Judicial Council of California · Administrative Office of the Courts

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REPORT TO THE JUDICIAL COUNCIL

For business meeting on: September 9, 2011

Title
Trial Court Improvement Fund Allocation: Emergency Funding Request for Fiscal Year 2011–2012 (Action Required)

Rules, Forms, Standards, or Statutes Affected
N/A

Recommended by
Hon. Douglas P. Miller, Chair
Hon. Kenneth K. So, Vice-Chair
Executive and Planning Committee

Ronald G. Overholt, Chief Deputy Director
Zlatko Theodorovic, Director, Finance Division
Administrative Office of the Courts

Agenda Item Type
Action Required

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Executive Summary

On September 1, 2011, the Superior Court of California, County of San Francisco submitted to the Administrative Office of the Courts (AOC) its request for immediate distribution of $2.5 million in one-time emergency funding from the Trial Court Improvement Fund in order to reduce the extent of courtroom closures and staff layoffs (see Attachment A).[1] Government Code section 77209(b) requires the Judicial Council each year to set aside as a reserve one-half

[1] The Superior Court of San Joaquin County submitted an emergency funding request on August 31, 2011. Because that court is not requesting an immediate distribution of emergency funding, its request can be considered by the Judicial Council at its next regularly scheduled business meeting on October 28, 2011.

of the one percent transfer from the Trial Court Trust Fund (TCTF) that "shall not be allocated prior to March 15 of each year unless allocated to a court or courts for urgent needs."[2] The "urgent needs" reserve amount for FY 2011–2012 is $9.848 million, none of which has yet been allocated by the council.[3]

Recommendation

The chair and vice-chair of the Judicial Council's Executive and Planning Committee recommend that the council consider the following options and determine what action to take in response to the emergency finding request by the Superior Court of California, County of San Francisco (Superior Court):

Option 1
Allocate $2.5 million to the Superior Court from the Trial Court Improvement Fund "urgent needs" reserve (Gov. Code, § 77209(b)), or such other amount as determined by the Judicial Council. The "urgent needs" funding, together with other resources available to the court, would enable the court to keep open a sufficient number of courtrooms and provide other necessary services during the 2011–2012 fiscal year to meet its constitutional obligation to adjudicate all matters, both civil and criminal, that come before the court and to provide the people of the State of California equal and timely access to justice.

The Judicial Council may make the allocation contingent upon one or more of the following terms and conditions (or on other terms as the council determines):

1) The "urgent needs" funding must be used for the sole purpose of keeping open a sufficient number of courtrooms and providing other necessary services during the 2011–2012 fiscal year to meet the Superior Court's constitutional obligation to adjudicate all matters, both civil and criminal, that come before the court.

2) Before the Judicial Council distributes any portion of the "urgent needs" funding to the Superior Court, the court must provide to the Executive and Planning Committee of the Judicial Council (Executive and Planning Committee) a detailed plan that documents the following:

   (a) How the "urgent needs" funding will be used by the court; and

[2] The one percent transfer is computed by multiplying the TCTF Program 45.10 (Trial Court Operations) appropriations by one percent (1%).

[3] The $9.48 million "urgent needs" reserve amount reflects the current year transfer of funds from the Trial Court Trust Fund to the reserve account. The Trial Court Improvement Fund ended FY 2010–2011 with a balance of $38.5 million.

(b) How use of that funding, together with other resources available to the court, will best enable the court to meet its constitutional obligation to adjudicate all matters that come before the court.

The Executive and Planning Committee must review the plan and, subject to modifications agreed upon by the Superior Court, must approve the plan if it concludes that the plan is consistent with the requirements stated by the Judicial Council. Specifically, the council requires the plan to demonstrate that the court's planned use of the "urgent needs" funding, together with other resources available to the court, will best enable it to meet its constitutional obligation to adjudicate all matters that come before the court. The Executive and Planning Committee must report its conclusions regarding the sufficiency of the Superior Court plan to the Judicial Council, and any action taken by the committee in light of its conclusions, at its October 28, 2011, meeting.

