participating in the program. (Page 44)

Chapter VI: Effect on State and Local Appropriations Limits

Appropriations Limit Transfer: The program results in two separate "transfers of financial responsibility" for which appropriations limit adjustments should be made. As required by Chapter 1211, the adjustment for the block grant (to be determined by the State Controller) will result in a transfer of appropriations limit capacity from the counties to the state of an amount which exceeds the portion of the counties' appropriations limits which are now used to cover trial court expenses. The measure is silent on the adjustment required for the state's assumption of

salary costs for municipal court judges. We recommend that the Legislature amend the law to require that the Controller also determine the amount of this adjustment. (Page 48)

Effect on Counties: The appropriations limit transfer may cause some counties to exceed their appropriations limits. (Page 51)

Effect on State: Depending on future General Fund revenue collections, the state may be required to reduce its expenditures for other state programs in order to implement the Trial Court Funding Program. (Page 51)

Chapter I

Chapter I

State Funding of the Trial Courts

The Trial Court Funding Program provides for dramatic increases in the level of state financial assistance to counties electing to participate in the program. The increased financial assistance takes the form of state block grants to fund trial court operating expenses, increased state participation in the funding of judges' salaries and benefits, and grants for trial court improvement projects.

This chapter examines the state funding provisions of the program. It begins by providing some background on existing state expenditures which support local court operations. This is followed by a discussion of the specific provisions of the Trial Court Funding Program. Finally, we discuss some of the technical issues involved in the implementation of the measure.

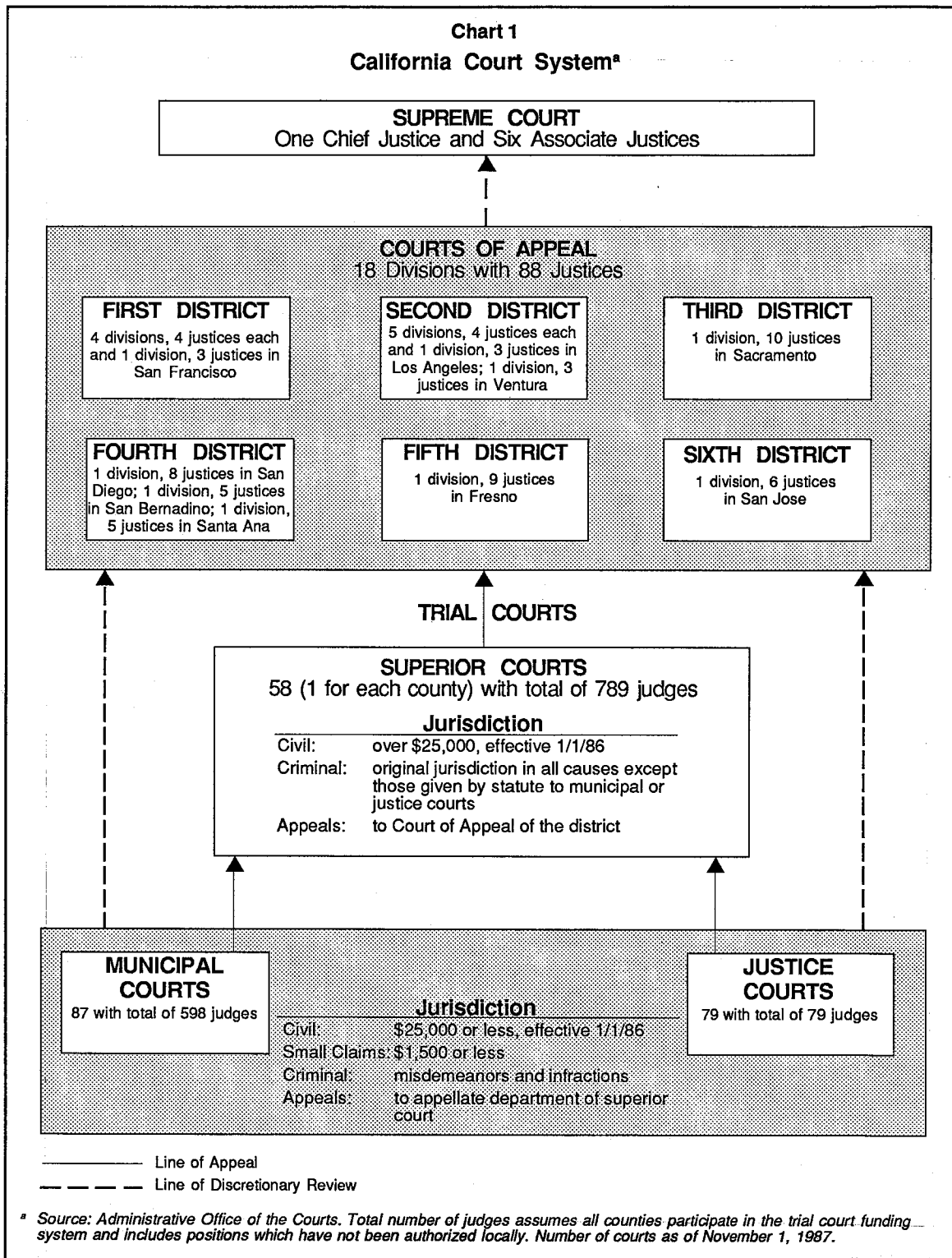
Background

The state's court system is delineated in the California Constitution, and consists of several different types of courts with differing functions. Chart 1 graphically displays the different types of courts and identifies the jurisdiction of each type of court. As shown in the chart, the court system consists of four separate levels of jurisdiction.

Traditionally, the state has had the sole responsibility for funding the operations of the Supreme Court and the Courts of Appeal, while the counties have funded the majority of the operations of the superior, municipal, and justice courts. Over the years, the state has provided specific financial assistance to counties to assist in financing the operations of these trial courts. Currently, the total costs of the trial court system are estimated to be approximately \$1 billion, although estimates vary depending on how these costs are defined.

The state's current involvement in the funding of local court operations takes six primary forms. In 1987-88, this contribution totals \$107 million, and includes:

- Payment of approximately 90 percent of the cost of each superior court judge's salary (\$52 million);
- Provision of an annual \$60,000 block grant for 225 superior court judgeships created after January 1, 1973 (\$13.6 million);
- Payment of the employer's contribution toward health benefits for superior court judges (\$2 million);
- Payment of the employer's contribution toward retirement benefits for superior and municipal court judges (\$11 million);



- Payments to reimburse counties for state-mandated local programs affecting the operation of the trial courts (\$11.5 million); and
- An annual appropriation to reduce the unfunded liability of the Judges' Retirement System (\$17 million).

Trial Court Funding Program

The Trial Court Funding Program made operative by Chapter 1211 provides for the state to assume primary responsibility for funding the costs of court operations now paid for by the county, at the option of the individual counties. The state's assistance generally takes the form of a new block grant

of approximately \$500,000 for certain judicial positions, increased state participation in the funding of judges' salaries and benefits, and grants for specific projects to improve court operations from the Trial Court Improvement Fund. The specific provisions and their cost estimates are summarized in Table 1.

Table 1
State Costs for the Trial Court Funding Program If All 58 Counties Participate
1988-89
(dollars in millions)

Block Grants	
Superior Court Judges	\$411.9
Superior Court Commissioners/Referees	53.9
Municipal Court Judges	308.2
Municipal Court Commissioners/Referees	60.9
Justice Court Judges	23.4
Salaries	
Superior Court Judges	4.8
Municipal Court Judges	40.7
Trial Court Improvement Fund	20.0
Administrative Costs	
State Controller	1.0
Other Funding Requirements	
Superior Court Judges' Benefits	0.2
Retirement Contributions	0.6
Mandated Local Program Savings	-11.5
\$60,000 Block Grant Savings	-13.6
Total, Court Funding Requirements	\$900.5

Block Grants. The law specifies that the amount of the block grant will vary by judicial position, and will be funded for each judgeship authorized by statute. In the case of commissioners and referees, block grants will be provided for those positions authorized by statute, funded, and reported to the Judicial Council by January 1, 1987. The types of judicial positions and the block grant

amounts for 1988-89, as adjusted according to the statutory formula, are as follows:

Superior Court Judges	\$522,000
Superior Court Commissioners or Referees	\$508,950
Municipal Court Judges	\$515,475
Municipal Court Commissioners or Referees	\$494,813
Justice Court Judges	\$515,475

The block grants are to be adjusted each year by the lower of the overall percentage salary increase granted to state employees or by the percentage increase or decrease in the total amount of fee, fine, and forfeiture revenues transmitted to the state by the counties. The law specifies that this adjustment shall be *cumulative, not compounded*, and shall begin with an adjustment for the 1987-88 fiscal year based on the 1986-87 state employee salary adjustment.

Thus, the adjustment to the block grant amounts for 1988-89 consists of the cumulative increase in state employee salaries for 1986-87 and 1987-88. In other words, the amounts listed in Chapter 1211 are first increased by the 5 percent cost-of-living increase in 1986-87. The specified amounts are then increased again by the 3.75 percent cost-of-living increase in 1987-88. The block grant amounts listed in Chapter 1211 are, therefore, increased by 8.75 percent. If the adjustment were made on a compounded basis, however, the specified block grants would be increased by 5 percent. The resulting amount — not the specified amount — would then be increased by 3.75 percent. The block grant

amounts on a compounded basis would, therefore, be increased by 8.94 percent.

Counties may expend the block grant proceeds only for expenses associated with court operations, as defined. In addition, the law requires that counties provide indirect services to the courts and budget for certain trial court programs at the same proportionate level of service as was provided in 1984-85. These requirements generally preclude the counties from reducing their overall level of court-related expenditures.

Municipal Court Judges' Salaries. Chapter 1211 extends the current system of state participation in the salaries of superior court judges to the salaries of municipal court judges. Specifically, the state will pay approximately 90 percent of municipal court judges' salaries, depending upon the county's population. This contribution includes the salaries of the 564 existing municipal court judges and the 34 new municipal court judges authorized by Chapter 1211. Table 2 identifies the level of state contributions for these salaries in 1988-89, and the overall cost to the state.

Table 2
Judicial Budget
County and State Shares of Municipal Court Judges' Salaries^a
1988-89

County Population	Number of Counties	Number of Judges	Per Judgeship		All Judgeships ^b	
			County Share	State Share	County Share	State Share
250,000 or more	22	559	\$9,500	\$67,909	\$5,310,500	\$37,961,131
40,000 to 249,999	21	39	7,500	69,909	292,500	2,726,451
40,000 or below	15	—	5,500	71,909	—	—
Totals	58	598			\$5,603,000	\$40,687,582

^a These figures represent salaries effective January 1988 and do not include any salary increase which may take effect during 1988-89.

^b These amounts are based on the assumption that all counties will elect to participate in the Trial Court Funding Program.

Trial Court Improvement Fund. Chapter 1211 creates the Trial Court Improvement Fund, and specifies that the sum of \$20 million shall be appropriated annually in the Budget Act to the fund. The Judicial Council will administer the fund and provide grants to the option counties for purposes of improving court management and efficiency.

Other Funding Requirements. The state will also incur increased costs as a result of Chapter 1211's authorization of additional judge-

ships. Specifically, the state will pay approximately 90 percent of the cost of the 64 new superior court judges' salaries, 100 percent of the cost of their benefits, and the employer's cost of retirement contributions for the new superior and new municipal court judges. On the other hand, the state will no longer pay the costs of the existing \$60,000 block grant or provide reimbursements for state-mandated local programs affecting the trial courts.

Implementation Issues

Our review of the state funding provisions of the Trial Court Funding Program has identified a number of areas where legislative action may be needed to clarify or increase the effectiveness of the program's provisions. This section of the report provides a discussion of these issues and recommendations for the Legislature to consider.

Initial Block Grant Levels. As we have described above, the cost of providing the block grants to counties represents the largest cost component of the program. However, there is some uncertainty regarding the interpretation of the provisions of Chapter 1211 which specify the level of the 1988-89 block grants. Specifically, the issue is whether the Legislature intended for the block grants in the initial year to be provided at the levels spelled out in one provision of Chapter 1211, or at higher levels to reflect an annual adjustment factor contained in a subsequent provision of the measure. Depending on the resolution of this issue, the estimates of the total first-year block grant payments vary by up to

\$69 million, and exceed that amount in subsequent years.

Technical Issue: *Should the law be amended to clarify the Legislature's intentions regarding when the annual adjustment shall first be operative?*

Chapter 1211 specifies five different block grant amounts for various types of judicial positions in Government Code Section 77200. The measure also provides for an annual adjustment mechanism in Government Code Section 77201. According to the latter section, the initial block grant amounts will reflect an annual adjustment beginning with the 1987-88 fiscal year. In our judgment, this provision requires that the block grant amounts contained in Government Code Section 77200 be increased by 8.75 percent to reflect the correct levels for 1988-89. Table 3 identifies the amount of the initial block grant payments on a per-judgeship, as well as a statewide basis, as specified in Government Code Section 77200 and as adjusted according to Government Code Section 77201.

Table 3
Chapter 1211, Statutes of 1987
Two Scenarios for Judicial Position
Block Grant Levels
1988-89

Position	Number	Grant Levels Specified in Government Code Section 77200		Grant Levels Adjusted Per Government Code Section 77201	
		Per Judgeship	Statewide	Per Judgeship	Statewide
Superior Court Judge	789	\$480,000	\$378,720,000	\$522,000	\$411,858,000
Municipal Court Judge	598	474,000	283,452,000	515,475	308,254,050
Justice Court Judge ^a	45.3	474,000	21,472,200	515,475	23,351,018
Superior Court Commissioner/Referee	106	468,000	49,608,000	508,950	53,948,700
Municipal Court Commissioner/Referee	123	455,000	55,965,000	494,813	60,861,999
Totals	1,661.3		\$789,217,200		\$858,273,767

^a Many justice court judgeships are part-time positions. The number of full-time equivalent justice court judgeships currently is under review by the Judicial Council.

Because of the major fiscal implications of the differing interpretations of the provisions of Chapter 1211, the Legislature may wish to clarify its intentions regarding the adjustment to the block grant amounts listed in the measure. Specifically, the Legislature may wish to specify whether the adjustment factor provided in that section applies to the block grant amounts beginning with the 1988-89 fiscal year.

Block Grants for Newly Authorized Judgeships. Chapter 1211 creates 98 new trial court judgeships in 23 counties: 64 in the superior courts and 34 in the municipal courts. In order to make these judgeships operative, the affected counties must elect to participate in the Trial Court Funding Program. The measure provides that the judgeships will become operative at the time the counties notify the state of their intent to participate, but not sooner than July 1, 1988. August 1, 1988 is the final date by which counties may make their notification, so the judgeships would become operative sometime between July 1 and August 1.

The new superior and municipal court judgeships may be separated into two categories

according to whether there are any further constraints to the positions being filled once a county elects to participate in the program. The first category, which includes 23 of the 98 judgeships, may be filled by gubernatorial appointment without any further action by the county. Under the normal procedure, the Governor submits a list of potential nominees to the State Bar's Judicial Nominee Evaluation Commission (JNE). The JNE then reviews the qualifications of each potential appointee and reports back to the Governor within 90 days. With this information in hand, the Governor makes an appointment to the court. Additional time may elapse before the appointee actually assumes the post.

The second category of judgeships, which includes 75 of the 98 new positions, requires an additional step before a nominee may be appointed to the post. Specifically, the Board of Supervisors in the affected county must pass a resolution stating that sufficient funds exist for each new judgeship in order to make the judgeships operative. Although the Governor may have submitted names to the JNE, no appointment may be made until the county supervisors pass this "sufficiency resolution."

Technical Issue: Should the law be amended to specify that first-year block grants for newly authorized judgeships will be provided only in proportion to the amount of time the position is filled?

Chapter 1211 specifies that the block grants will be provided for each judicial position authorized by statute, regardless of when a judge actually assumes the position. *Our analysis indicates that if the historical pattern of delays in filling these positions were to continue, in 1988-89 the state could disburse up to \$37 million in block grant payments to counties in support of vacant judgeships.* This figure could be even higher if counties which must pass "sufficiency resolutions" delay their action longer than normal, and as a result delay the point at which they begin incurring costs for support of the new judgeships.

