

May 7, 2014

# Trial Court Operations Funding

---

LEGISLATIVE ANALYST'S OFFICE

Presented to:  
Assembly Budget Subcommittee No. 5 on Public Safety  
Hon. Reginald B. Jones-Sawyer, Sr., Chair





## Prior-Year Budget Actions

---

- Since 2008-09, the trial courts have received a series of ongoing General Fund reductions. By 2012-13, these reductions totaled \$724 million. However, the 2013-14 budget provided a \$60 million General Fund augmentation to the trial courts, which reduced the total ongoing General Fund reductions to \$664 million.
  
- Most of these reductions were offset by using revenues from special fund transfers, increased fines and fees, and trial court reserves. Despite these offsets, trial courts still had to absorb \$215 million in General Fund reductions in 2013-14.
  
- Trial courts have taken various operational actions to accommodate these reductions. While the impacts of these actions vary across courts, some of the actions have resulted in reduced access to court services, longer wait times for court services and hearings, and courts being unable to complete workload in a timely manner.



# Governor’s Budget Proposal

<b>Proposed Augmentation Reduces Ongoing Reduction to Trial Courts</b>							
<i>(In Millions)</i>							
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (Estimated)	2014-15 (Budgeted)
<b>General Fund Reduction</b>							
One-time Reduction	-\$92	-\$100	-\$30	—	-\$418	—	—
Ongoing Reductions (cumulative)	—	-261	-286	-606	-724	-664	-\$564
<b>Total Reductions</b>	<b>-\$92</b>	<b>-\$361</b>	<b>-\$316</b>	<b>-\$606</b>	<b>-\$1142</b>	<b>-\$664</b>	<b>-\$564</b>
<b>Solutions to Address Reduction</b>							
Construction Fund Transfers	—	\$25	\$98	\$213	\$299	\$55	\$55
Other Special Fund Transfers	—	\$110	62	89	102	52	52
Trial Court Reserves	—	—	—	—	385	200	—
Increased Fines and Fees	—	18	66	71	121	121	121
Statewide Programmatic Changes	—	18	14	19	21	21	21
<b>Total Solutions</b>	<b>—</b>	<b>\$171</b>	<b>\$240</b>	<b>\$392</b>	<b>\$928</b>	<b>\$449</b>	<b>\$249</b>
<b>Reductions Allocated to the Trial Courts<sup>a</sup></b>	<b>-\$92</b>	<b>-\$190</b>	<b>-\$76</b>	<b>-\$214</b>	<b>-\$214</b>	<b>-\$215</b>	<b>-\$315</b>

<sup>a</sup> Addressed using various actions taken by individual trial courts, such as the implementation of furlough days and reduced clerk hours, as well as use of reserves (separate from those mandated by budget language or Judicial Council).

- The Governor’s budget for 2014-15 proposes an ongoing General Fund augmentation of \$100 million to support trial court operations. As shown in the above figure, this would reduce ongoing General Fund reductions to the trial courts to \$564 million.
  
- The budget assumes that \$249 million in resources will be available to offset a portion of these reductions. This leaves \$315 million in reductions that will have to be absorbed by the trial courts in 2014-15, a net increase of \$100 million over the amount already assumed to be absorbed in 2013-14.
  
- The budget also requires that the additional funding be allocated based on the Workload Allocation Funding Methodology (WAFM). However, trial courts would have flexibility in spending these funds.



## Implementation of New Funding Allocation Methodology

---

- ☑ **Old “Pro Rata” Funding Methodology.** Prior to 2013-14, funds appropriated for trial court operations in the annual state budget were allocated to individual trial courts on a pro rata basis, generally based on the historic share of statewide allocations received by each trial court.
  
- ☑ **New Workload Funding Methodology.** In April 2013, Judicial Council approved a new method for allocating funds to individual trial courts. This new methodology, also known as WAFM, is intended to distribute funding based on workload.
  
- ☑ **Implementation of WAFM.** Beginning in 2013-14, WAFM will be implemented in phases over five years with an increasing portion of existing base funding allocated using WAFM rather than the old methodology. Additionally, any augmentations not designated for a specified purpose will be allocated using WAFM. To the extent such additional funding is provided, the judicial branch will shift an equal amount of funding from the amount allocated under the old methodology to the amount allocated under WAFM.