3) The Superior Court's fund balance carried over from the 2010–2011 fiscal year (Fund Balance) is subject to the following requirements:

(a) The Superior Court must use that portion of the Fund Balance that is necessary to meet its constitutional obligation to adjudicate all matters that come before the court.

(b) The Superior Court must *not* use any money from the Fund Balance except to (i) meet its constitutional obligation to adjudicate all matters that come before the court and (ii) meet necessary expenses that arise during the 2011–2012 fiscal year that could not reasonably have been anticipated.

(c) Solely to enable the court to meet its constitutional obligation to adjudicate all matters that come before the court, the Judicial Council authorizes the Superior Court to reduce its Fund Balance below the amount that the court would otherwise be required to maintain under the council-adopted Fund Balance Policy.

4) The Superior Court must submit a written report to the Judicial Council by December 31, 2011, on its efforts to implement (i) best practices and improvements in collecting court-ordered debt and (ii) cost savings measures, both as recommended in the audit report accepted by the Judicial Council on June 24, 2011, and otherwise; the court must provide follow-up reports as directed by the council.

5) The Superior Court must submit a written report to the Judicial Council by August 1, 2012, on the use of the "urgent needs" funding provided to it.

6) The council delegates to the Administrative Director of the Courts the authority to audit the Superior Court, following notice to the Executive and Planning Committee, for purposes of confirming the court's compliance with the requirements established by the Judicial Council in connection with the allocation of the "urgent needs" funding. (Gov. Code, §§ 77009(h), 77206(g).)

7) If at the end of the each fiscal year through fiscal year 2014–2015, the amount of the Superior Court's fund balance exceeds the minimum required by the Fund Balance Policy adopted by the council in effect at that time, the Superior Court must repay to the Trial Court Improvement Fund the lesser of (i) the amount by which the fund balance exceeds the minimum required by the policy or (ii) the remaining amount of "urgent needs" funding distributed to the Superior Court for fiscal year 2011–2012 and not previously repaid.

Option 2
Not provide $2.5 million from the Trial Court Improvement Fund "urgent needs" reserve to the Superior Court.

If the Judicial Council determines that the Superior Court does not require funding from the "urgent needs" reserve at this time, that determination would reflect a conclusion that the Superior Court is able to meet its constitutional obligation to adjudicate all matters that come before the court by (1) using the over $4 million in its Fund Balance and (2) implementing management and operational changes. Until the Superior Court exhausts these avenues, it has not demonstrated a need for funding from the "urgent needs" reserve. Alternatively, the council could determine to defer consideration of the Superior Court's request to a later date without addressing the merits of the request.

Previous Council Action

From FY 2000–2001 through FY 2010–2011 the Judicial Council, the Executive and Planning Committee on behalf of the council, and the Administrative Director of the Courts through delegated authority from the council collectively have allocated $6.4 million to 30 courts from the annual TCTF transfer monies set aside for urgent needs through March 15 of each fiscal year in the Trial Court Improvement Fund (see Attachment B). With the initial establishment of formal processes for funding requests in 2002, there are currently four types of urgent needs for which courts can request funding: (1) costs associated with extraordinary homicide cases (e.g., *People v. Stayner*, and *People v. Peterson*), (2) cash advances/loans, (3) one-time deficiencies, and (4) emergency funding due to the impact of unallocated budget reductions.[4]

[4] Since FY 2004–2005, a limited General Fund appropriation (currently $253,000) has also been available to reimburse courts for costs associated with extraordinary homicide cases. *Finance Memo 2005-007* was issued on October 5, 2005, with guidelines and procedures adopted by the council for requesting reimbursement of extraordinary costs associated with homicide trials.