Our review of Judicial Council records dating back to 1983 indicates that substantial delays occurred in filling the 137 superior and municipal court judgeships which have become operative since that time. These delays occurred both for judgeships which required local resolutions and for those which did not. We found that an average of 10 months passed between the date on which the judgeships became operative and the date on which the judges assumed those positions. Generally, municipal court judgeships took significantly longer to fill than superior court judgeships. Further, judgeships requiring local resolutions took approximately 10 months longer than those for which no local resolution was required. Finally, 21 positions, or 15 percent of the 137 judgeships authorized since 1983, still have not been filled.

Given the magnitude of the block grants provided under Chapter 1211, the Legislature may wish to reconsider its traditional policy of funding first-year block grants on a full-year basis irrespective of whether the positions have been filled. *We recommend*

that the Legislature prorate the block grants for new judgeships so that the state only compensates a county once a judge has assumed his or her position.

Justice Court Judges' Block Grants. Chapter 1211 provides that option counties shall receive block grants for each judicial position, authorized by statute. In the case of justice court judgeships, the block grant is to be prorated based on the portion of a full-time work schedule actually performed by each judge. The Judicial Council estimates that justice court judges currently perform the duties of 45.3 full-time positions, based on a weighted caseload methodology. This method uses caseload data from municipal courts, which share jurisdiction with justice courts, to estimate justice court workload levels.

Technical Issue: Should the law be amended to specify the method to be used in determining the number of justice court judges for purposes of the block grants?

Counties have raised concerns over the methods utilized by the Judicial Council to determine the number of full-time equivalent justice court judges. Specifically, they are concerned that this methodology underestimates the actual justice court judge workload level for two reasons.

First, they argue that the methodology does not consider the time spent by these judges traveling to court locations within their districts, which is time that is included in determining the amount of compensation counties must provide. Second, the counties argue that the mix of cases heard by municipal and justice courts may differ, and that a justice court judge may perform a higher level of administrative duties than a municipal court judge.

The Judicial Council is conducting a survey of the justice courts in order to respond to these concerns. This survey is intended to identify the appropriate indicators of justice

court workloads and to quantify the differences between municipal and justice court workloads. The council advises that the findings will be available in February 1988.

The Legislature may wish to consider utilizing this information to develop a more specific formula for determining the number of justice court judges in the block grant calculations.

Trial Court Improvement Fund Grants. The Trial Court Improvement Fund authorized by Chapter 1211 is to be financed by a \$20 million annual appropriation from the Court Funding Trust Account in the General Fund. Beginning January 1, 1989, the Judicial Council will award grants from this fund to option counties for the development and implementation of reforms to improve court management. These grants may be expended for equipment, personnel, education, pilot projects, research, and programs. In addition, up to \$10 million of the annual appropriation may be used for the construction of court facilities. The first grant proposals are expected to be received from the counties in April or May of 1988.

Technical Issue: Should the law be amended to ensure that the Legislature receives specific Judicial Council guidelines and funding priorities prior to its annual review of the council's budget?

In November 1987 the Judicial Council established a standing advisory committee to recommend long-term and short-range goals for the Trial Court Improvement Fund and procedures for its administration. In addition, the Council adopted the following general priorities for granting awards to counties:

- The reduction of trial court delays;
- The promotion of multi-court or regional efforts to improve trial court operations, including projects that can be replicated in other courts; and
- The promotion of automation, personnel management and construction of

facilities, provided that no grant for construction may exceed \$500,000.

Although the allocation of grants will depend on the specific applications submitted by the counties, the council has indicated that it prefers to award the grant monies for specific types of projects that fall within these general priorities. In particular, the council advises that it will give preference to proposals for the implementation or expansion of STATSCAN. STATSCAN is a computerized data collection system, currently in operation in 23 counties, which uses bar-code and scanner technology to gather data about court cases. The law requires the council to submit an annual report on the use of the fund to the Legislature.

The requirement that the annual appropriation from the Trial Court Improvement Fund be provided in the Budget Act does provide some opportunity for legislative oversight. However, there is no mechanism to ensure that the Legislature will be able to review the council's specific guidelines prior to providing the annual appropriation. In order for the Legislature to exercise its authority to oversee and set priorities for the expenditure of state funds, it needs to be apprised of the council's specific guidelines and have the opportunity to assert its own preferences for the expenditure of these funds.

Consequently, we recommend that the law be amended to require the Judicial Council to present its specific guidelines and funding priorities to the Legislature by April of 1988, and by December of each subsequent year. This would ensure that the information would be available each year for legislative review prior to hearings on the council's budget.

Technical Issue: Should the Legislature appropriate the full \$20 million annual amount for the Trial Court Improvement Fund in 1988-89, although funding will be needed for only one-half of the fiscal year?

The law specifies that \$20 million is to be appropriated annually in the Budget Act, and that the Judicial Council shall make annual allocations of these monies to option counties, beginning January 1, 1989. Although Chapter 1211 specifies that the \$20 million is to be appropriated annually beginning in 1988-89 (the first year of the program), the monies in the fund will be available for disbursement only during the last six months of the first fiscal year.

In order to avoid appropriating funds that may not be needed by counties until the following fiscal year, and to ensure that such funds are available to the Legislature for expenditure on other high priority state programs, *we recommend that the Legislature appropriate one-half of the specified amount for 1988-89, or \$10 million, because the program will be in operation for only one-half of the fiscal year.*

Trial Court Improvement Fund Administrative Costs. The Judicial Council will incur costs to administer the grants to be awarded from the Trial Court Improvement Fund, for such activities as reviewing grant applications and monitoring county performance on grant contracts.

Technical Issue: Should the law be amended to provide that the Judicial Council's administrative costs be paid from the annual appropriation to the Trial Court Improvement Fund?

Chapter 1211 specifies that the annual appropriation is available for the purposes of the Trial Court Improvement Fund. According to the Judicial Council, the entire annual appropriation must be distributed solely as grants to option counties for court improvement projects, and a separate annual General Fund appropriation is required to cover the costs of administering the program.

Our review suggests that it is appropriate for the council's administrative costs to be paid from the Trial Court Improvement Fund. This arrangement would be consistent

with the way the Legislature has funded the administrative costs of many local grant programs in prior years. For example, in 1985-86 the Office of Criminal Justice Planning (OCJP) administered 12 grant programs. The Legislature appropriated a certain amount of funds for these grant programs, and designated a portion of the amounts to cover OCJP's administrative costs. Legislation places various ceilings on the proportion of the program's appropriations that can be used for administrative costs, ranging from 5 percent to 20 percent. Programs which provide more than \$1 million in grants generally have the lower ceilings.

Consequently, *we recommend that the Legislature amend the law to specify that the council's administrative costs for the Trial Court Improvement Program are to be paid from the annual appropriation to the Trial Court Improvement Fund. We further recommend that the Legislature amend the law to specify that these administrative costs may not exceed 5 percent, or \$1 million, of the annual appropriation.* We believe that this amount is consistent with limitations placed on other programs and should provide the council with sufficient resources to operate the program in an efficient manner.

County Option Procedure. The law provides that counties may decide each year whether to participate in the funding system. It also establishes dates by which counties must notify the state of their intent to participate. For the 1988-89 fiscal year, counties must submit their initial notification by August 1, 1988. In subsequent years, the counties must submit their annual renewal resolutions by May 1.

Technical Issue: Should the law be amended to provide for an earlier notification date in order to conform more closely to the state budget cycle?

The dates now specified in the law will present a significant problem for the Legislature in acting on the annual state budget. This

is because these dates do not coincide with the Legislature's budget cycle. For 1988-89, the notification date falls *after* the adoption of the state budget, and in subsequent years the date falls after the time period normally used by the budget subcommittees to review the budget. Without knowing specifically which counties will choose to participate in the program for 1988-89, the Legislature will lack a sound basis on which to address the program's funding requirements.

As an example, if Fresno County joined the program, the state would budget approximately \$22 million for the county's superior, municipal, and justice courts. The state would budget only \$3 million if Fresno chose to remain outside the program. The decision by Fresno County alone, therefore, makes a \$19 million difference to the total amount of

funds that must be included in the state budget.

In subsequent years, the timing problem will be somewhat less disruptive, but it may still require that last-minute changes be made to the budget to account for new or terminating counties.

To remedy these problems, *we recommend that the law be amended to require that in the first year counties provide their initial notification by May 1, 1988 in order to ensure that the Legislature can adjust the state's budget to reflect the counties' decisions. In subsequent years, we recommend that the renewal notifications be provided by December 1, in order to allow a realistic program budget to be developed for inclusion in the Governor's Budget.* ♦

Chapter II

Chapter II

Revenue Recapture Provisions

One of the more important provisions of the Trial Court Funding Program is its requirement that counties which elect to participate must turn over certain court-related revenues to the state. These revenue recapture provisions have a significant initial influence on both the net state cost of the program and the net fiscal benefit of the program to the individual counties. Furthermore, the revenue recapture provisions will further influence these costs and benefits over the long run, because of the anticipated differences in the growth rates of the recaptured revenues and the costs of the judicial block grants.

Revenues Subject to Recapture

Counties currently receive, or share in the receipt of, a broad range of individual revenue sources which are subject to the recapture provisions. These revenues generally are classified as fee, fine, forfeiture and penalty revenues by the State Controller, and are collected by court officials. The law does not specifically identify which of these individual revenue sources must be turned over to the state. Rather, it requires that all of these court-collected revenues which would otherwise be distributed to the county be paid to the state, with four specific exceptions. These exceptions cover penalty assessments which

This chapter begins by identifying the revenues which option counties must turn over to the state. It then discusses the factors which influence the levels and growth rates of these revenues, and presents our estimates of the revenue which will be transferred to the state in 1988-89 and subsequent years. Finally, the chapter discusses the impact of the revenue recapture provisions on county programs which are currently financed by these revenues and on county revenue collection incentives.

have been imposed in certain counties to finance the construction of courthouses and criminal justice facilities, and any other revenue which is dedicated to library trust funds or fish and game propagation activities.

The court-related revenues which are subject to recapture, and the dollar amounts involved, are summarized in Table 4. As shown in the table, these revenues can be more specifically identified as follows:

- **Court Fees and Costs.** This category includes revenues attributable to various court filing fees and fees charged for making copies of transcripts. Approxi-

mately \$136 million was collected by counties in 1986-87.

- **Vehicle Code Fines.** The State Vehicle Code requires that specific fines be imposed for convictions on misdemeanor charges such as "driving under the influence" and infractions covering such offenses as speeding or improper equipment. These revenues are shared by cities and counties if the violation occurred within a city. The county share of the total amount collected in 1986-87 was \$104 million.
- **Court Fines.** This category covers fines imposed by the Superior, Municipal and Justice Courts. The bulk of the fine revenues are generated by the Municipal Courts, and represent fines imposed for violation of parking and other local traffic ordinances. In addition, these courts collect fines for Health and Safety Code violations, Food and Agriculture Code violations, and violations of criminal laws. In 1986-87, court fines generated \$82 million for county governments.
- **Forfeitures and Penalties.** This category includes forfeited bail bonds or deposits, judgements and damages, and penalties or court cost charges imposed as a condition of probation. Receipts from this source totalled \$55 million in 1986-87.
- **Civil Process Services.** This category includes fees charged for court-related services, such as those involved in the serving of notice and issuing writs, levies of attachment or court orders. Approximately \$17 million was collected from these sources in 1986-87.
- **Penalty Assessments.** This category covers five separate surcharges authorized in state law which counties may impose at their discretion on top of the basic fine or forfeiture imposed by the courts for criminal offenses. These additional penalty assessments may be imposed only for specified purposes, such as financing courthouse construction. The current maximum aggregate penalty assessment that may be imposed is \$6.50 for every \$10.00 of the basic fine or forfeiture. The total amount of these revenues reported to the State Controller appears to be about \$33 million in 1986-87, but this amount does not reflect recent legislation authorizing additional penalty assessments.

Table 4
**County Fee, Fine and Forfeiture Revenues
 Subject to State Recapture^a
 1980-81 through 1986-87
 (dollars in thousands)**

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87 ^b
Court Fees and Costs	\$56,593	\$75,346	\$94,520	\$102,802	\$114,408	\$128,023	\$136,016
Vehicle Code Fines	68,911	73,504	79,267	95,855	98,130	98,275	104,241
Court Fines	36,605	52,707	75,834	90,011	72,448	73,871	81,949
Forfeitures and Penalties	11,097	14,248	16,492	22,004	48,436	52,352	54,702
Civil Process Services	9,273	11,657	13,537	13,966	14,489	15,836	16,892
Less Penalty Assessments ^c					-16,583	-33,167	-33,167
Total	\$182,479	\$227,462	\$279,650	\$324,638	\$331,328	\$335,190	\$360,633

^a Source: State Controller's Financial Transactions of Counties. Totals exclude the City and County of San Francisco, except for "Court Fees and Costs."

^b Preliminary data.

^c Source: Department of Finance and Legislative Analyst's Office estimates.

Factors Influencing Revenue Levels and Growth Rates

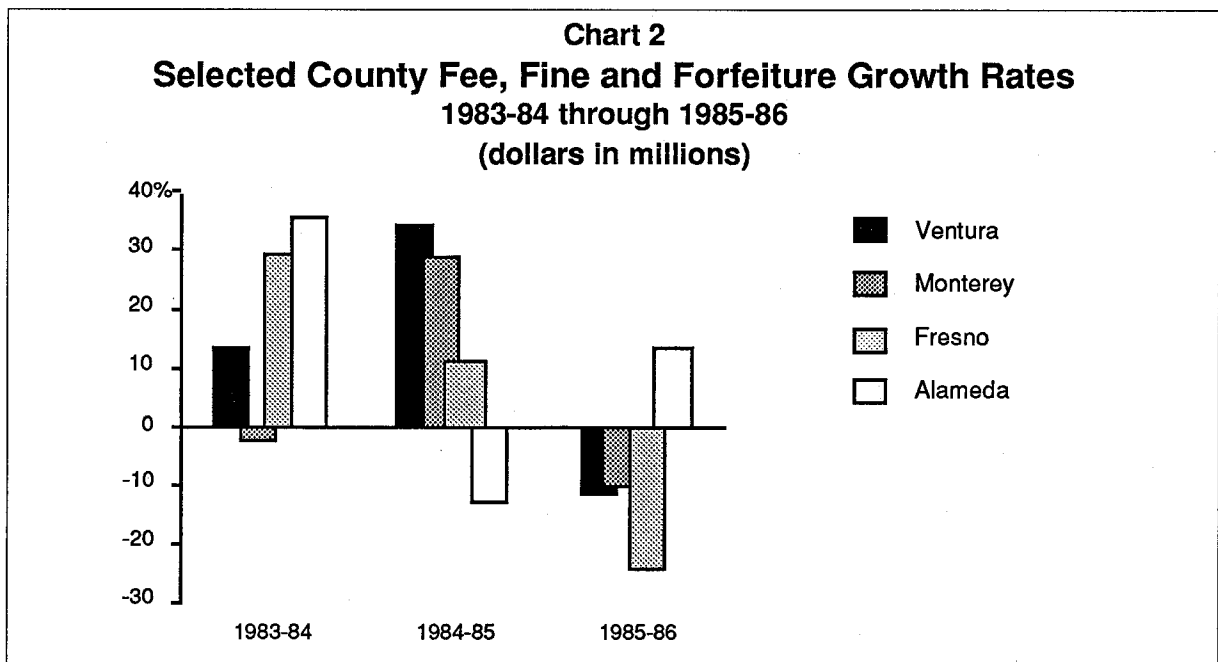
Counties vary dramatically both in terms of the dollar amount and growth rate of their court-related revenues, and especially in terms of the ratio of these court-related revenues to the amount of their court-related expenditures. This section examines the factors responsible for these differences.

County Revenue Levels. The most important factor explaining differences in the counties' court-related revenue levels is obviously county population, as most of these revenues are population-sensitive. However, there are several other factors which contribute to these differences. One such factor relates to the Highway Patrol's truck weight scales, which are located along major highways. These stations generate a large volume of vehicle code violations for those counties in which they are located, giving these counties a larger revenue base than those counties without the stations. The presence of incorporated cities may also contribute to the level of a county's collections, to the extent that city police are more aggressive in pursuing vehicle code violations than the county sheriff.