## Challenges to Addressing Ongoing Budget Reductions

---



### **Increased Employee Benefit Costs**

- In recent years, the administration has raised concerns about how effective trial courts have been at containing their employee-related costs. Accordingly, the administration has not proposed additional funding specifically for increased trial court retirement and benefit costs since 2010-11.
- According to the judicial branch, these cost increases will reach an estimated \$64.1 million by the end of 2013-14. Without additional resources, the trial courts will use more of their operations funds to meet these obligations.



### **Few Statutory Changes to Increase Efficiency Adopted to Date**

- In May 2012, the judicial branch submitted to the Legislature a list of 17 measures to achieve greater operational efficiencies or additional court revenues. However, only four of these measures have been implemented to date. In addition, stakeholders indicate other efficiencies are possible.
- In order to effectively absorb ongoing budget reductions, additional changes to make the courts operate more efficiently will likely need to be adopted.



## Challenges to Addressing Ongoing Budget Reductions

*(Continued)*

---



### **Less Resources Available to Offset Reductions**

- Repeated transfers from judicial branch special funds have greatly reduced their fund balances. As a result, additional transfers would likely delay planned projects or reduce certain services typically supported by the fund (such as judicial education or self-help centers).
- Similarly, the full implementation of the new trial court reserves policy—which significantly limits the amount of unspent funds trial courts are allowed to retain—means minimal trial court reserves will be available to help offset reductions in 2014-15.



### **Limited Ability to Increase Revenues to Offset Reductions**

- Revenues for most of the individual fees increased to help offset reductions to trial courts are lower than what was projected. This could be an indication that further increases in fines or fees may not generate as much revenue as previously achieved.



## Augmentation May Only Minimize Further Service Reductions

---



### Access to Court Services May Not Substantially Increase

- The Governor's budget does not include a list of priorities or requirements that the additional funds proposed be used to increase access to court services.
- Trial courts (1) face increased cost pressures in 2014-15 and (2) will need to take actions to absorb around \$100 million in additional ongoing prior-year reductions as one-time solutions previously used to offset these reductions will no longer be available in 2014-15.



### Impact of Funding Increase Will Vary by Court

- **Cost Pressures Faced by Courts.** Some trial courts may have been better at controlling increases in costs (such as employee benefit costs) and therefore may be free to use more of the proposed augmentation for other purposes (such as increasing services to the public).
- **Operational Actions Taken to Address Reductions.** Trial courts differed in the operational choices they made over the past few years to address their ongoing reductions. To the extent limited-term solutions were previously used and are no longer available, trial courts would need to use more of their share of the proposed augmentation to help minimize further service reductions.
- **WAFM Funding.** Because the proposed funds would be allocated based on WAFM, courts that have historically had more funding relative to workload will benefit less from the augmentation. In addition, these courts will be affected by the increasing redistribution of their base funding as required under the phased implementation of WAFM. However, we note that those courts that have historically had less funding will benefit from WAFM—thereby correcting existing funding inequities among courts.



## LAO Recommendations

---

- Define Legislative Funding Priorities for Proposed Augmentation.*** We recommend that the Legislature (1) establish priorities for how the proposed augmentation be spent and (2) require the courts to report on the expected use of such funds prior to allocation and on the actual use of the funds at the end of the fiscal year.
  
- Consider Implementing More Efficiencies.*** We recommend that the Legislature consider further action to help the trial courts operate more efficiently. Such changes could help provide the judicial branch with additional ongoing savings that could further offset ongoing reductions. The Legislature could consider convening an independent taskforce to identify and recommend efficiencies.
  
- Establish Comprehensive Trial Court Assessment Program.*** We recommend that the Legislature take steps towards establishing a comprehensive trial court performance assessment program, in order to help ensure that trial courts are using their current funding effectively. We first recommend specifying in statute the specific performance measures it believes are most important and require the judicial branch collect data annually on each measurement from each trial court. Once data has been reported for at least two years, the Legislature would be able to establish a system for holding individual courts accountable for their performance related to those standards.