

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 resources from the General Fund, county maintenance-of-effort requirements, fees, and other charges. All other portions of the Judicial Branch primarily receive funding from the General Fund.

The May Revision includes total funding of \$3.6 billion (\$1.3 billion General Fund) for the Judicial Branch.

TRIAL COURTS

Under the Trial Court Funding Act of 1997, the state assumed the cost of funding the trial courts above a county maintenance-of-effort level. The Act acknowledges that trial courts are part of a statewide system that should operate as efficiently as possible, the Administrative Office of the Courts should provide administrative assistance to those courts that need such assistance, and the Judicial Council should act to more equitably distribute funding to further equal access to the judicial system.

A change in the allocation of resources to under-resourced courts has been slower than envisioned in 1997. However, in 2013-14, the Judicial Council took a major step forward in implementing a new workload-based funding model that will result in a more equitable distribution of funds to the trial courts as it is phased in.

JUDICIAL BRANCH

All segments of the Judiciary, and particularly the trial courts, have seen significant General Fund decreases over the past few years as has every agency in state government. The Administration has been clear that state-funded entities should not expect restorations of reductions—moving forward, government has to be done differently.

A strong court system is a basic function and service of government. The trial courts have operationalized reductions through the closure of court facilities and courtrooms, furloughs, and layoffs. The Judicial Council has also implemented various outcome measures and efficiencies aimed at improving processes in the trial courts.

The Administration is confident the Chief Justice and Judicial Council will continue to manage the resources of the Judiciary in a manner that promotes efficiency, effectiveness, and access to justice.

Given the expectation of continued limited resources, it is appropriate for the Chief Justice and Judicial Council to make a thorough assessment of the trial courts in terms of additional efficiencies or changes in operations, including how efficiencies can be built into the trial court funding model more quickly, if there are functions that could be administered in a totally different way, or whether courtrooms and courthouses should be reopened with the goal of access to justice in mind.

Given the importance of such a review, the May Revision proposes a two-year strategy to stabilize trial court funding. This proposal increases the \$100 million augmentation proposed in the Governor's Budget for trial courts for a total augmentation of \$160 million based on a more specific funding methodology.

Significant Adjustments:

- Trial Court Employee Costs—At the time of the Governor's Budget, the Administrative Office of the Courts indicated that the trial courts estimated that \$64.8 million would be needed for increased retirement (\$39.8 million), retiree health care (\$1.9 million), and health care (\$23.1 million) costs. The trial courts generally have little control over these costs with one exception—the amount each employee pays toward retirement. The Department of Finance estimates that the trial courts currently spend approximately \$22 million covering the current employee share of cost for retirement. The Public Employees' Pension Reform Act (PEPRA) sets a standard that requires equal sharing of normal pension costs for all employees. The May Revision proposes to reduce the trial court request for pension costs by

the estimated amount spent by trial courts on employee contributions with the understanding that trial courts have three years to meet the PEPR standard. Consequently, the May Revision proposes a total of \$42.8 million for these trial court employee benefit costs. Assuming progress towards meeting the PEPR standard, the Administration is committed to funding future increases related to existing health benefits and retirement costs for trial court employees and retirees one year in arrears.

- Trial Court Funding—To meet court workload obligations, the May Revision proposes \$86.3 million—an amount equal to 5 percent of the trial court support appropriation (Program 45.10-Support for Operation of the Trial Courts). The Administration intends to propose an additional 5-percent increase in the 2015-16 Governor’s Budget.
- Trial Court Trust Fund Revenues—As the General Fund contribution to the trial courts has decreased, fee revenue going to the trial courts have been increased. However, there is a projected shortfall in two types of fee revenue. The first is court-specific fees charged for a service, such as copying, which are allocated back to the court that collected them. These revenues are not a part of a court’s allocation from the Trial Court Trust Fund, and these locally based charges should not be backfilled by the state. The second type is those fees which make up a significant amount of base trial court funding. The Department of Finance estimates this revenue shortfall could be up to \$30.9 million. The May Revision proposes to provide this amount of General Fund revenues to backfill the potential fee revenue loss. These dollars will be allocated after the 2015 May Revision when there is an updated estimate of fee revenue.

This two-year funding approach will provide the trial courts with stable funding and sufficient time to carefully evaluate and pursue workload process changes and efficiencies that will modernize court operations and improve access to justice.

The May Revision also includes \$2.1 million General Fund and \$152,000 other funds to address increased rent costs for the Supreme Court, Courts of Appeal, and the Administrative Office of the Courts.

This page intentionally blank to facilitate double-sided printing.