County efforts may also contribute to revenue levels. For example, counties which make a significant effort to pursue delinquent accounts have generally found these efforts to be cost-effective in terms of the extra revenue collected. However, the bulk of the court-related revenues are not sensitive to county efforts, as they result from court operations and citations issued by city police or the Highway Patrol.

County Revenue Growth. Our review of reported revenue collections for recent years indicates that the court-related revenues have experienced unusual volatility. On a statewide basis, annual revenue growth rates have ranged from 25 percent for the 1981-82 fiscal year to 1 percent for the 1985-86 fiscal year.

This finding is more pronounced for individual counties. Chart 2 illustrates the year-to-year difference in revenue collections for four sample counties, and shows that, while these counties recorded dramatic revenue gains in 1983-84 and 1984-85, they subse-

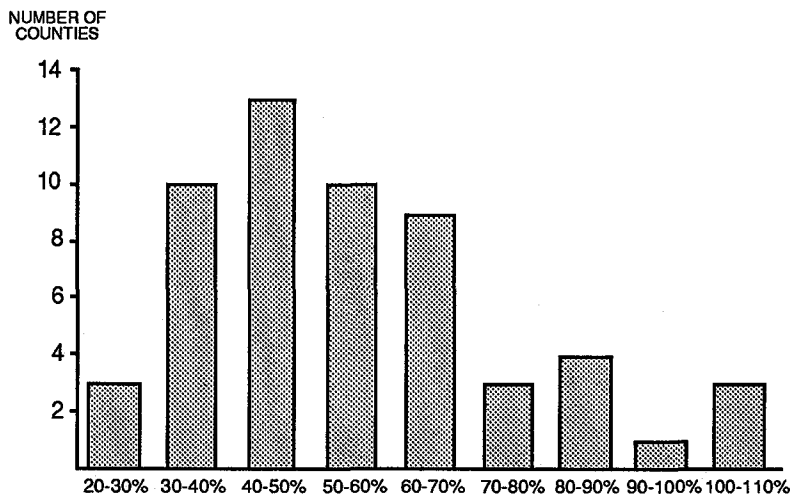


quently recorded actual declines in revenue. Based on our discussions with county officials, it appears that the revenue gains were primarily attributable to substantial increases in the level of existing fees and fines enacted by the Legislature in recent years. The revenue declines may also be at least partially attributable to this factor, as the higher fees and fines have resulted in more payments being converted to an installment basis or becoming delinquent. We have found that these revenue trends are not adequately explained by these factors, as not all counties show similar trends.

Other factors can affect year-to-year revenue growth for individual counties. Higher levels of county population growth and local economic activity, for example, seem to produce faster growth in court-related revenues for those counties, other things being equal. Another important factor relates to city incorporation and annexation activity, which tends to reduce the county's vehicle code violation revenues from violations within the cities.

Ratio of Court-Related Revenues to Court Expenditures. Chart 3 shows the extent to which court-related revenues cover the expenses of the courts, using data on revenues and expenditures reported by the State Controller. We have adjusted the Controller's data to more closely correspond to the definition of court operations used in Chapter 1211, but the correspondence is not precise. While reporting differences limit the accuracy of these figures, they generally are indicative of the differing conditions in the 58 counties. For example, the data indicate that court-related revenues as a percentage of judicial expenditures varies from 108 percent in Nevada County to 22 percent in Trinity County. For most counties, these revenues cover about one-half of court-related expenditures. These differences are in part the reason why different counties receive disparate levels of net fiscal benefits under the program (please see discussion of county fiscal benefits in Chapter V).

**Chart 3
Court-Related Revenues As a Percentage of Judicial Expenditures
1985-86**



Estimates of Court-Related Revenues for 1988-89 and Beyond

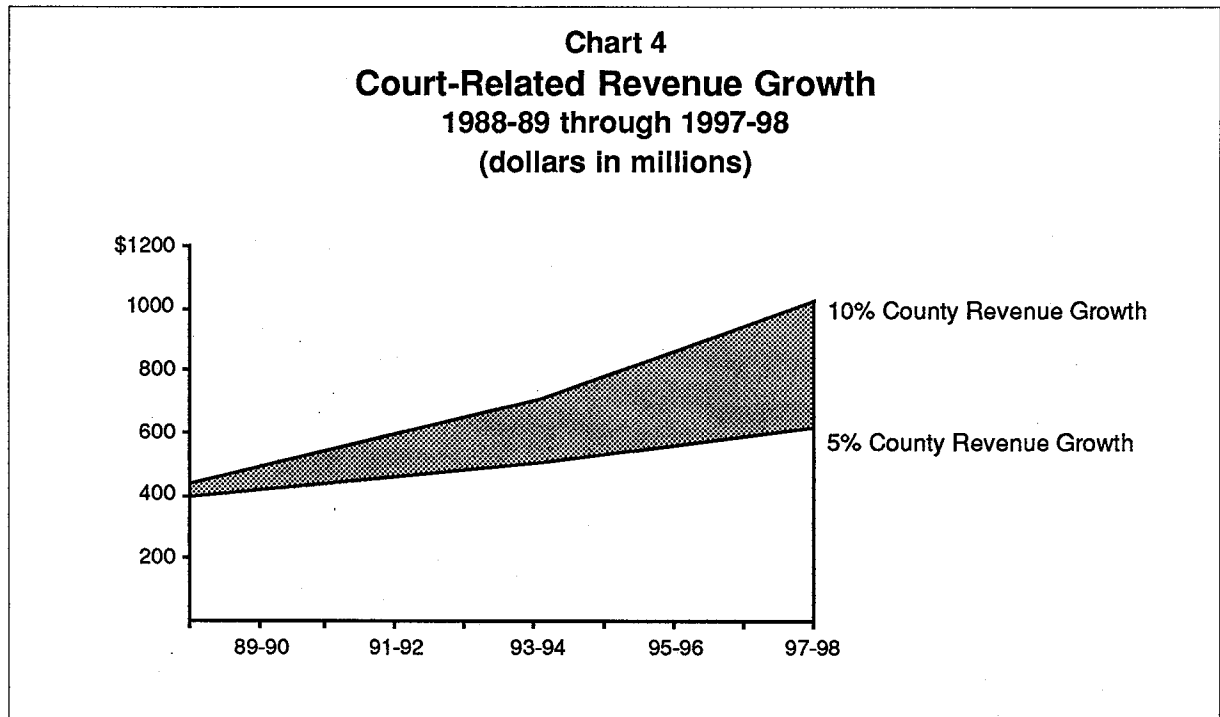
Given the highly volatile trends, predictions of the volume of court-related revenue collections in future years are subject to substantial error. Based on available statewide data, it is simply not possible to isolate the effect of one-time factors from the underlying growth trends. For this reason, we present two revenue scenarios:

- **Slow Growth.** This 5 percent annual growth scenario assumes that most of the higher county revenue growth rates in recent years were attributable to one-time factors.
- **Moderate Growth.** This 10 percent annual growth scenario reflects a stronger underlying trend for court revenues.

Using the 1986-87 fiscal year as the basis for the projection, we estimate that county court-

related revenues would amount to \$398 million for the 1988-89 fiscal year under the slow growth scenario and about \$436 million for the moderate growth scenario. As these estimates demonstrate, the revenue growth rate has a substantial impact on the amount of these funds that will be turned over to the state in the first year of the program — the state receives about \$38 million less under the slow growth scenario.

Chart 4 illustrates the effect of the two assumptions on projections of county court-related revenues through the 1997-98 fiscal year. As shown in the chart, by 1997-98 revenues under the moderate growth scenario are substantially higher (\$1.0 billion) than they are under the slow growth scenario (\$617 million).



Implications of Revenue Recapture

Earmarked Revenue Programs. County governments generally consider the revenues that they receive from court operations as offsets to the county cost of operating the judicial system. However, a number of individual revenue items which are covered by the revenue recapture provisions have been earmarked by state law or county action for

specific purposes. In some cases, the revenues are used to support the activity from which they are produced — as in the case of civil process service fees — whereas in other cases the money is used to fund a separate program. Those earmarked revenues that we have been able to identify are displayed in Table 5.

Table 5
Dedicated Fee, Fine and Penalty Assessment Revenues Subject to Recapture

<i>Revenue Source</i>	<i>Authorization</i>	<i>Program</i>
Fees		
Micrographics	Gov. Code Sec. 26863	Automation of court records.
Dispute Resolution	Bus. and Prof. Code Sec. 470.3	New program to divert from the courts certain community disputes.
Marriage License	Gov. Code Sec. 26840.7, 26840.8	Programs which address the problem of domestic violence.
Civil Process Service	Gov. Code Sec. 6103.2, 6103.5	Payment for serving civil processes.
Probation	Pen. Code Sec. 1001.7, 1203.1, 1463.17; Veh. Code Sec. 42007	Probation services.
Fines		
Vehicle Code	Various sections	Up to one-half of the county share of revenues generated by Vehicle Code violations are dedicated to county road funds.
"Driving Under the Influence"	Veh. Code Sec. 23152, 23196, 23244; Pen. Code Sec. 1463.14, 1463.16, 1463.25	Alcohol and drug programs.
Park Violations	Pen. Code Sec. 1463.05	Park districts receive 50 percent of the revenue generated from violations of park regulations.
Litter Violations	Pen. Code Sec. 1463.9	Litter clean-up.
Penalty Assessments (Imposed at county option)		
Transition Planning Fund	Gov. Code Sec. 76008	For Orange and Solano Counties, funds to be used for criminal justice facility transition planning.
Emergency Medical Services Fund	Penal Code Sec. 1465	Specified emergency medical services.
Automated Fingerprint Identification Fund	Gov. Code Sec. 76009	Automated fingerprint equipment.

Technical Issue: Should the law be amended to allow counties to retain revenues which have been "earmarked" for specific programs?

Concerns have been raised that the recapture of the earmarked revenues will leave the programs they support without a source of funding. In this regard, however, it must be kept in mind that counties generally will receive substantial funding increases for court operations, and these increases will reduce or eliminate the amount of general county funds that must be used to fund the courts. These "freed-up" general county funds may be used for any county purpose, including the replacement of earmarked revenues lost by specific programs. Thus, while the revenue recapture provisions do force the earmarked-revenue programs to compete for general county revenues with all other county programs, counties should be financially capable of providing these funds if it is consistent with their priorities to do so.

On the other hand, the Legislature may have an interest in ensuring that these programs continue to receive funding. For example, a portion of the fines and penalties levied on "Driving Under the Influence" violations are used to support alcohol and drug treatment programs. The Legislature may wish to ensure that these programs are adequately funded regardless of county budget priorities.

In addition, the revenue recapture provisions make it unlikely that counties will implement the three new penalty assessments authorized in 1987 (please see Table 5). Counties may levy these penalty assessments at their option, and the authorizing legislation envisioned that the proceeds would be used to fund specific services. Given that Chapter 1211 would require these revenues to be turned over to the state, rather than be used to support these specific county programs, counties have no incentive to levy the assessments. The programs could still be implemented, but only if the counties made the decision to do so and fund the programs

with other county revenues. Thus, the Legislature may wish to consider whether the policy objectives it adopted in this recent legislation will be deterred by the inclusion of these penalty assessments within the revenue recapture provisions.

Revenue Collection Incentives. One of the issues addressed by the Legislature in authorizing the Trial Court Funding Program was how to maintain county incentives to aggressively pursue the collection of court-related revenues. Given that the counties have no direct interest in the level of these revenues under the program, it is conceivable that funds now used to support collection activities would be redirected to programs with a higher county priority. In order to prevent this from occurring, the Legislature provided that the annual increase in the judicial block grants would be determined in part on the basis of the amount of revenue turned over to the state. Thus, if revenue collections were to fall, the amount of state funds provided would fall as well. However, the formula provides that the adjustment can be no larger than the salary increase provided to state employees, so that a relatively faster growth in collections does not produce any further increase in the block grants.

Technical Issue: Should the law be amended to increase the effectiveness of the revenue collection incentive?

The language of the law as enacted appears to require that the block grant adjustment be determined on the basis of the amount of revenues transmitted by all counties, so that each county would receive the same increase regardless of its own revenue collection performance. Under this type of incentive, it is not clear that all of the individual counties would have much influence on the result. Obviously, the incentive provided by these provisions of the law would be much stronger if they applied to each county on an individual basis. If applied individually, each county would have a direct interest in maintaining its collections. On the other hand, if a

county's revenue were to decline in reaction to factors beyond its control, such as a city incorporation, it would face a punitive reduction in its block grants. This situation could lead the county to take a more active role in opposing city annexations or incorporations, in order to protect its block grant revenue.

Another method of providing for an effective incentive would be to allow counties to retain a share of the *growth* in their court-related revenues. Under this method, revenue growth would not be a factor in the determination of the block grant adjustment. Rather, counties would retain a share of the amount by which their revenue growth exceeds the percentage growth in the block grant. For example, if the block grant in-

creased by 5 percent, and a county's court-related revenue increased by 10 percent, then the extra 5 percent in revenue growth would be shared in some proportion by the state and the county. The advantage that this method offers is that it would provide a positive incentive to raise revenue collections.

The Legislature may also wish to consider whether a mechanism to address the problem of poor county revenue performance is necessary. The State Controller's Office will begin its review of county revenue collection mechanisms this year. The information produced in this review should provide the Legislature a more comprehensive basis with which to consider this question. ♦

Chapter III

Chapter III

State-Mandated Local Program Provisions

Under Article XIII B of the California Constitution, the state is required to provide reimbursement to local agencies whenever it requires them to incur increased costs for new programs or higher levels of service in an existing program. In authorizing state funding for trial court expenses, the Legislature

sought to diminish the state's liability for reimbursement of mandated costs, especially those costs related to the operation of the courts. This chapter examines the mandate-related provisions of Chapter 1211 and identifies the programs for which reimbursement will no longer be provided to option counties.

Specific Provisions

Chapter 1211 contains two separate requirements affecting the counties' rights to claim state-mandated local program reimbursements. First, the measure requires that counties which elect to participate in the program forgo reimbursement for any existing mandates related to the operation of the trial courts. Second, the measure requires that counties relinquish their right to seek reimbursement for *any* mandate which is enacted prior to the date of a county's initial notification of its intent to participate in the program. Thus, this requirement affects mandates contained in legislation chaptered prior to a county's initial notification date, but for which reimbursement funding has not yet been provided by the Legislature. Option counties would still be allowed to seek reimbursement for mandates enacted *after* the

date of a county's initial notification, including those which affect the trial courts.

Trial Court Mandates. As noted above, option counties must forgo reimbursement for existing mandates related to trial court operations. This provision effectively ensures that the costs of the mandated activities are not funded twice by the state — once in the block grants, and again through the mandate reimbursements. Based on the traditional method of categorizing state-mandated local programs utilized in the Governor's Budget, we have identified seven programs which appear to be covered by this requirement. As shown in Table 5, the estimated 1988-89 cost of reimbursements for these programs is approximately \$11.5 million.

Table 6
State-Mandated Programs Related to the Trial Courts
1988-89
(dollars in thousands)

<i>Program</i>	<i>Estimated Cost</i>
Ch 1355/76 Justice Court Judges	\$26
Ch 1399/76 Custody of Minors	1,256
Ch 743/78 Judicial Arbitration	5,400
Ch 1018/79 Superior Court Judgeship	70
Ch 48/80 Marriage Mediator	4,400
Ch 810/81 Parent/Child Counsel	116
Ch 1580/84 Judges' Per Diem	195
Total	\$11,463

Technical Issue: *Should the law be amended to specifically identify the state-mandated local programs for which reimbursement must be forgone?*

In addition to the seven programs identified in Table 6, we have identified several programs which also may be characterized as related to the operations of the trial courts. These programs generally differ from those in Table 6 because they represent costs incurred by personnel other than those assigned to the courts, such as in the case of court interpreters and court-appointed counsel. However, in the case of some programs the distinction is not clear, and differing interpretations are possible.