At its January 30, 2002, meeting, the council approved, effective February 1, 2002, internal guidelines for the Trial Court Improvement Fund, which included a definition of urgent need as "an unanticipated or critical financial obligation that cannot be reasonably funded from within the local court's budget and that requires a one-time allocation of funds within the fiscal year in which the urgent need arises." The current guidelines, revised in January 2007, define an urgent need as

> "an unanticipated critical financial obligation beyond the court's prudent management of its resources that cannot be reasonably eliminated, deferred, or funded from within the local court's budget and that requires a one-time allocation of funds within the fiscal year in which the urgent need arises." (See Attachment C).

On May 8, 2002, the Director of the AOC Finance Division issued *Finance Memo 2002–003*, which provided direction to the trial courts on the procedure for requesting one-time deficiency funding for cash advances needed because of the timing of reimbursements receipts, one-time deficiency requests due to unanticipated expenditures, and homicide case extraordinary cost reimbursement (see Attachment D).

In response to the unallocated reductions to trial court funding in FY 2002–2003, at its February 2003 meeting the council directed AOC staff "to establish strict guidelines, including an approval and appeals process, for utilization of these funds" to address the impact of those reductions. This resulted in the issuance of *Finance Memo 2003–005*, which established the process and criteria for receiving urgent needs requests from the Trial Court Improvement Fund due to the impact of unallocated budget reductions (see Attachment E). As provided in the Finance Memo, courts can apply for urgent needs funding in order to avoid layoffs, mandatory furloughs, reduced hours, and/or court closures that are necessitated by unallocated funding reductions. The criteria for emergency funding as described in *Finance Memo 2003-005* are as follows:

> **Emergency Funding Criteria**
> Total emergency funding from the Trial Court Improvement Fund (TCIF) is limited to resource availability. Only one-time funding can be provided to courts through this process. Courts must have exhausted all available reserves not otherwise dedicated to critical needs. Courts must indicate the steps taken to address the unallocated reduction that is causing the hardship, why resources aren't available, what will occur if funding is not approved, public service impacts, and other relevant information. In addition, to be eligible for funding, requests must specifically address the avoidance of one of the following:
>
> - Lay-offs
> - Mandatory furloughs
> - Reduced hours (less than the minimum standard operating requirements established by the Judicial Council)
> - Court closures

Finance Memo 2003–005 also addressed the process for requesting emergency funding, which includes submission of funding requests on a form captioned *Request for TCIF Emergency Funding.*

At its meeting on August 25, 2011, the council observed that the above-stated criteria and process need to be reexamined in light of current fiscal conditions inasmuch as all courts would likely be eligible for emergency funding under such criteria. The council directed AOC staff, in consultation with the trial courts, to reexamine the criteria and process for seeking emergency funding and report back to the council in October 2011.

Given the history outlined above, the council has three options:

(1) It may apply the current criteria, notwithstanding the reexamination that is underway;
(2) It may rescind the current criteria; or
(3) It may modify the current approach to allow for exceptions as determined by the council.

Nothing in Government Code section 77009(b) requires the council to adopt any criteria or process; the statute simply provides that money in the reserve may be allocated to courts for "urgent needs."[5] If the council were to rescind the current Emergency Funding Criteria it could nonetheless determine whether "urgent needs" exist on an ad hoc basis until the council adopts new or revised criteria. Alternatively, the council may modify the current criteria to allow for exceptions from one or more criteria and then apply the modified criteria to requests presented to the council.

Rationale for Recommendation

Summary of Emergency Funding Request by Superior Court
On September 1, 2011, the AOC received a *Request for TCIF Emergency Funding* (Attachment A) from the Superior Court's Chief Financial Officer requesting an immediate one-time lump-sum distribution of $2.5 million to the court. According to the request, the court is proposing to address a "cumulative $20.4 million structural deficit in the next 3 years" by closing 25 civil courtrooms and laying off 177 staff on October 3, 2011, which would have the following public service impacts: "the public will be severely impacted and face significant delays in legal resolutions." The requested $2.5 million funding "will mitigate the FY 2011–12 deficit of $6.23

[5] In contrast, Government Code section 77202(b) provides more detailed principles for the money from the Trial Court Trust Fund, which must be allocated to the trial courts "in a manner that best ensures the ability of the courts to carry out their functions, promotes implementation of statewide policies, and promotes the immediate implementation of efficiencies and cost-saving measures in court operations, in order to guarantee access to justice to citizens of the state."

