



## JUDICIAL COUNCIL OF CALIFORNIA

455 Golden Gate Avenue • San Francisco, California 94102-3688

Telephone 415-865-4200 • Fax 415-865-4205 • TDD 415-865-4272

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# MEMORANDUM

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Date	Action Requested
January 10, 2017	For Your Information
To	Deadline
Judicial Officers, Court Administrators, and Employees of the California Judicial Branch	N/A
From	Contact
Martin Hoshino Administrative Director Judicial Council	Zlatko Theodorovic, Finance Director 916-263-1397 phone <a href="mailto:zlatko.theodorovic@jud.ca.gov">zlatko.theodorovic@jud.ca.gov</a>
Subject	Cory Jasperson, Governmental Affairs Director 916-323-3121 phone <a href="mailto:cory.jasperson@jud.ca.gov">cory.jasperson@jud.ca.gov</a>

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The Governor's proposed fiscal year (FY) 2017–2018 budget released today provides \$3,630.7 million for the judicial branch. The proposed budget includes \$35.4 million in new funding that would be used to address general cost increases and support technology initiatives. The proposal also continues to backfill the Trial Court Trust Fund revenue shortfall.

The budget proposal for the branch includes \$1,654.4 million in General Fund monies, representing 1.3 percent of all General Fund spending. The judicial branch represents 2 percent of total state funds of \$179.5 billion. Approximately 76 percent of the branch's operational budget is allocated to the trial courts.

### Governor's Budget Summary

The budget reflects a revised revenue forecast that is \$5.8 billion lower than expected along with a current-year shortfall in the Medi-Cal program. The budget proposes \$3.2 billion in solutions to ensure a balanced budget to temper spending growth rather than cut existing program levels and General Fund spending remains flat compared FY 2016–2017.

The solutions include adjusting Proposition 98 spending, recapturing unspent allocations from 2016 and constraining some projected spending growth. The budget also deposits \$1.15 billion into the Rainy Day Fund, which will bring the total in the fund to \$7.9 billion by the end of FY

2017–2018, 63 percent of the constitutional target. While a full Rainy Day Fund might not eliminate the need for further spending reductions in case of a recession or major federal policy changes, saving now would allow the state to soften the magnitude and length of necessary cuts.

While the proposed budget maintains the current level of funding for the judicial branch and includes new funding to cover some cost increases, it is important to note that some new laws take effect this year that increase court workload without additional funding. Further, several ballot initiatives were approved in November that increase court costs and workload, also without any additional funding. For example, Proposition 66, which would change procedures governing state court challenges to death sentences, while currently stayed by the Supreme Court, could result in significant unfunded costs to the courts. If unfunded, these legislative and voter-approved changes will significantly erode the ability of the courts to maintain access to justice at current levels.

The Governor’s Budget Summary statement with respect to the judicial branch budget is attached. The statement in part, reads as follows:

In planning for future court demands, the Chief Justice has created the Commission on the Future of California’s Court System. The Commission expects to release initial recommendations in the spring of 2017 on initiatives to effectively and efficiently enhance access to justice. The Administration is committed to working with the Chief Justice on improving access and modernizing court operations through innovative approaches.

A breakdown of the proposed FY 2017–2018 budget for all judicial branch entities is provided below:

<b>Judicial Branch Entity</b>	<b>Proposed Total Funding Level</b>
Supreme Court	\$48.6 m
Courts of Appeal	\$232.7 m
Trial Courts	\$2,792.4 m
Judicial Council	\$137.6 m
Judicial Branch Facility Program	\$440.9 m
Habeas Corpus Resource Center	\$15.8 m
<b>Subtotal, Operational Budget</b>	<b>\$3,668.0 m</b>
Offset from Local Property Tax Revenue	–\$37.3 m
<b>Adjusted Operational Budget</b>	<b>\$3,630.7 m</b>
Less Non-State Funds <sup>1</sup>	–\$95.3m
Adjusted Operational Budget, State Funds	\$3,535.4m
New Court Construction Projects	\$0.0 m
<b>Total Funding<sup>2</sup></b>	<b>\$3,630.7 m</b>

<sup>1</sup> Nonstate funds include federal funds and reimbursements.

<sup>2</sup> Includes General Fund; special, bond, federal, and nongovernmental cost funds; and reimbursements.

Note: Some totals will not be exact due to rounding.

Specifics on the proposals that provide the foundation for budget discussions with the Legislature and the Administration over the next several months are outlined below.

### Trial Courts

The Governor's proposal includes \$17.2 million in new funding from the General Fund and \$0.9 million in other funds to support trial court operations, for a total of \$2,792.4 million. The breakdown is as follows:

**Repeal of drivers' license suspension:** The Administration indicates that it will pursue the elimination of statutory provisions related to suspending drivers' licenses for failure to pay fines and penalties, and states that there does not appear to be a strong connection between suspending a driver's license and collecting a fine or penalty.