Because funds derived from the state block grants may only be expended for court operations, as defined, mandates which are determined to fall outside of the definition of court operations generally may not be funded from the block grant monies. To eliminate confusion over which programs will be funded from the block grants, and which from mandate reimbursements, *we recommend that the Legislature amend the law to clarify the specific programs for which reimbursement must be forgone.*

Other Existing Mandates. Under existing law, the state has established a process for the resolution of state-mandated local program disputes. Under this procedure, a local

agency which has determined that a state law or executive regulation has imposed mandated costs may file a "test claim" with the Commission on State Mandates. The commission reviews the claim and then issues a decision as to whether a mandate exists. If a mandate determination is made, the commission also makes a determination as to the types of costs to be reimbursed and the statewide cost involved. These findings are presented to the Legislature for funding in two annual "local government claims bills."

Typically, a period of several years elapses between the time a new mandate is enacted by the Legislature and the time that reimbursement funds are appropriated. This is because of the time involved in documenting the local agency's costs and the time involved in the commission's hearing procedure. As a result, it is not unusual for the Legislature to be presented with funding requests for statutes that are many years old.

Chapter 1211 requires option counties to waive their right to seek reimbursement for all mandated programs enacted prior to their initial notification date. This requirement applies to mandated programs in any program area, rather than just the trial courts. As a result, option counties would have to drop claims which have been filed with the Commission on State Mandates, and terminate their efforts to identify other programs for which reimbursement could be sought. This

provision, which was contained in the original legislation establishing the Trial Court Funding Program, was apparently included in recognition of the large revenue gains which would accrue to counties electing to participate in the program. It was anticipated that these gains generally would offset the counties' potential loss of reimbursement funding.

Our examination of claims which have recently been filed with the commission, and discussions with county officials, indicates that there is a substantial volume of unre-

solved mandated local program claims affecting counties. Because many of these claims are still being prepared for submission to the commission, and others have not yet been reviewed for their statewide cost implications, it is not possible to discern the potential dollar value of all the claims in process at this point in time. Further, it is not clear that all of these claims would be approved by the commission and presented to the Legislature. Nevertheless, it is clear that a substantial sum of money is involved. ♦

Chapter IV

Chapter IV

No- and Low-Property Tax City Provisions

The distribution of local property taxes to schools, counties, cities and other local agencies is governed by complex statutory formulas that primarily depend on the taxes levied by these agencies prior to the voter's adoption of Proposition 13 in 1978. Chapter 1211 establishes a minimum statutory entitlement whereby each city will receive 10 percent of the property tax revenues generated within its boundaries. These provisions are only operative in those counties which elect to participate in the Trial Court Funding Program, and are subject to a 10-year "phase-in" during which the minimum entitlement would be gradually accomplished.

Background

Following the voter approval of Proposition 13, the Legislature enacted a new statutory mechanism for allocating property tax revenues generated by the new maximum 1 percent county-wide tax rate. This formula, commonly referred to as the "AB 8" tax allocation formula, assigned each local agency and school district a share of the 1978-79 county-wide property tax, based on its share of the total amount of property taxes collected in the county during the three fiscal years prior to 1978-79. This amount was then adjusted to decrease the allocation to school districts, and increase the allocation for other

This chapter begins by providing some background on how property taxes are allocated under existing law and on the so-called no- and low-property tax cities which would be the beneficiaries of the minimum 10 percent statutory entitlement. It then provides an explanation of the Tax Equity Allocation Formula which generates the minimum statutory entitlement, and our estimates of the amounts which cities would receive from its provisions over the course of the phase-in period. Finally, we discuss some of the interpretational issues raised by the formula.

local agencies, as part of the Legislature's program of providing "fiscal relief" to local agencies which lost revenue due to the passage of Proposition 13. In each succeeding year, the formula assigns to each local agency the amount it received in the prior year, *plus* a share of the annual tax increment produced by increases in the assessed value of property subject to the tax. This allocation of the annual tax increment is based on each agency's share of the "prior-year" revenue produced within its boundaries.

Many cities within the state currently receive less than 10 percent of the property tax

revenue generated from within their boundaries, for several reasons. First, some cities did not levy their own property tax prior to Proposition 13, either because they had access to other sources of revenue sufficient to adequately finance municipal services, or because their voters preferred lower levels of municipal services. The AB 8 formula does not allow such cities to begin sharing in the proceeds of the property tax, unless the cities annex additional territory or assume the responsibilities of a special district. Second, some cities which did levy a property tax prior to Proposition 13 levied it at a rate which was relatively low relative to the rates levied by other agencies in the same county. As a result, their share of the property tax after Proposition 13 is relatively low. Finally, cities which incorporated after the 1977-78 fiscal year were entitled to receive a share of county or special district property tax revenues based on the cost of the services for which the city was assuming responsibility. The amount to be allocated to the city is deter-

mined by the Local Agency Formation Commission (LAFCO), and may be less than 10 percent of the property tax revenue generated within the boundaries of the new city. We estimate that there are currently 31 "no-property-tax" cities and 72 "low-property tax" cities in California.

The 31 "no-property tax" cities now receive a special annual state subvention which amounts to approximately \$3.3 million for the 1987-88 fiscal year. This subvention was established to provide these cities with a source of replacement funding to offset the revenue losses they experienced when three other small state subventions available to all cities were repealed in 1982. The "no-property tax" cities argued that it was inappropriate for them to share with all other cities in the state funding reductions that were the cause for the repeal of the three subventions, because they had not shared in the extra state funds allocated to cities following the passage of Proposition 13.

Tax Equity Allocation Formula

Chapter 1211 requires that each city in an option county be allocated an amount of property tax revenues equal, at a minimum, to 10 percent of the property tax revenues generated within its boundaries. This minimum statutory entitlement is to be phased in over a 10-year period, and is to be funded by reducing the share of property tax revenues which would otherwise be allocated to the county government. Chapter 1211 also repeals the special state subvention for all "no-property tax" cities, regardless of whether their counties elect to participate in the Trial Court Funding Program.

Tax Allocation Provisions. The statutory formula operates by requiring the county auditor to change the county's property tax apportionment system in 1988-89, if the county has elected to participate in the Trial Court Funding Program. The law requires

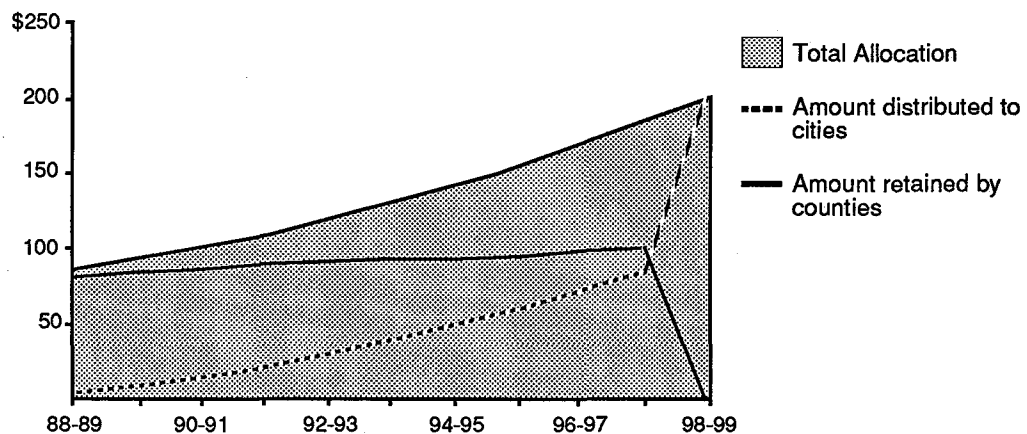
the county auditor to increase the city's amount of "property taxes allocated in the prior year" by an amount equal to a tax rate of 10 cents per \$100 of assessed value applied to the city's 1987-88 assessed value (the "TEA Amount"). The law also provides that the auditor may reduce the TEA Amount if it is determined that it would result in a city having proceeds of taxes in excess of its appropriations limit. This amount is then to be subtracted from the county's prior-year amount, and then both the city's and the county's proportionate shares of the prior-year revenues generated within tax rate areas within the city are recomputed. Absent the phase-in provisions, this formula would result in the city receiving the full 10-cent-rate amount in the 1988-89 fiscal year, including a share of the 1988-89 annual tax increment.

Phase-In Period Restrictions. The phase-in provisions included in Chapter 1211 direct

the county auditor to restrict the amount of the minimum entitlement which is actually distributed to the city for a 10-year period. These provisions specify that the auditor may distribute in the 1988-89 fiscal year an amount equal to 10 percent of the "TEA Amount," and an additional 10 percent of this amount in each succeeding year until 100 percent of the TEA Amount is distributed. However, the auditor is directed to distribute this amount only if it exceeds the amount that a city would otherwise receive from the normal property tax allocation procedure. *As a result, many of the "low-property tax" cities will not receive any increased allocation of property taxes in the initial years of the phase-in period, because their existing allocation exceeds the amount they could be distributed under the TEA formula.*

As noted above, the auditor is required to restrict the distribution of property tax revenues to qualifying cities to specified percentages of the "TEA Amount." Because the TEA Amount is defined as the amount produced by a tax rate of 10 cents per \$100 of assessed value *applied to the 1987-88 assessed value*, the amounts distributed by the auditor to qualifying cities during the phase-in period will not reflect the annual increases in the assessed value of property within the cities' boundaries. The law specifies that amounts which are allocated to qualifying cities pursuant to the formula, but which may not be distributed to them during the phase-in period, shall be distributed to the county in which the cities are located. Thus, the counties will retain these amounts until the end of the phase-in period. This situation is graphically illustrated in Chart 5.

Chart 5
Property Tax Transfer for No- and Low-Property Tax Cities^a
 1988-89 through 1997-98
 (dollars in millions)



^a Does not reflect loss of Vehicle License fee subventions to these cities.

Once the phase-in period terminates, the restrictions on the county auditor's distribution of the revenues allocated to qualifying cities are no longer applicable. At this time, the cities will receive the full benefit of the assessed value growth which occurred during the phase-in period, and their property tax revenue receipts will increase dramatically. Based on an assumed 9 percent annual increase in assessed value, we estimate that the cities' property tax receipts would increase by approximately \$115 million in the 11th year, from approximately \$86 million in 1997-98 to \$201 million in 1998-99. This is because the growth-related revenues retained by the counties during the phase-in

period would then be allocated entirely to the cities.

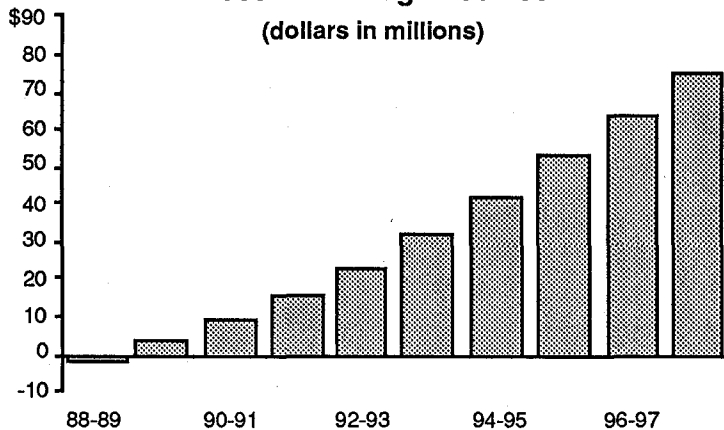
Special State Subventions. As noted above, Chapter 1211 repeals the special state subvention provided to the "no-property tax" cities. These subventions, which total approximately \$3.3 million for the 1987-88 fiscal year, are authorized in the laws which govern the distribution of Vehicle License Fee (VLF) revenues among the counties and the cities. By removing the provisions which direct a portion of these revenues to the "no-property tax" cities, Chapter 1211 effectively requires that they be distributed instead to the counties under other existing provisions of the law.

Estimates of the Revenue Transfer Between Counties and Cities

Chart 6 presents our estimates of the amount of property tax and VLF revenue to be exchanged by the counties and the cities over the 10-year period covered by the phase-in requirements. Data for individual cities and counties is included in Appendix A. As indicated in the chart, cities will face a slight net loss of revenue in the first year of the

phase-in period, reflecting the fact that they will lose all of their special subvention revenues while gaining only limited amounts of additional property tax revenues. By the final year of the phase-in, the cities net gain (and the counties' net loss) will amount to \$78 million.

Chart 6
Amounts of Revenue Exchanged by Cities and Counties^a
 1988-89 through 1997-98



^a Includes the effect of the repealed VLF subventions. Assumes annual growth in the subvention of 10 percent per year.

Our analysis indicates that individual cities could face losses of their subvention revenue with no offsetting property tax revenue gains, if their existing property tax allocation exceeds the phase-in period distribution amount allowed by the TEA formula. By our

estimates, 18 cities would have net losses in the first year. However, only three cities would face net revenue losses in years after 1988-89, and these losses would disappear by the fifth year of the phase-in.

Issues of Interpretation

Our discussion of the property tax provisions of Chapter 1211 is based on a literal reading of the language contained in the measure. A number of questions have been raised concerning these provisions and their interpretation. Thus, it is appropriate for the Legislature to consider whether the provisions as enacted are consistent with its intent as to how they were to operate. In this section, we provide a discussion of the more important of these questions.

Determination of the TEA Amount. As discussed previously, the county auditor is required to determine the TEA Amount by applying a tax rate of 10 cents per \$100 of assessed value to the 1987-88 assessed value of the qualifying city.

Technical Issue: *Should the law be amended to exclude the assessed value assigned to redevelopment project areas within the cities' boundaries?*

The law as written makes no mention of redevelopment project assessed value, and our informal discussions with the Legislative Counsel's Office indicate that the law requires that these values be included in the determination. Several county officials argue, however, that they interpret the law to require the exclusion of these values.

The exclusion of redevelopment assessed value would dramatically reduce the TEA Amount for cities with large redevelopment projects. However, county officials point out that the cities already receive 100 percent of the revenue generated by redevelopment project assessed value. Thus, the allocation of

additional revenue to the cities on the basis of these values amounts to "double-dipping." In fact, it is the cities' redevelopment agencies which receive the revenues generated from these projects, and in the case of some of the newer projects, counties and schools may also receive some of the revenue. The redevelopment agencies which receive the revenue are normally governed by the city council of the city. While there are some restrictions on the purposes for which these funds may be expended, it is often difficult to clearly distinguish how the redevelopment agency's objectives differ from the city's objectives in the expenditure of these funds. For these reasons, the Legislature may wish to consider amending the law to exclude the value of redevelopment project areas from the determination of the TEA Amount.

Determination of Qualifying Cities. The law provides that a qualifying city is any city which incorporated prior to June 5, 1987, and had an amount of property tax allocated to it in 1987-88 which is less than the amount it would have received by applying a rate of 10 cents per \$100 of assessed value to its 1987-88 assessed value.

Technical Issue: *Should the law be amended to account for differing methods of service provision within cities in determining whether they are a "qualifying city"?*

It is not uncommon for municipal services to be provided to city residents by a local entity other than the city itself. In many cases, separate special districts (which may be governed by the city council of the city) provide

services such as fire protection or sanitation. In some cases, the operating budgets of these subsidiary special districts may exceed the operating budget of the municipality. Because these districts are funded largely by property tax revenues, the Legislature may wish to consider whether it is appropriate to consolidate the property tax revenues of such districts with those of the city in determining the city's qualification for additional revenues. By requiring such a consolidation, a number of no- and low-property tax cities would no longer qualify for the increased revenue, or would qualify for a lower amount.

County Termination. The law provides that a county may elect to discontinue its participation in the Trial Court Funding Program by notifying the state to that effect. In that event, the county would no longer receive the judicial block grants, but it would then retain its fee, fine and forfeiture revenue

and it would again receive state subventions for certain judgeships and state-mandated local programs.