[million] and reduce the number of courtroom closures to 14 and the number of staff layoffs to 75."

The request from the Superior Court followed several meetings and discussions between the court and the AOC concerning its financial situation. Those meetings and discussions resulted in an agreement that the AOC would present to the Judicial Council for its consideration a proposal comprising the following elements:

- Allocation of $2.5 million from the Trial Court Improvement Fund "urgent needs" reserve to the court;
- Allocation of $645,960 from the Judicial Administration Efficiency and Modernization Fund to continue funding the court's two complex civil litigation departments;
- Continued implementation by the court of best practices to enhance collections;
- Continued implementation by the court of cost savings measures;
- Use of necessary resources by the court to keep open 11 courtrooms that had been identified for closure and reduce the number of staff layoffs; and
- Commitment by the AOC to advocate for legislative solutions, including: budget restorations; review of uniform, statewide fee amounts; adoption of county-based and county-retained appearance fee for case management conferences in complex civil litigation matters; other revenue solutions determined in cooperation with the trial courts.

(See Attachment F.)[6]

Trial Court Fund Balance Policy

Option 1 would have the council allocate the requested amount of funding, or a different amount as determined by the council, from the "urgent needs" reserve to enable the court—together with other resources available to the court—to keep open a sufficient number of courtrooms and provide other necessary services during the 2011–2012 fiscal year; such option could be elected by the council contingent upon one or more terms and conditions, some of which relate to the court's Fund Balance. The Fund Balance Policy currently in effect (last revised by the council on October 29, 2010; see Attachment G) provides in pertinent part:

> Each court must maintain a minimum operating and emergency fund balance at all times during a fiscal year as determined by the following calculation based upon the prior fiscal year's ending total unrestricted general fund expenditures (excluding special revenue, debt service, permanent, proprietary, and fiduciary funds), less any material one-time expenditures (e.g., large one-time contracts).
>
> Annual General Fund Expenditures
> 5 percent of the first $10,000,000

[6] The Superior Court of San Francisco County issued a press release on August 31, 2011 announcing the proposed funding agreement to be presented to the council. See Attachment I.

4 percent of the next $40,000,000
3 percent of expenditures over $50,000,000

Under current policy, for FY 2011–2012 the Superior Court is required to maintain a minimum fund balance of approximately $2.9 million, or 3.78 percent of its adjusted FY 2010–2011 General Fund expenditures.[7] This requirement may be waived by the council, and one of the optional terms and conditions would effect such waiver (Option 1.3.c).

Discussion and Analysis of Court Financial and Other Data

The Superior Court's emergency funding request was received by the AOC on September 1, 2011. The following describes the expedited review and evaluation that were undertaken.

The court is basing its request for emergency funding on a projected cumulative $20.4 million structural deficit in the next three years. In assessing the reasonableness of the court's projection, AOC staff is not relying on detailed projections of revenues and, in particular, expenditures for FY 2011–2012 to FY 2013–2014 and the assumptions underlying the projections. Due to uncertainty, the court has not yet submitted its official Schedule 1 budget for FY 2011–2012. Instead, AOC staff's evaluation of the court's request and projection primarily relies on three sets of data: (1) the request itself, (2) the court's financial information in the Phoenix Financial System as reported by the court through FY 2010–2011, and (3) the court's "Budget Planning Tracker" document that provides projections for a 192 staff layoff scenario. The budget document was provided to AOC staff during a meeting with the court on July 27, 2011, and displays incremental year-to-year revenue and expenditure change from FY 2010–2011 to FY 2013–2014 (see Attachment G). The court has not provided projections for a 177 or 75 staff layoff scenario.

Position and Budgeted Compensation History

The table below shows for FY 2007–2008 through the current fiscal year the number of the court's authorized and filled positions (full-time equivalents) and the average budgeted salary, benefits, and total compensation per filled position. It also displays the statewide average budgeted salary, benefits, and total compensation per filled position for comparison.