**Revenue backfill:** Maintains \$55 million in General Fund support to address anticipated revenue shortfalls in the Trial Court Trust Fund due to lower filing fee and criminal assessment revenues. It is anticipated that revenue into the fund will increase slightly in FY 2017–2018; therefore, the amount of General Fund backfill is reduced by \$20 million over the 2016 Budget Act. Because this amount backfills a corresponding loss in other revenue sources, this action does not change the total amount of funding appropriated for trial court operations.

**Case management system replacement:** \$5 million over two years to enable the replacement of the outdated Sustain Justice Edition case management systems in the Superior Courts of California for Humboldt, Lake, Madera, Modoc, Plumas, Sierra, San Benito, Trinity, and Tuolumne Counties. \$4.1 million will be provided from the General Fund in FY 2017–2018 and \$0.9 million in FY 2018–2019 to enable these trial courts to establish a digital court foundation by implementing a modern and supportable case management system needed to effectively deliver services to the public.

**Employee costs:** \$7.1 million for trial court employee retirement and health benefit costs.

**Judicial compensation adjustments:** \$5.1 million for previously approved judicial officer salary and benefit cost increases. Judicial salaries are set by operation of statute (Government Code section 68200 et seq.) and increases are tied to state employee salaries. The increase reflects the average salary increase for the current fiscal year for California state employees as explained in Government Code section 68203(a).

**Language access:** \$352,000 from the State Trial Court Improvement and Modernization Fund and two positions to support implementation of a video remote interpreting spoken language pilot, a key element of the Judicial Council-approved *Strategic Plan for Language Access in the California Courts*. This will maximize limited-English-proficient court users' ability to fully participate in court proceedings using video remote interpreting, and continue progress toward the goal of providing interpreters to all parties who require one, as outlined in Government Code section 68092.1 and Evidence Code section 756.

**Court interpreter program:** \$490,000 from the Court Interpreters' Fund to support interpreter services by expanding recruitment and testing efforts and providing continuing education.

The Governor's budget also includes statutory changes related to the allocation of vacant judgeships and judicial salaries:

**Judgeships:** The Administration proposes to reallocate four vacant superior court judgeships to shift judgeships to the areas of the state where workload is highest without increasing the overall number of judges.

**Judicial salaries:** The Administration also proposes amendments to the judicial salary calculations as outlined in Government Code section 68203. Under existing law, Judicial Officer salaries are tied to the salary increases of other state workers. This amendment changes the calculation so that Judicial Officers receive the proportional equivalent of the salary increases that have been provided retroactively to July 1 to state workers.

#### Judicial Entities at the State Level

The Governor's proposal includes the following for state level entities:

**Court Appointed Counsel Program for the Supreme Court and Courts of Appeal:** \$0.3 million in General Fund support for the California Supreme Court Appellate Project-San Francisco and \$0.8 million in General Fund support for the other six Appellate Projects to support increases in the costs of doing business for technology, rent, insurance, and personal services.

**Employee costs:** Additional General Fund support for retirement and health benefit cost adjustments for employees of the Supreme Court (\$1.7 million), Courts of Appeal (\$7.9 million), Judicial Council (\$5.1 million), and Habeas Corpus Resource Center (\$0.8 million), consistent with all other state employees.

**Rent costs:** \$0.7 million is provided for rent increases in buildings occupied by the Supreme Court, the Courts of Appeal, and the Habeas Corpus Resource Center.

**Technical adjustment:** The budget proposes to merge the Judicial Council and Judicial Branch Facility Programs for budgeting, accounting, and transparency purposes. The proposal reflects the current reality that these two programs operate as one program, which totals \$578.6 million. Of this, \$441.0 million is for the Judicial Branch Facility Program: \$418.3 million is expended for the trial courts for facility modifications, rent and lease payments, utilities, and insurance, and \$22.7 million is for staff and operating expenses and equipment. The remaining \$137.6 million is budgeted to support Judicial Council operations.

#### Judicial Branch Construction Program

The Governor's proposal for the Facility Construction Program, which appears as a separate line item in the State Budget, does not include funding for any new projects. However, it does authorize the reappropriation of \$7.9 million of bond funds for four projects that are in the construction phase (see below).

#### Court Facility Construction Projects (Reappropriations)

1. <b>Calaveras County</b> New San Andreas Courthouse	\$269,000	Construction
2. <b>Riverside County</b> New Riverside Mid-County Courthouse	\$7,059,000	Construction
3. <b>San Bernardino County</b> New San Bernardino Courthouse	\$517,000	Construction
4. <b>Tulare County</b> New Porterville Courthouse	\$97,000	Construction

The budget also includes authority to transfer \$5.2 million from the Court Facilities Trust Fund to the Immediate and Critical Needs Account to support the financial plan for the construction of the Superior Court of Santa Clara County's new Family Justice Center.