Technical Issue: *Should the law be amended to require the reallocation of property tax revenues when a county elects to terminate its participation in the Trial Court Funding Program?*

The law provides no mechanism by which the allocation of property tax revenues to no- and low-property tax cities may be reversed in the event that a county "opts out" of the program. Once the initial notification of a county's decision to participate is given to the state, the city's entitlement to these revenues is subject only to the phase-in distribution restrictions. This is because Chapter 1211 permanently changes the existing property tax allocations of the cities and the counties. The Legislature may wish to consider amending the law to restore these property tax allocations in the event of county termination. ♦

Chapter V

Chapter V

State and Local Fiscal Impact of the Trial Court Funding Program

Chapter 1211 provides for a substantial shift of costs and revenues associated with the operation of the trial courts between the state and the counties. In general, this shift of costs and revenues results in a substantial net fiscal benefit to the counties and a dramatic increase in state expenditures to support the existing operations of the judicial system. The counties' net fiscal benefit is generally equivalent to the amount of local county funds which no longer must be used to support court operations, and which may now be used to support expenditures in other priority areas, at the discretion of the counties. Due to the specific features of the law and the individual circumstances of the counties,

however, the benefits of the program will be different for individual counties and will change over time.

This chapter examines the fiscal costs and fiscal benefits of the Trial Court Funding Program from the perspective of both the state and the counties. It begins by presenting our estimates of the increased state costs and discussing the assumptions which were used in the preparation of these estimates. We also present our estimates of the program's initial fiscal impact on the counties, and discuss the reasons why the benefits of the program will vary for the individual counties. We then examine the long-term fiscal implications of the program for the state and the counties.

State Fiscal Impact

Our review of the Trial Court Funding Program's fiscal impact on the state is divided into three separate sections. In the first section, we examine those elements of the program which affect state expenditures for this program. In the second section, we examine those provisions affecting the allocation of revenues. Finally, we present our findings as to the net state costs of the program.

Court-Related Expenditures. Table 7 summarizes our estimates of the state's 1988-89 costs and cost savings attributable to the operation of the program as enacted. The basis for these estimates is as follows:

- **Block Grants.** The largest cost element is the cost of the judicial block grants, which we estimate will cost \$858 million in 1988-89. This estimate is based on the

per-position amounts specified in Chapter 1211, increased by 8.75 percent to reflect state salary increases in the 1986-87 and 1987-88 fiscal years, as required by Section 77201 of the Government Code. This cost-of-living adjustment represents an increased cost of approximately \$69 million over the specific levels established in Chapter 1211. The estimate also reflects the allowance of a full block grant for all of the judgeships and commissioners presently authorized, including those authorized by Chapter 1211. In subsequent years, the cost of the block grants is assumed to increase by 5 percent per year.

- **Judge's Salaries and Benefits.** The state's additional cost for judges' salaries and benefits consists of the following components:
 - The state will pay approximately 90 percent of the salaries of the 564 existing and the 34 newly authorized municipal court judges at a cost of \$40.7 million in 1988-89;
 - The state will pay approximately 90 percent of the salaries of the 64 newly authorized superior court judges at a cost of \$4.8 million in 1988-89;
 - The state will pay 100 percent of the cost of benefits for the 64 new superior court judges at a cost of \$0.2 million in 1988-89; and
 - The state will pay the employer's cost of retirement contributions for the newly authorized superior and municipal court judges at a cost of \$0.6 million in 1988-89.

In years after 1988-89, these costs will increase generally by any cost-of-living salary adjustments granted to the judges by the state. For purposes of our analysis, we assume that these costs will increase by 5 percent per year, roughly in line with anticipated inflation.

- **Trial Court Improvement Fund.** Our cost estimate reflects the annual \$20 million appropriation to this fund specified in Chapter 1211, although this amount is subject to appropriation in the annual Budget Act.
- **State-Mandated Local Program Reimbursements.** Based on our identification of the seven programs for which state reimbursements would no longer be provided (please see Chapter III), we estimate that the state's savings would amount to approximately \$11.5 million for 1988-89. In subsequent years, we assume these savings would increase by 5 percent annually.
- **Existing \$60,000 Judicial Block Grants.** The state is expected to save approximately \$13.6 million in 1988-89 because option counties will not be eligible to receive these existing block grants. These savings are held constant at the \$13.6 million level, because the block grants have traditionally not been adjusted for inflation.
- **State Administrative Costs.** Our estimates include an allocation of \$1 million for state administrative costs. These costs primarily reflect Chapter 1211's requirements that the State Controller audit county revenue collections and court-related expenditures.

Table 7
Trial Court Funding Program
State Expenditure Requirements for 1988-89
(dollars in millions)

		<i>Cost</i>
Block Grants		
Superior Court Judges	\$411.9	
Superior Court Commissioners/Referees	53.9	
Municipal Court Judges	308.2	
Municipal Court Commissioners/Referees	60.9	
Justice Court Judges	23.4	
Subtotal, Block Grants		\$858.3
Judges' Salaries and Benefits		
Municipal Court Judges' Salaries	\$40.7	
Superior Court Judges' Salaries	4.8	
Benefits and Retirement	0.8	
Subtotal, Judges' Salaries and Benefits		\$46.3
Trial Court Improvement Fund		\$20.0
Mandated Local Program Savings		-\$11.5
Block Grant Savings		-\$13.6
State Administrative Costs		\$1.0
Total, State Expenditure Requirements		\$900.5

Revenue Provisions. In Chapter II of this report, we identified the individual sources of revenues which would be turned over to the state and presented our estimates of the amounts involved for 1988-89 and subsequent years. Based on our analysis of the county revenues which would be subject to "recapture," we found that the county share of these revenues amounted to some \$361 million in 1986-87, using preliminary data from the State Controller's Office. As we noted earlier in Chapter II, it is difficult to predict how these revenues will perform in

the future. For purposes of this analysis, we have prepared two scenarios to illustrate the implications of differing revenue growth assumptions. These scenarios, which are more fully discussed in Chapter II, are referred to as the "slow growth scenario," in which revenue growth is assumed to equal 5 percent per year, and the "moderate growth scenario," in which revenue growth is assumed to equal 10 percent per year. Table 8 illustrates the effect of applying these scenarios to the 1986-87 revenue total for purposes of estimating 1988-89 revenue levels.

Table 8
Trial Court Funding Program
Estimated Revenues Subject to Recapture
1988-89
(dollars in millions)

	<i>Slow Growth</i>	<i>Moderate Growth</i>
1986-87 Revenues	\$361	\$361
Compounded Growth Rate	10.25%	21.0%
Estimated 1988-89 Revenues	\$398	\$436

As shown in the table, the choice of assumptions has a significant effect - almost \$40 million - on the revenue estimate for the 1988-89 fiscal year. This finding is also true with respect to the revenue estimates for years after 1988-89, as the difference in assumptions produces an ever larger difference in the estimates over time due to compounding. By the end of the 10-year forecast period, the difference between the two revenue estimates increases to over \$400 million.

Net Fiscal Impact. Table 9 summarizes the data presented above as to the state's cost and

revenue changes. As the table shows, we estimate that the program will cost between \$465 million and \$503 million in 1988-89, based on the measure in its enacted form and assuming participation by *all* 58 counties. It should be noted that these estimates do not reflect any potential state savings due to the provisions which require counties to forgo reimbursement for existing but currently unfunded state mandated local programs, as we cannot determine the level of such reimbursements they would be likely to receive in the absence of this measure.

Table 9
Trial Court Funding Program
Net State Fiscal Impact
1988-89
(dollars in millions)

	<i>Slow Growth Scenario</i>	<i>Moderate Growth Scenario</i>
Expenditure Increases, Net	\$901	\$901
Revenue Recapture	-398	-436
Net State Cost	\$503	\$465

County Fiscal Impact

The fiscal impact of the program on county governments is presented in Table 10. (These figures are also presented on a county-by-county basis in Appendix B.) As shown by the table, the net gain to county governments in 1988-89 is basically equivalent to the state's increased cost. This gain to the counties con-

sists of both increased funding levels for court operations, including the new judgeships authorized by Chapter 1211, and of savings in county discretionary revenues now used to fund court operations. These savings could be used by the counties for other general county purposes.

Table 10
Trial Court Funding Program
County Fiscal Impact
1988-89
(dollars in millions)

	<i>Slow Growth Scenario</i>	<i>Moderate Growth Scenario</i>
State Funding Increases, Net ^a	\$899	\$899
Recaptured Revenues	-398	-436
Property Tax Losses	-4	-4
VLF Revenue Gains	4	4
Net County Fiscal Impact	\$501	\$463

^a This amount differs from the increased state cost due to state administrative costs and differences in the state and county costs for judges' salaries and benefits.

The impact of the Trial Court Funding Program on county revenues available for general purposes is difficult to quantify. As noted earlier, counties have funded their court operations at differing levels, so that individual counties may currently be spending more or less than the amount of their block grants (exclusive of the amounts provided for newly authorized positions). In the case of a county which now expends less than the amount of the block grant, the program requires that the county increase its expenditures to the level of the block grant. As a result, some portion of this county's total increase in state funding must be devoted to increased court funding; the remainder of the grant can be used to displace other county funds now devoted to the courts. This displacement "frees-up" these county funds so they can be used to fund other programs.

In the case of a county with court expenditures greater than or equal to its block grant level, the entire amount of the block grant can be used to displace county funds devoted to the courts, again freeing-up these funds for redirection to other programs. The gains to counties will in some cases, however, be at least partially offset by the transfer of property tax revenues to the no- and low-property tax cities.

Table 11 presents an illustration of the amount of revenue which will be "freed-up" on a county-by-county basis. This illustration relies on 1985-86 expenditure data as reported by the State Controller, and should not be regarded as a definitive estimate of the effect on individual counties. Rather, it is intended merely to provide a basis for comparing the fiscal effects of the program among the different counties. We have adjusted the Controller's data so that it more closely corresponds to Chapter 1211's definition of court operations, but the correspondence is not precise.

The table shows in column 1 the net amount of increased funding for existing judicial

positions in 1988-89 under the trial court funding program. (This amount consists of the block grants for existing judgeships and the state funding provided for existing municipal court judges' salaries, less the amount of the revenue recapture, transfers related to no- and low-property tax cities, and forgone state reimbursements and block grants.) Column 2 contains a "baseline" projection of county judicial expenditures in 1988-89 (exclusive of the amount which could be financed with court-generated revenues — i.e., fees, fines and forfeitures).

These data indicate that 32 of the 58 counties are projected to incur judicial expenditures in excess of their block grant amounts in 1988-89. These counties will be able to use their block grants in the place of county funds which would otherwise have been devoted to court-related expenditures. In essence, an amount of county funds equivalent to the block grant is "freed-up" for redirection to other county programs. For the 26 counties with projected judicial expenditures of less than their block grant amounts (designated with asterisks), the law requires that a portion of their block grants be used to increase their judicial expenditures. The amount of revenue "freed-up" for these counties is equal to the amount of county funds which would have otherwise been devoted to judicial expenditures. Column 3 shows the amount of revenue "freed-up" on a county-by-county basis.

In order to make comparisons between the different counties, it is necessary to look at these data on a standardized basis. Column 4 presents the amount of "freed-up" revenue on a per-judicial-position basis. As column 4 illustrates, these figures range from a high of \$418,000 for the County of San Francisco to zero for the County of Colusa. For the 32 counties mentioned above, the reason for these disparate benefits is primarily due to the fact that the amount of revenue recaptured by the state varies on a per-judicial-position basis. Even though the Trial

Table 11

Trial Court Funding Program
Illustration of the Amount of County Revenue "Freed-up"
Counties Ranked by the Amount of "Freed-up" Revenue per Position

County	1988-89 Net Block Grant and Salaries Existing Positions ^a	1988-89 County Judicial Expenditures Existing Positions ^b	1988-89 Amount of "Freed-up" Revenue	1988-89 Amount of "Freed-up" Revenue per Judicial Position
San Francisco	\$25,934,316	\$39,234,391	\$25,934,316	\$418,295
Trinity	510,055	693,373	510,055	392,350
Amador	620,095	807,097	620,095	364,762
Butte*	3,022,697	2,912,227	2,912,227	364,028
Lassen*	595,119	583,626	583,626	343,309
Tulare	5,068,300	5,130,526	5,068,300	342,453
Stanislaus*	6,404,144	6,006,195	6,006,195	333,677
Los Angeles	163,770,197	259,610,570	163,770,197	314,882
Mendocino	1,370,870	2,120,567	1,370,870	304,638
Humboldt	1,967,291	3,136,923	1,967,291	300,350
Calaveras*	744,342	561,214	561,214	295,376
Lake*	1,200,151	1,089,611	1,089,611	294,489
San Joaquin	6,555,954	8,748,032	6,555,954	285,041
San Diego	33,124,511	34,842,667	33,124,511	280,716
Santa Barbara	5,248,613	7,923,068	5,248,613	270,547
Santa Clara	17,693,133	24,322,809	17,693,133	264,077
Contra Costa	9,454,393	14,975,077	9,454,393	262,622
Alameda	20,677,197	30,713,705	20,677,197	261,737
Tuolumne	586,382	701,198	586,382	254,949
Solano	3,803,505	5,092,621	3,803,505	251,056
San Luis Obispo	2,495,938	2,949,708	2,495,938	249,594
Riverside	11,882,297	13,816,744	11,882,297	247,548
Kings	1,033,971	2,486,007	1,033,971	246,184
Fresno*	10,114,146	9,225,497	9,225,497	245,359
Yolo*	2,508,038	1,961,006	1,961,006	245,126
Kern*	8,438,806	8,245,232	8,245,232	239,687
San Bernardino	12,004,045	19,041,057	12,004,045	219,052
Glenn	393,808	405,967	393,808	218,782
Ventura	5,557,467	8,033,998	5,557,467	213,749
Monterey	3,665,978	5,301,400	3,665,978	203,665
Placer	1,502,543	2,234,382	1,502,543	197,703
Sacramento	9,156,866	27,833,464	9,156,866	183,137
Sonoma	3,293,740	8,099,212	3,293,740	182,986
Modoc*	536,961	230,620	230,620	177,400
Yuba*	2,242,832	875,819	875,819	175,164
Plumas*	612,824	269,441	269,441	168,401
Imperial*	1,804,357	1,126,939	1,126,939	160,991
Orange	18,792,609	50,183,950	18,792,609	160,621
Shasta	1,000,800	2,109,301	1,000,800	158,857
Madera*	1,803,298	834,023	834,023	154,449
Santa Cruz	1,389,333	2,279,389	1,389,333	154,370
Napa*	1,471,725	918,817	918,817	153,136
Merced	1,215,893	1,806,891	1,215,893	151,987
Mariposa*	523,263	195,611	195,611	150,470
San Benito*	883,954	327,727	327,727	145,656
Sutter*	1,044,016	434,861	434,861	144,954
Sierra*	527,248	154,468	154,468	134,320
El Dorado*	1,250,575	849,847	849,847	132,789
Siskiyou	322,811	374,116	322,811	129,125
Alpine*	519,192	138,350	138,350	125,773
San Mateo	3,435,096	9,597,546	3,435,096	114,503
Del Norte*	638,808	169,802	169,802	89,370
Nevada*	657,866	207,747	207,747	51,937
Mono*	520,989	61,813	61,813	41,209
Marin	361,766	1,869,557	361,766	30,147
Tehama*	669,725	58,429	58,429	15,792
Inyo*	230,387	20,780	20,780	12,224
Colusa*	389,550	0	0	0
Total	\$423,244,788	\$633,935,013	\$411,349,476	\$207,337^c

* Indicates counties with projected judicial expenditures for existing positions of an amount less than the block grant for existing positions.

^a "Net Block Grants and Salaries" represent the net increased funding for existing judicial positions.

^b "County Judicial Expenditures" are estimated by applying a 10 percent annual growth rate to the State Controller's 1985-86 expenditure data, as adjusted, then subtracting court-related revenues.

^c Average.

Court Funding Program provides for uniform *total* block grants per judicial position, counties with relatively high revenues subject to recapture in effect receive lower *net* block grants.

The differences in column 4 for the 26 "low

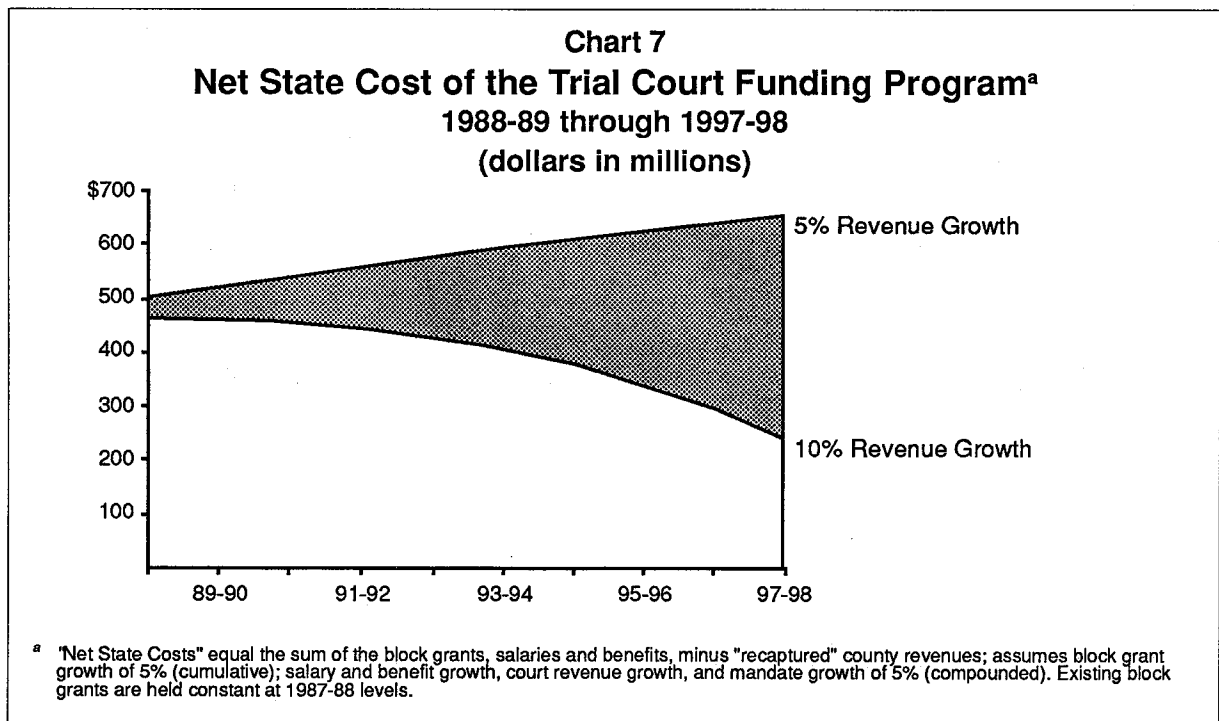
spending" counties are due to variations in both judicial spending levels and in revenues subject to recapture. However, these counties will also receive the benefit of higher court expenditures, which are not reflected in column 4.

Long-Term Fiscal Implications

Chart 7 displays our estimates of the net state costs of the Trial Court Funding Program over a 10-year period. These estimates are provided for the two revenue growth scenarios described earlier in this chapter. As the chart shows, the rate of growth for the recaptured revenue has a pronounced effect on the state's net cost over the forecast period. Under the slow revenue growth scenario, the state's net cost would remain fairly stable, increasing from approximately \$503 million in 1988-89 to \$658 million in 1997-98. This amounts to an average annual growth rate of 2.7 percent. Although the assumed rates of growth for both recaptured revenues and the

increased state expenditures are the same, the fact that the block grants are adjusted on a cumulative (as opposed to compounded) basis results in a slower rate of growth for these expenditures.

Under the moderate growth scenario, state's costs would actually *decline* over the forecast period, from \$465 million in 1988-89 to \$246 million in 1997-98. This is because the recaptured revenues grow much more rapidly than the state's expenditures, funding a larger portion of the total cost with each succeeding year. Under this scenario, we estimate that 17 of the 58 counties would ultimately be remitting more funds to the state



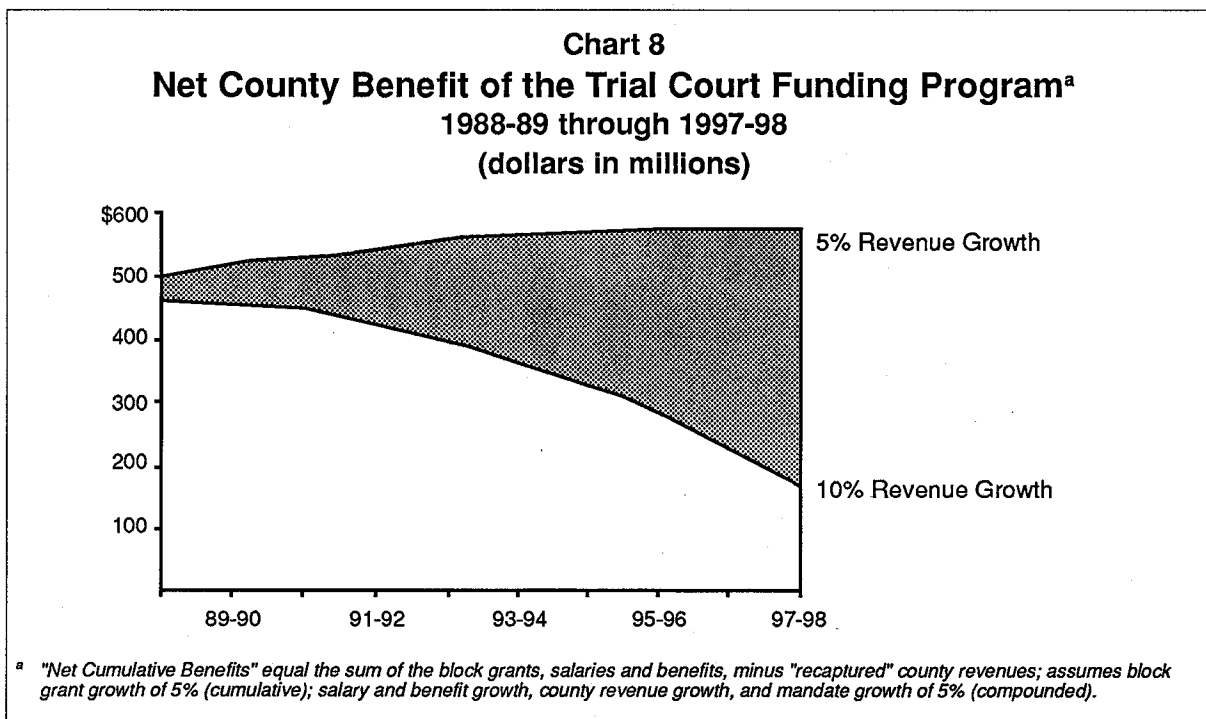
than they receive in increased state funding. Under these conditions, many counties would find it to their fiscal advantage to opt out of the program.

Chart 8 illustrates these findings from the county perspective. Under the slow growth revenue scenario, the net fiscal benefit of the program to the counties increases only slightly over the 10-year period. The slight increase is attributable to the fact that, while the increased state funding is adjusted on a cumulative basis and the revenue recapture is increasing on a compounded basis, the state funding adjustment applies to a larger amount of dollars. These data also reflect the amount of property taxes transferred to the no- and low-property tax cities, which also increases at a faster rate than the state funding. As shown in the chart, the rate of increase in the net county fiscal benefit declines over time to reflect the disparity in growth rates.

Under the moderate growth scenario, the net county fiscal benefit declines dramatically over the forecast period, from \$463 mil-

lion in 1988-89 to \$166 million in 1997-98. Under this scenario, our estimates indicate that as many as 20 counties would experience negative fiscal benefits by the end of the forecast period.

Block Grant Adjustment Mechanism Favors the State. The data presented in Charts 7 and 8 illustrate how the block grant adjustment mechanism favors the state at the expense of the counties over time. Our analysis indicates there are two reasons for this. First, the block grants will be adjusted on a *cumulative* as opposed to compounded basis. This means that the counties' block grants will grow at a slower rate than the revenue they return to the state. Second, if the growth rate of the recaptured revenues exceeds that of the percentage state employee salary increase, the formula requires that the grants be adjusted by the *lesser* of the two, or the percentage salary increase. Under these circumstances, the state enjoys a savings equal to the difference between the block grant adjustment and the growth in court-related revenues returned to the state. ❖



Chapter VI

Chapter VI

Effect on State and Local Appropriations Limits

This chapter examines the effect of the Trial Court Funding Act on the appropriations limits of the state and the option counties. An adjustment of these appropriations limits is necessary under the terms of the State Constitution because Chapter 1211 shifts the financial responsibility for funding the trial courts from the option counties to the state.

This chapter provides some background on the appropriations limits imposed by Article XIII B of the State Constitution, describes the requirements of Chapter 1211 with respect to the adjustment of these appropriations limits, and then examines how the limit adjustment may affect state and county finances.

Background

Article XIII B of the State Constitution imposes a limit on the amount of tax-supported appropriations which can be made by an entity of government within any given fiscal year. Every entity of government, with the exception of certain special districts, has its own appropriations limit. Generally, the limit may be increased each year to reflect changes in the cost of living and population. Revenues received which cannot be appropriated within the fiscal year must be returned to taxpayers within the following two fiscal years.

Article XIII B provides that an entity's appropriations limit shall be adjusted whenever a "transfer of financial responsibility" occurs. Under the Constitution, this occurs whenever:

- The financial responsibility for providing a service is transferred from one entity of government to another; or
- The source of funding for a program or service is transferred from tax proceeds to user fees.

The adjustment of appropriations limits is to occur in the same year that the transfer occurs, and – in the case of a transfer of services between entities – the amount of the adjustment is to be determined by mutual agreement. Essentially, these provisions provide some flexibility to reorganize the provision of government services while maintaining the same overall constraint on government spending.

Transfers of Financial Responsibility in the Trial Court Funding Program

The Trial Court Funding Program involves two separate transfers of financial responsibility, as that term is used in the Constitution. These transfers reflect the state's assumption of county costs which support existing judicial positions and the state's assumption of the majority of existing county costs for municipal court judges' salaries. The program's funding of block grants, salaries and benefits for newly authorized judges does not represent a "transfer of financial responsibility," because the counties currently have no responsibility to fund these costs. The same is true as regards the program's anticipated expenditures for the Trial Court Improvement Fund and state administrative costs.

All of the state's expenditures for the program would represent appropriations subject to limitation at the state level. Thus, these funds would not be subject to the counties' appropriations limits.

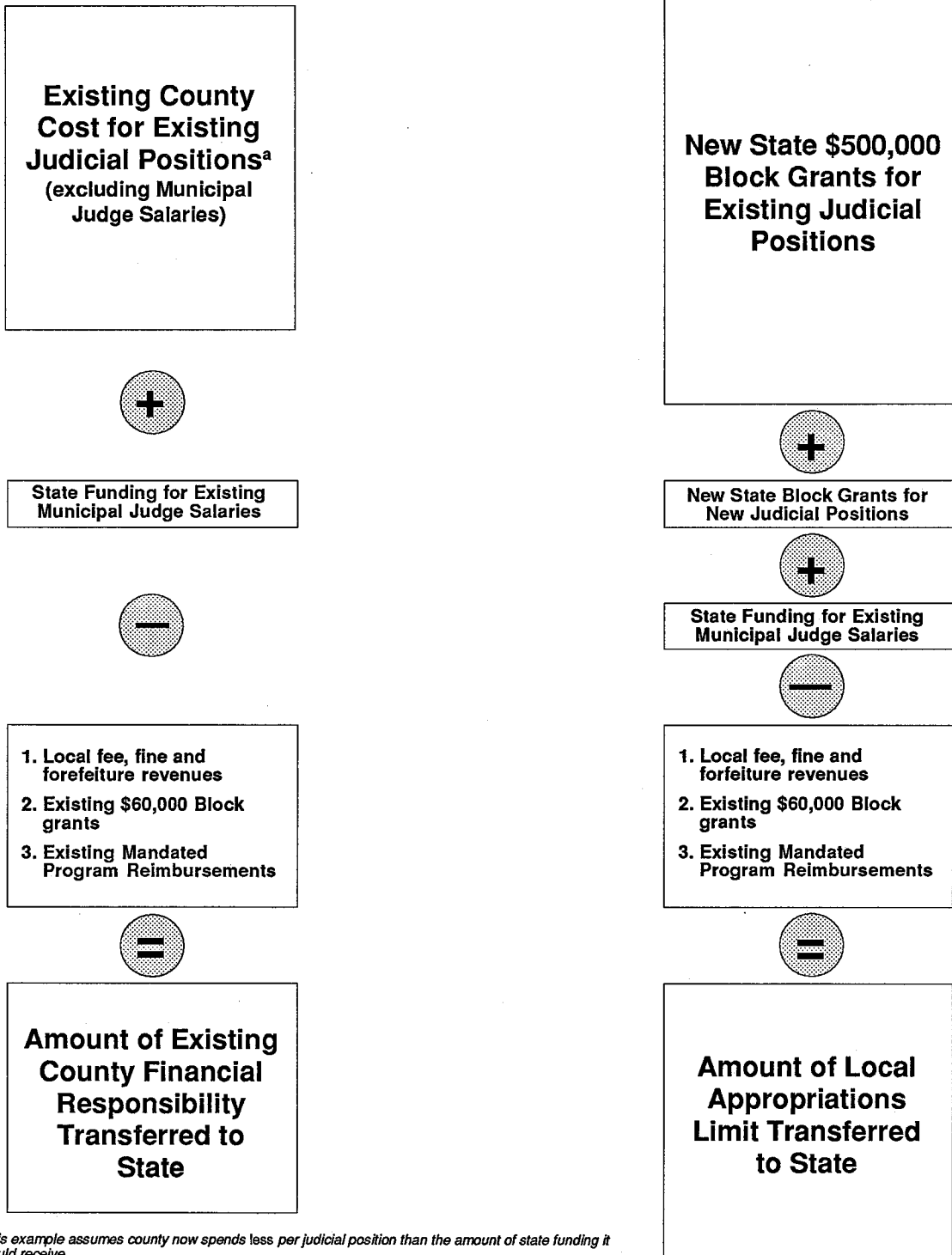
Provisions of Chapter 1211. As noted earlier, Chapter 1211 allows counties to choose whether or not to participate in the state funding of trial courts. However, the bill provides that, if a county chooses to participate, its decision to participate constitutes its agreement to transfer a specific amount of its appropriations limit to the state, with the amount of the transfer to be determined by a specific formula contained in the bill. As stated in Section 77206 of the Government Code:

"A decision by an option county to opt into the system constitutes an agreement by the county that the appropriations limit of the state shall be increased and the appropriations limit of the county shall be decreased, during the period of participation, to reflect the transfer to the state of financial responsibility for court services funded by the

proceeds of taxes. The change in the appropriations limits shall be determined by the Controller for the county's initial year of participation by the amount that the reimbursement under this chapter that is an appropriation subject to limitation exceeds the reimbursement that would have been provided to the county by the state from appropriations subject to limitation if this chapter was not applied to the county. If the option county ceases to participate, the appropriations limits of the state and the county shall revert to the amounts that would have been applicable if no adjustment had been made under this section."

As graphically illustrated in Chart 9, the amount of the financial responsibility transferred from the county to the state may be less than the amount of the appropriations limit the county must transfer to the state. In the first column of this chart, we show how much of the county's existing financial responsibility is transferred to the state. The first box represents the county's existing gross cost for the support of court operations, assuming for purposes of this illustration that this county now expends less per judicial position than it would receive in the form of the new state block grant funding. This amount also excludes the amount of the new state contribution for the existing municipal judges' salaries, as this amount is represented in the second box of this column. In the third box, we subtract the amount of the county's non-tax proceeds - the fee, fine and forfeiture revenue - and the amount of mandate reimbursements and \$60,000 block grant subventions. The fourth box represents the amount of county tax proceeds now devoted to funding the county's existing costs for trial court operations, which is also the amount of financial responsibility the county now has for this program.

Chart 9
Chapter 1211 Appropriations Limit Transfer Mechanism
vs.
Amount of County Financial Responsibility Actually Transferred to State



^a This example assumes county now spends less per judicial position than the amount of state funding it would receive.

In the second column of Chart 9, we illustrate how Chapter 1211's provisions lead to the determination of the appropriations limit transfer amount. Instead of beginning with the county's gross costs, here we begin with the total amount of the new state block grants provided to the county for the existing number of judges. The second box adds in the new state block grants for the newly authorized judges. Although not explicitly covered by the language of Chapter 1211, the next box adds in the amount of the new state salary participation for the existing municipal court judges (please see discussion of this issue which follows). In the fourth box, we subtract the amount of county nontax proceeds, mandate reimbursements and existing \$60,000 block grant reimbursements, as we did in the case of the first column of the chart. The final box represents the amount of the county's appropriations limit which must be transferred to the state.