Construction fund redirections by the Administration and the Legislature (\$1.4 billion over 8 years) and declining revenue (5 percent) that supports the construction program has dramatically affected the status of the court construction program. Continued support of the program is essential to maintaining access to justice and we continue to seek solutions and advocate for assistance from the Legislature and the Governor.

#### Significant State Budget Proposals

**Continuing health care expansion:** The budget increases enrollment of the Medi-Cal population to 4.1 million Californians, with the state's General Fund share of cost increasing from \$888 million to nearly \$1.6 billion.

**Counteracting poverty:** The budget continues to fund the rising costs of the new state minimum wage, provides the first cost-of-living adjustment for Supplemental Security Income/State Supplementary Payment recipients since 2005, and increases in child care and early education provider rates and children served.

**Strengthening transportation infrastructure:** The budget reflects the Governor's transportation package, which would provide \$4.2 billion annually to improve the maintenance of highways and local roads, expand public transit and strengthen critical trade routes.

**Combating climate change:** With volatility in recent auctions due in part to uncertainty about the program's post-2020 future, the Administration proposes two-thirds urgency legislation to confirm the program's continued authority beyond 2020.

#### Next Steps

The Governor's proposal for FY 2017–2018 that begins on July 1, 2017, sets the stage for the next phase of the ongoing budget development cycle for the state. This will include further discussions with the Administration, legislative hearings, meetings with legislators and their staff, updated state revenue numbers in April, a May Revision to the Governor's proposed budget, and then an intensive period of legislative activity to pass a balanced budget by the June 15 constitutional deadline.

Within the context of uncertainty and caution over fluctuating state revenues and court case filings, coupled with potential federal policy changes, having this initial judicial branch budget proposal with no proposed reductions and some limited new funding may enable some progress to continue on important issues for improving branch operations.

Over the next several months, however, the Chief Justice and the Judicial Council, with the support of trial and appellate court leaders, the bar, and other justice system stakeholders, will continue to advocate with the Governor and the Legislature on judicial branch policy and funding issues critical to maintaining court services for the public and advancing solutions to improve the delivery of equal and timely access to justice for all Californians.

The Governor's proposed FY 2017–2018 budget may be reviewed at: [www.ebudget.ca.gov](http://www.ebudget.ca.gov).

Attachment

## JUDICIAL BRANCH

The Judicial Branch consists of the Supreme Court, courts of appeal, trial courts, and the Judicial Council. The trial courts are funded with a combination of funding from the General Fund, county maintenance-of-effort requirements, fines, fees, and other charges. Other levels of the Judicial Branch receive most of their funding from the General Fund. The Budget includes total funding of \$3.6 billion (\$1.7 billion General Fund and \$1.9 billion other funds) for the Judicial Branch, of which \$2.8 billion is provided to support trial court operations. The Judicial Council is responsible for managing the resources of the Judicial Branch.

In 1998, California voters passed a constitutional amendment that provided for voluntary unification of the superior and municipal courts in each county into a single, countywide trial court system. By 2001, all 58 counties had voted to unify their municipal and superior court operations. This was the culmination of over a decade of preparation and work to improve court coordination and uniform access to justice. The Trial Court Funding Act of 1997 consolidated the costs of operating California's trial courts at the state level. The Act was based on the premise that state funding of court operations was necessary to provide more uniform standards and procedures, economies of scale, structural efficiency and access for the public. The Act created a state-funded trial court system and capped county contributions, having the state assume responsibility for growth in the costs of court operations.

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recommendations in the spring of 2017 on initiatives to effectively and efficiently enhance access to justice. The Administration is committed to working with the Chief Justice on improving access and modernizing court operations through innovative approaches.

Significant Adjustments:

- Trial Court Employee Costs—The Budget includes \$7.1 million General Fund for trial court employee health and retirement benefit costs.
- Trial Court Trust Fund Revenues—The Budget includes a total of \$55 million General Fund to backfill a continued decline of fines and penalty revenues expected in 2017-18.
- Case Management System Replacement—The Budget includes one-time funding of \$4.1 million General Fund in 2017-18 and \$896,000 General Fund in 2018-19 to replace the Sustain Justice Edition Case Management System in nine small superior courts across California. This proposal continues the Administration’s commitment to assisting the courts with the modernization of case management systems.
- Judicial Officer Salaries—Under existing law, Judicial Officer salaries are tied to the salary increases of other state workers. The Budget proposes amending statute so that Judicial Officers receive the proportional equivalent of the salary increases that have been provided retroactively to July 1 to state workers.
- Trial Court Judge Reallocation—The Administration proposes to reallocate four vacant superior court judgeships. This will shift judgeships to the areas of the state where workload is highest without increasing the overall number of judges.