Thus, as Chart 9 demonstrates, Chapter 1211 essentially requires that each county give up an amount of its appropriations limit sufficient to cover the increased state *block grant* costs for both the existing judges in the county and the new judges authorized by Chapter 1211. As a result, a county may be required to relinquish an amount of its appropriations limit which exceeds the amount of its appropriations limit presently committed to financing its share of existing trial court operations. This may occur for two reasons. First, an option county may not presently be expending for trial court operations as much as would be provided by the block grants for these operations, as we assumed for purposes of Chart 9. Thus, its appropriations limit would be reduced by an amount greater than the amount of its tax proceeds which are presently used for support of the trial courts. Second, the option county may be required to give up an amount of its appropriations limit equal to the amount of state block grant funds provided for the newly authorized judgeships within the county. Because no county funds are presently used to support these

judgeships, this requirement could result in a county giving up a portion of its appropriations limit which is currently used to support other county functions. The Constitution provides that mutual agreement shall be the basis for determining the amount of the appropriations limit to be transferred. By opting into the Trial Court Funding Program, participating counties would be required to agree with Chapter 1211's appropriations limit transfer requirements.

Judges' Salaries. As noted earlier, Chapter 1211's language does not consider the transfer of financial responsibility which results from the state's assumption of a share of municipal court judges' salaries, because it references the amount of "reimbursement under this chapter," and the funding of municipal court judges salaries is accomplished in another chapter of the Government Code added by the original chaptered legislation - Ch 1287/85. It would appear that an additional adjustment of appropriations limits would be required to reflect the state's assumption of costs for the *existing* number of municipal court judges. The costs of extending state salary participation to the new municipal and superior court judges does not appear to require an appropriations limit adjustment, since these positions are not now being funded by the counties.

Technical Issue: Should the law be amended to require the State Controller to determine the amount of the appropriations limit adjustment required in each county for the state assumption of municipal court judges' salaries?

As noted earlier, the State Controller is required to determine the amount of the appropriations limit adjustment required in each of the option counties to recognize the provision of state funding for the block grant program. In order to reduce the potential for confusion, *we recommend that the Controller be directed to expand this determination to include the transfer resulting from the state funding of municipal court judges' salaries.*

Effect on State Finances/Appropriations Limit

As noted above, the language of Chapter 1211 requires that an amount of county government appropriations limit equal to the state's net increased cost for the new block grants be shifted to the state. This provision ensures that the state will have sufficient appropriations authority to make the *block grant* payments without forcing a reduction in other state programs. However, forced expenditure reductions could still result in other programs, because (1) the state may not receive sufficient General Fund revenue growth to fund all other programs and the increased cost of the Trial Court Funding Act, and (2) no increased appropriations authority is available to cover the increased cost of the new judges' salary payments and the Trial Court Improvement Fund.

General Fund Revenue Growth. Although Chapter 1211 provides sufficient appropriations authority for the state to make the block grant payments, it does not ensure that state General Fund revenues will be sufficient to fund these costs. If it is assumed that, for the 1988-89 fiscal year, General Fund revenues in the absence of the Trial Court Funding Act would be fully appropriated in compliance

with the appropriations limit, then there would be no "excess" revenues available for rebates to taxpayers or for other exempt purposes. Under these conditions, the extra appropriations authority provided by Chapter 1211 would be of no use, as no excess revenue could be absorbed within the additional authority. In addition, funding for the block grants would have to come at the expense of appropriations for other purposes. Alternatively, if state revenues in the absence of Chapter 1211 were healthy enough to result in excess revenues equal to or greater than the amount of additional appropriations authority added by Chapter 1211, then no reductions in other programs would be required in order to fund the new block grant program.

Judges' Salaries/Trial Court Improvement Fund. As noted earlier, the state's costs for extending state salary participation to the new superior and municipal court judges and for contributions to the Trial Court Improvement Fund must be absorbed within the existing state appropriations limit. These costs would amount to approximately \$29 million per year.

Effect on County Government Finances/Appropriations Limits

Because county government appropriations limits are adjusted downwards while, in most counties, tax proceeds remain at the same level, the Trial Court Funding Act could result in some counties exceeding their appropriations limits. Under these circumstances, counties may find it necessary to seek voter approval to exceed their appropriations limits to receive the full benefit of the Trial

Court Funding Program, or they may simply choose not to participate.

Information developed by the County Supervisors Association of California (CSAC) indicates that a number of counties are nearing or exceeding their appropriations limit during the 1987-88 fiscal year. This trend is expected to continue. To the extent that a

county is already at its appropriations limit, a decision to participate in the Trial Court Funding Act will automatically cause it to exceed its limit. This is because the county's appropriations limit will be reduced for the transfer of financial responsibility, but the amount of the county's tax proceeds which are subject to its limit will be unchanged. Thus, the county would be over its limit by the amount that its appropriations limit is reduced. A county not yet at its appropria-

tions limit also could exceed its limit, to the extent that the reduction in its appropriations limit exceeds the amount by which it previously was under its limit. Counties which must transfer property tax revenues to no- and low-property tax cities, on the other hand, would find that their "proceeds of taxes" also are reduced by the measure, so that they would not necessarily find that their limits would be exceeded automatically. ♦

Appendix

Appendix A
Fiscal Effect of No- and Low- Property Tax City Provisions
on Cities^a and Counties^b

City	0.1% of the 1987-88 A.V. ^c	1987-88 Prop Tax Share ^d	1988-89 Net Revenue Transfer	1989-90 Net Revenue Transfer	1990-91 Net Revenue Transfer	1991-92 Net Revenue Transfer	1992-93 Net Revenue Transfer	1993-94 Net Revenue Transfer	1994-95 Net Revenue Transfer	1995-96 Net Revenue Transfer	1996-97 Net Revenue Transfer	1997-98 Net Revenue Transfer
Alameda County			\$163,722	\$180,094	\$198,104	\$217,914	\$239,706	\$263,676	\$283,689	\$219,643	\$158,497	\$100,541
Dublin	\$930,507	\$645,000	0	0	0	0	0	0	6,355	99,406	192,456	285,507
Contra Costa County			(91,086)	(365,379)	(638,681)	(910,893)	(1,181,907)	(1,514,446)	(2,279,889)	(3,208,624)	(4,156,366)	(5,113,763)
Clayton	225,287	213,701	0	0	0	0	0	0	0	0	0	11,586
Danville	1,888,618	1,188,431	0	0	0	0	0	0	133,602	322,463	511,325	700,187
Hercules	617,269	452,850	0	0	0	0	0	0	0	40,965	102,692	164,419
Lafayette*	1,388,874	45,137	25,435	157,492	288,864	419,486	549,281	678,166	806,051	932,836	1,058,412	1,182,655
Moraga	883,347	578,713	0	0	0	0	0	0	39,630	127,965	216,299	304,634
Orinda	1,136,432	627,282	0	0	0	0	0	54,577	168,220	281,864	395,507	509,150
Pleasant Hill*	1,453,098	48,926	(6,578)	128,436	262,419	395,271	526,877	657,112	785,840	912,909	1,038,155	1,161,394
San Pablo	474,850	304,866	0	0	0	0	0	0	27,529	75,014	122,499	169,984
San Ramon	1,827,946	1,088,502	0	0	0	0	0	8,266	191,060	373,855	556,649	739,444
Del Norte County			2,623	2,885	3,174	3,491	3,840	4,224	4,647	5,111	5,622	(1,320)
Crescent City	107,130	99,625	0	0	0	0	0	0	0	0	0	7,505
Humboldt County			15,319	16,851	18,536	20,390	22,429	24,671	27,139	15,800	(4,827)	(26,723)
Fortuna	209,176	153,288	0	0	0	0	0	0	0	14,053	34,970	55,888
Rio Dell	42,621	35,665	0	0	0	0	0	0	0	0	2,694	6,956
Kern County			66,913	73,604	78,410	77,990	78,380	79,661	81,921	85,259	89,782	95,609
Arvin	85,162	22,994	0	0	2,555	11,071	19,587	28,103	36,619	45,136	53,652	62,168
Los Angeles County			(1,636,942)	(4,328,010)	(7,362,602)	(10,898,845)	(14,499,635)	(18,801,848)	(23,639,023)	(28,651,362)	(33,847,215)	(39,367,461)
Agoura Hills	1,303,904	863,240	0	0	0	0	0	0	49,493	179,883	310,274	440,664
Artesia*	422,113	0	(23,848)	11,758	46,703	80,921	114,340	146,880	178,452	208,960	238,299	266,350
Bell	486,501	234,947	0	0	0	0	8,304	56,954	105,604	154,254	202,904	251,554
Bell Gardens	461,732	358,515	0	0	0	0	0	0	0	10,871	57,044	103,217
Bellflower*	1,335,185	0	(67,381)	46,049	157,469	266,678	373,458	477,562	578,726	676,654	771,023	861,477
Bradbury	72,344	58,169	0	0	0	0	0	0	0	0	6,941	14,175
Carson*	4,584,898	0	145,271	572,439	996,474	1,417,065	1,833,865	2,246,497	2,654,543	3,057,543	3,454,996	3,846,345
Cerritos*	2,411,445	0	62,335	285,598	507,074	726,582	943,927	1,158,891	1,371,239	1,580,706	1,787,006	1,989,820
Commerce*	1,932,668	0	140,200	328,160	515,589	702,434	888,638	1,074,136	1,258,856	1,442,721	1,625,647	1,807,538
Cudahy*	214,252	0	(52,932)	(38,943)	(25,697)	(13,269)	(1,741)	8,798	18,247	26,500	33,435	38,921
Culver City	2,624,671	1,617,691	0	0	0	0	0	0	219,579	482,046	744,513	1,006,980

Appendix A
Fiscal Effect of No- and Low-Property Tax City Provisions
on Cities^a and Counties^b
(continued)

City	0.1% of the 1987-88 A.V. ^c	1987-88 Prop Tax Share ^d	1988-89 Net Revenue Transfer	1989-90 Net Revenue Transfer	1990-91 Net Revenue Transfer	1991-92 Net Revenue Transfer	1992-93 Net Revenue Transfer	1993-94 Net Revenue Transfer	1994-95 Net Revenue Transfer	1995-96 Net Revenue Transfer	1996-97 Net Revenue Transfer	1997-98 Net Revenue Transfer
Duarte	\$583,290	\$313,694	0	0	0	0	0	\$36,280	\$94,609	\$152,938	\$211,267	\$269,596
El Segundo	4,740,111	2,527,460	0	0	0	0	0	316,607	790,618	1,264,629	1,738,640	2,212,651
Hawaiian Gardens	218,766	29,552	0	\$14,201	\$36,078	\$57,954	\$79,831	101,708	123,584	145,461	167,337	189,214
Hidden Hills	198,781	101,318	0	0	0	0	0	17,951	37,829	57,707	77,585	97,463
Industry	2,234,604	660,643	0	0	9,738	233,199	456,659	680,119	903,580	1,127,040	1,350,501	1,573,961
Irwindale	715,235	151,801	0	0	62,770	134,293	205,817	277,340	348,864	420,387	491,911	563,434
La Canada Flintridge*	1,139,395	0	\$41,818	148,545	254,552	359,764	464,105	567,485	669,809	770,972	870,857	969,336
La Mirada*	1,514,263	0	(15,856)	118,843	251,868	383,053	512,214	639,149	763,634	885,425	1,004,253	1,119,821
La Puente*	576,707	0	(81,465)	(37,709)	4,657	45,493	84,645	121,944	157,207	190,229	220,785	248,631
Lakewood	2,212,900	676,554	0	0	0	208,606	429,896	651,186	872,476	1,093,766	1,315,056	1,536,346
Lancaster*	2,159,573	0	21,214	217,698	412,233	604,626	794,664	982,109	1,166,702	1,348,159	1,526,167	1,700,379
Lawndale*	653,077	0	(22,215)	34,340	90,021	144,738	198,397	250,890	302,102	351,905	400,157	446,703
Lomita*	597,647	0	(9,721)	43,095	95,216	146,573	197,090	246,680	295,254	342,710	388,933	433,803
Montebello	1,716,039	1,619,624	0	0	0	0	0	0	0	0	0	96,415
Norwalk*	1,935,457	0	(139,716)	20,503	177,391	330,612	479,801	624,553	764,427	898,934	1,027,535	1,149,644
Palmdale*	1,633,530	0	115,733	274,324	432,439	590,030	747,044	903,425	1,059,109	1,214,026	1,368,099	1,521,244
Paramount*	1,004,942	0	(41,909)	44,345	129,176	212,439	293,979	373,624	451,184	526,451	599,195	669,164
Pico Rivera*	1,753,512	0	(35,913)	118,312	270,425	420,213	567,445	711,865	853,190	991,117	1,125,298	1,255,363
Rancho Palo Verdes	2,649,502	546,260	0	0	248,591	513,541	778,491	1,043,441	1,308,391	1,573,342	1,838,292	2,103,242
Rolling Hills	299,165	150,668	0	0	0	0	0	28,831	58,748	88,664	118,581	148,497
Rolling Hills Estates*	782,852	0	51,444	127,045	202,378	277,415	352,128	426,483	500,445	573,976	647,031	719,562
Rosemead*	1,181,242	0	(55,944)	44,773	143,750	240,812	335,767	428,406	518,496	605,784	689,987	770,798
San Dimas	1,223,249	1,077,836	0	0	0	0	0	0	0	0	23,088	145,413
Santa Fe Springs	2,317,733	1,101,595	0	0	0	0	57,272	289,045	520,818	752,591	984,365	1,216,138
Signal Hill	698,763	20,029	49,847	119,724	189,600	259,476	329,353	399,229	469,105	538,981	608,858	678,734
South El Monte*	560,631	0	(15,844)	33,029	81,182	128,544	175,038	220,573	265,055	308,379	350,430	391,079
South Gate	1,588,420	851,063	0	0	0	0	0	101,989	260,831	419,673	578,515	737,357
Temple City*	809,731	0	(19,254)	51,697	121,645	190,491	258,124	324,423	389,254	452,472	513,913	573,402
Vernon	1,684,037	1,317,083	0	0	0	0	0	0	0	30,147	198,550	366,954
Walnut	927,576	252,190	0	0	26,083	118,840	211,598	304,356	397,113	489,871	582,628	675,386
Westlake Village	717,746	459,260	0	0	0	0	0	0	43,162	114,937	186,711	258,486
Whittier	2,428,418	2,277,886	0	0	0	0	0	0	0	0	0	150,532
Marin County			30,692	33,761	37,137	40,851	44,936	49,430	54,373	58,780	(13,154)	(84,490)
Tiburon	779,149	622,289	0	0	0	0	0	0	0	1,030	78,945	156,860

Appendix A
Fiscal Effect of No- and Low-Property Tax City Provisions
on Cities^a and Counties^b
(continued)

City	0.1% of the 1987-88 A.V. ^c	1987-88 Prop Tax Share ^d	1988-89 Net Revenue Transfer	1989-90 Net Revenue Transfer	1990-91 Net Revenue Transfer	1991-92 Net Revenue Transfer	1992-93 Net Revenue Transfer	1993-94 Net Revenue Transfer	1994-95 Net Revenue Transfer	1995-96 Net Revenue Transfer	1996-97 Net Revenue Transfer	1997-98 Net Revenue Transfer
Mendocino County			\$10,073	\$11,081	\$12,189	\$13,408	\$14,748	\$16,223	\$17,846	\$11,818	(\$8,501)	(\$28,625)
Fort Bragg	\$222,827	\$170,450	0	0	0	0	0	0	0	7,812	30,094	52,377
Orange County			295,808	325,389	357,928	353,752	(682,840)	(1,715,495)	(2,743,819)	(3,767,379)	(4,785,698)	(5,978,868)
Irvine	10,759,641	4,263,887	0	0	0	39,969	1,115,934	2,191,898	3,267,862	4,343,826	5,419,790	6,495,754
Westminster	2,357,652	2,251,096	0	0	0	0	0	0	0	0	0	106,556
Yorba Linda	2,142,321	2,068,262	0	0	0	0	0	0	0	0	0	74,059
Riverside County			91,948	(274,419)	(775,674)	(1,298,660)	(2,011,897)	(2,833,854)	(3,661,890)	(4,572,733)	(5,497,476)	(6,450,436)
Cathedral City	925,597	640,090	0	0	0	0	0	0	7,828	100,388	192,947	285,507
Indian Wells	1,012,867	73,730	27,557	128,843	230,130	331,417	432,704	533,990	635,277	736,564	837,850	939,137
La Quinta	732,150	269,815	0	0	0	23,045	96,260	169,475	242,690	315,905	389,120	462,335
Lake Elsinore	465,635	403,055	0	0	0	0	0	0	0	0	16,017	62,580
Moreno Valley	2,518,383	1,117,665	0	0	0	0	141,527	393,365	645,203	897,041	1,148,880	1,400,718
Palm Desert*	2,326,207	354,713	(61,277)	43,124	269,004	494,211	718,676	942,324	1,165,077	1,386,842	1,607,521	1,827,007
Rancho Mirage*	1,804,936	194,485	(44,824)	117,196	292,759	467,828	642,356	816,288	989,562	1,162,115	1,333,873	1,504,759
San Bernardino County			73,912	73	(72,192)	(388,074)	(864,314)	(1,338,459)	(1,810,299)	(2,279,604)	(2,746,121)	(3,209,570)
Adelanto	313,062	104,720	0	0	0	20,505	51,811	83,117	114,423	145,730	177,036	208,342
Rancho Cucamonga	3,763,042	1,280,373	0	0	0	224,844	601,148	977,452	1,353,756	1,730,061	2,106,365	2,482,669
Victorville*	895,788	6,093	23,496	107,078	190,057	272,377	353,971	434,768	514,685	593,636	671,525	748,245
San Diego County			302,160	332,376	365,613	402,175	301,437	49,038	(403,581)	(942,078)	(1,506,247)	(2,064,527)
Encinitas	2,532,231	1,465,000	0	0	0	0	0	54,339	307,562	560,785	814,008	1,067,231
Poway	1,573,107	645,599	0	0	0	0	140,955	298,266	455,576	612,887	770,198	927,508
San Marcos	1,217,694	883,411	0	0	0	0	0	0	0	90,745	212,514	334,283
Solana Beach	907,482	459,500	0	0	0	0	0	84,989	175,737	266,486	357,234	447,982
San Mateo County			(122,645)	(330,120)	(538,180)	(745,326)	(985,199)	(1,294,250)	(1,613,453)	(1,962,215)	(2,434,140)	(2,909,167)
Belmont	1,293,615	1,039,617	0	0	0	0	0	0	0	0	0	253,998
Colma*	113,532	12,771	0	3,390	14,090	24,723	35,284	45,766	56,160	66,460	76,654	86,731
Foster City*	2,058,612	0	147,727	347,775	547,242	746,069	944,192	1,141,542	1,338,040	1,533,603	1,728,136	1,921,535
Half Moon Bay	412,649	278,488	0	0	0	0	0	0	10,366	51,631	92,896	134,161
Portola Valley	427,920	180,225	0	0	0	0	33,735	76,527	119,319	162,111	204,903	247,695
Woodside	622,330	312,170	0	0	0	0	0	61,228	123,461	185,694	247,927	310,160

Appendix A
Fiscal Effect of No- and Low-Property Tax City Provisions
on Cities^a and Counties^b
(continued)

City	0.1% of the 1987-88 A.V. ^c	1987-88 Prop Tax Share ^d	1988-89 Net Revenue Transfer	1989-90 Net Revenue Transfer	1990-91 Net Revenue Transfer	1991-92 Net Revenue Transfer	1992-93 Net Revenue Transfer	1993-94 Net Revenue Transfer	1994-95 Net Revenue Transfer	1995-96 Net Revenue Transfer	1996-97 Net Revenue Transfer	1997-98 Net Revenue Transfer
Santa Clara County			\$187,076	\$180,825	(\$111,739)	(\$522,920)	(\$1,071,671)	(\$1,629,841)	(\$2,185,231)	(\$2,737,563)	(\$3,286,532)	(\$3,831,802)
Cupertino	\$2,972,244	\$603,461	0	0	288,212	585,436	882,661	1,179,885	1,477,109	1,774,334	2,071,558	2,368,783
Los Altos Hills	744,730	309,838	0	0	0	0	62,527	137,000	211,473	285,946	360,419	434,892
Monte Sereno	252,364	22,456	2,780	28,017	53,253	78,490	103,726	128,962	154,199	179,435	204,672	229,908
Saratoga	1,890,329	644,439	0	0	0	111,693	300,726	489,758	678,791	867,824	1,056,857	1,245,890
Santa Cruz County			29,721	32,693	35,963	39,559	43,515	47,866	(9,891)	(105,940)	(201,462)	(296,404)
Capitola	447,192	305,298	0	0	0	0	0	0	7,736	52,456	97,175	141,894
Scotts Valley	565,946	341,355	0	0	0	0	0	0	54,807	111,402	167,996	224,591
Ventura County			(164,988)	(792,693)	(1,968,415)	(3,148,944)	(4,328,462)	(5,506,869)	(6,723,828)	(7,987,962)	(9,250,616)	(10,511,643)
Camarillo*	2,567,026	61,343	86,773	332,617	577,375	820,938	1,063,189	1,303,993	1,543,207	1,780,674	2,016,215	2,249,642
Moorpark	882,948	578,288	0	0	0	0	0	0	39,776	128,070	216,365	304,660
Simi Valley*	3,793,534	326,212	(169,197)	187,924	542,820	895,271	1,245,031	1,591,831	1,935,378	2,275,342	2,611,369	2,943,062
Thousand Oaks*	5,545,777	1,114,880	(223,715)	(246,087)	278,158	805,666	1,330,467	1,852,290	2,370,839	2,885,784	3,396,765	3,903,388
VLF Gains to Other Counties			\$897,596	\$987,355	\$1,086,091	\$1,194,700	\$1,314,170	\$1,445,587	\$1,590,145	\$1,749,160	\$1,924,076	\$2,116,484
County Total	\$128,977,730	\$44,252,631	\$151,902	(\$3,913,632)	(\$9,274,339)	(\$15,549,433)	(\$23,562,764)	(\$32,654,684)	(\$43,011,145)	(\$54,069,890)	(\$65,560,377)	(\$77,562,167)

* Indicates that the city will lose its No- Property- Tax City VLF subvention.

^a City totals reflect elimination of No- Property- Tax City VLF subventions (estimated growth at 10% per year).

^b County totals include each county's share of the eliminated No- Property- Tax city VLF subventions (estimated growth at 10% per year).

^c Assessed Valuation inclusive of Redevelopment Agency increment and homeowners' exemption.

^d Property Tax shares are estimated as of October 15, 1987.

Appendix B
Trial Court Funding Program
Fiscal Effect by County, 1988-89

County	Increased State Funds to Counties					Transfers	County Revenue Loss			Net Fiscal Effect	
	Block Grants	Increase for Judges Salaries and Benefits	Mandates (subtract)	Block Grants (subtract)	Total Increase	VLF Subvention	Property Tax Transfer	Revenue Recapture (5% growth)	Revenue Recapture (10% growth)	Slow Court Revenue Growth	Moderate Court Revenue Growth
Alameda	\$40,738,842	\$2,240,997	\$455,109	\$540,000	\$41,984,730	\$163,722	0	\$21,471,250	\$23,564,819	\$20,677,202	\$18,583,633
Alpine	573,548	0	300	0	573,248	162	0	54,218	59,504	519,192	513,905
Amador	882,833	0	5,100	0	877,733	3,257	0	260,894	286,333	620,095	594,656
Butte	4,149,900	279,636	51,200	120,000	4,258,336	22,574	0	1,258,213	1,380,896	3,022,697	2,900,014
Calaveras	985,928	0	7,600	0	978,328	3,884	0	237,869	261,062	744,342	721,149
Colusa	882,833	0	3,200	0	879,633	2,016	0	492,099	540,081	389,550	341,567
Contra Costa	19,596,752	1,102,604	290,009	240,000	20,169,347	99,048	\$190,134	9,427,988	10,347,270	10,650,273	9,730,990
Del Norte	985,928	0	34,500	0	951,428	2,623	0	315,242	345,980	638,808	608,070
El Dorado	3,318,615	0	23,300	60,000	3,235,315	14,834	0	1,999,573	2,194,543	1,250,575	1,055,605
Fresno	19,431,886	679,090	361,579	540,000	19,209,397	79,333	0	9,174,583	10,069,157	10,114,147	9,219,573
Glenn	934,380	0	4,900	0	929,480	3,081	0	538,753	591,285	393,808	341,277
Humboldt	3,395,936	139,818	41,052	0	3,494,702	15,319	0	1,542,730	1,693,155	1,967,291	1,816,866
Imperial	3,627,900	279,636	22,900	60,000	3,824,636	14,523	0	2,034,803	2,233,207	1,804,357	1,605,952
Inyo	882,833	0	3,800	0	879,033	2,421	0	651,066	714,549	230,387	166,905
Kern	17,775,841	746,999	117,400	360,000	18,045,440	66,913	0	9,673,546	10,616,771	8,438,807	7,495,582
Kings	2,700,045	149,848	21,613	60,000	2,768,280	11,557	0	1,143,926	1,255,466	1,635,910	1,524,371
Lake	1,920,308	0	10,700	60,000	1,849,608	6,743	0	656,199	720,182	1,200,151	1,136,168
Lassen	882,833	0	5,400	0	877,433	3,425	0	285,738	313,599	595,119	567,258
Los Angeles	279,345,504	13,667,765	4,236,344	3,180,000	285,596,925	1,133,218	2,770,159	107,177,992	117,628,454	176,781,991	166,331,529
Madera	3,318,615	79,939	16,900	60,000	3,321,654	10,694	0	927,111	1,017,510	2,405,237	2,314,838
Marin	6,183,526	271,636	48,400	60,000	6,346,762	30,692	0	6,015,687	6,602,250	361,767	(224,796)
Mariposa	676,643	0	2,900	0	673,743	1,868	0	152,347	167,201	523,263	508,409
Mendocino	2,854,688	79,939	18,600	0	2,916,027	10,073	0	953,291	1,046,242	1,972,809	1,879,858
Merced	4,102,051	209,727	37,046	0	4,274,732	22,439	0	3,081,277	3,381,719	1,215,894	915,452
Modoc	676,643	0	2,000	0	674,643	1,257	0	138,939	152,487	536,961	523,413
Mono	779,738	0	2,000	0	777,738	1,251	0	257,999	283,156	520,989	495,833
Monterey	9,825,563	675,783	72,500	180,000	10,248,846	46,011	0	6,048,801	6,638,594	4,246,056	3,656,263
Napa	3,112,425	209,727	22,400	60,000	3,239,752	14,186	0	1,782,213	1,955,989	1,471,725	1,297,949
Nevada	2,596,950	79,939	18,962	60,000	2,597,927	9,763	0	1,347,886	1,479,312	1,259,805	1,128,378
Orange	63,069,566	3,571,419	955,162	1,380,000	64,305,823	295,808	0	42,819,323	46,994,449	21,782,309	17,607,182
Placer	3,943,710	209,727	71,500	120,000	3,961,937	19,540	0	2,478,934	2,720,644	1,502,543	1,260,833
Plumas	831,285	0	4,200	0	827,085	2,636	0	216,897	238,046	612,824	591,676
Riverside	27,388,689	1,635,954	413,798	600,000	28,010,845	119,505	27,557	13,284,386	14,579,689	14,818,407	13,523,104
Sacramento	27,460,464	1,382,271	555,030	840,000	27,447,705	125,236	0	16,622,256	18,243,020	10,950,685	9,329,921
San Benito	1,166,344	0	6,900	0	1,159,444	4,369	0	279,859	307,146	883,954	856,667

**Appendix B
Trial Court Funding Program
Fiscal Effect by County, 1988-89
(continued)**

County	Increased State Funds to Counties					Transfers	County Revenue Loss			Net Fiscal Effect	
	Block Grants	Increase for Judges Salaries and Benefits	Mandates (subtract)	Block Grants (subtract)	Total Increase	VLF Subvention	Property Tax Transfer	Revenue Recapture (5% growth)	Revenue Recapture (10% growth)	Slow Court Revenue Growth	Moderate Court Revenue Growth
San Bernardino	\$31,971,631	\$1,980,223	\$522,541	\$480,000	\$32,949,313	\$157,398	\$83,486	\$16,905,054	\$18,553,392	\$16,118,171	\$14,469,833
San Diego	69,929,515	4,776,885	677,835	1,740,000	72,288,565	302,160	0	29,372,695	32,236,699	43,218,030	40,354,026
San Francisco	32,021,439	1,358,180	440,400	180,000	32,759,219	100,154	0	6,925,055	7,600,287	25,934,318	25,259,085
San Joaquin	13,466,513	963,479	94,812	180,000	14,155,180	58,754	0	5,882,025	6,455,556	8,331,910	7,758,379
San Luis Obispo	5,696,325	429,484	42,200	60,000	6,023,609	26,727	0	2,952,460	3,240,341	3,097,877	2,809,995
San Mateo	16,015,614	687,120	168,449	180,000	16,354,285	83,216	205,861	12,198,604	13,388,037	4,033,037	2,843,604
Santa Barbara	10,024,141	475,363	119,438	0	10,380,066	46,092	0	5,177,544	5,682,384	5,248,614	4,743,774
Santa Clara	43,497,827	3,113,056	634,417	600,000	45,376,466	189,856	2,780	17,830,478	19,569,050	27,733,064	25,994,491
Santa Cruz	5,682,188	428,177	46,800	60,000	6,003,565	29,721	0	3,457,936	3,795,105	2,575,350	2,238,182
Shasta	3,273,593	69,909	38,371	120,000	3,185,131	18,043	0	2,202,374	2,417,118	1,000,800	786,056
Sierra	599,321	0	800	0	598,521	468	0	71,741	78,736	527,248	520,253
Siskiyou	1,295,213	0	9,000	0	1,286,213	5,704	0	969,105	1,063,598	322,811	228,318
Solano	7,834,459	475,363	70,803	180,000	8,059,019	39,282	0	4,294,795	4,713,562	3,803,506	3,384,739
Sonoma	9,289,426	407,454	97,042	300,000	9,299,838	47,076	0	6,053,174	6,643,392	3,293,741	2,703,522
Stanislaus	9,812,513	539,965	137,581	180,000	10,034,897	43,233	0	3,093,908	3,395,582	6,984,222	6,682,548
Sutter	2,596,950	218,450	12,500	0	2,802,900	8,024	0	580,892	637,532	2,230,032	2,173,392
Tehama	1,920,308	0	9,600	60,000	1,850,708	6,075	0	1,187,057	1,302,802	669,725	553,980
Trinity	676,643	0	2,900	0	673,743	1,827	0	165,515	181,654	510,055	493,916
Tulare	8,699,130	468,748	62,494	180,000	8,925,384	38,824	0	2,735,755	3,002,506	6,228,453	5,961,701
Tuolumne	1,714,118	79,939	9,100	0	1,784,957	5,792	0	602,427	661,167	1,188,321	1,129,581
Ventura	14,015,700	811,601	280,873	360,000	14,186,428	83,513	248,501	7,883,896	8,652,620	6,137,544	5,368,820
Yolo	4,644,713	359,575	28,400	60,000	4,915,888	17,059	0	1,822,969	2,000,719	3,109,977	2,932,227
Yuba	2,596,950	139,818	12,068	60,000	2,664,700	7,403	0	429,272	471,128	2,242,832	2,200,975
Subtotal	\$858,273,767	\$45,475,243	\$11,462,728	\$13,560,000	\$878,726,282	\$3,680,381	\$3,528,479	\$397,598,617	\$436,366,736	\$481,279,567	\$442,511,448
Trial Court Improvement Fund					\$20,000,000					\$20,000,000	\$20,000,000
Total					\$898,726,282					\$501,279,567	\$462,511,448