[Table begins on next page.]

[7] This estimate is based on total FY 2010–2011 General Fund expenditures less General Fund sheriff expenditures and assumes that there were no other material one-time General Fund expenditures that fiscal year.

Table 1. San Francisco Superior Court Position and Budgeted Compensation Data and Statewide Average Budgeted Data[8]

	FY 2007-2008	FY 2008-2009	FY 2009-2010	FY 2010-2011	FY 2011-2012
Authorized Positions (FTEs) as of July 1	587	591	591	589	496
Filled Positions (FTEs) as of July 1	587	585	557	529	493
Average Budgeted Salary per Filled Position	$ 86,237	$ 88,544	$ 89,828	$ 89,898	$ 91,467
Average Budgeted Benefits per Filled Position	$ 26,691	$ 28,341	$ 34,407	$ 39,265	$ 46,002
Average Budgeted Compensation per Filled Position	$112,928	$116,885	$124,235	$129,163	$137,469
Average Budgeted Salary per Filled Position (excluding SJOs)	$ 84,673	$ 87,036	$ 88,829	$ 89,441	$ 89,966
Average Budgeted Benefits per Filled Position (excluding SJOs)	$ 26,566	$ 28,230	$ 34,318	$ 39,254	$ 45,694
Average Budgeted Compensation per Filled Position (excluding SJOs)	$111,240	$115,266	$123,147	$128,695	$135,660

Statewide Average Budgeted Salary per Filled Position	$ 59,224	$ 61,364	$ 62,309	$ 63,912	$ 63,925
Statewide Average Budgeted Benefits per Filled Position	$ 28,448	$ 29,467	$ 30,232	$ 32,797	$ 33,734
Statewide Average Budgeted Compensation per Filled Position	$ 87,672	$ 90,831	$ 92,541	$ 96,709	$ 97,659

As the table above depicts, from July 1, 2007, to July 1, 2011, the court's total authorized positions (full-time equivalents) decreased by 92 from 587 to 496, a 15.6 percent decline. While *authorized* positions remained essentially unchanged from July 1, 2007, to July 1, 2010, the number of authorized positions dropped significantly as of July 1, 2011. From the perspective of *filled* positions, however, there seems to be a steady decline starting in FY 2008–2009. It is AOC staff's understanding that the decline in filled positions has not been due to layoffs.

A layoff of 177 and 75 staff—assuming all are full-time employees—would represent a 35.7 percent and 15.1 percent reduction, respectively, from the July 1, 2011, level of 496.

In FY 2009–2010 and FY 2010–2011 the court implemented 10 and 6 furlough days, respectively, for all employees. In addition, according to the court, a hiring freeze has been in place since April 2009.

Court Financials: FY 2007–2008 through FY 2010–2011

Ongoing reductions to trial court funding occurred starting in FY 2002–2003 and ending in FY 2005–2006 with the establishment of the State Appropriations Limit (SAL) funding adjustment process for trial court funding. Permanent General Fund reductions began again in FY 2008–2009; although the $92.24 million General Fund reduction to trial court funding was scheduled as one-time, it became permanent the following fiscal year.

[8] Data are from courts' Schedule 7A and represent a snapshot as of July 1 of each fiscal year.

The fluctuations in the Superior Court's total revenue for the four-year period displayed in Table 2 below are largely explained by the changes in TCTF allocations to the court, which represented about 98 percent of "Trial Court Revenue Sources" in FY 2010–2011, and year-to-year changes in reimbursements for actual costs (e.g., court-appointed dependency counsel).

Table 2. Multi-Year Fund Condition Statement for San Francisco Superior Court and TCTF Allocation Data[9]

	FY 2007-2008	FY 2008-2009	FY 2009-2010	FY 2010-2011	FY 2011-2012
Beginning Fund Balance	**9,175,688**	**9,429,193**	**1,618,862**	**280,622**	**4,952,340**
Trial Court Revenue Sources	80,002,961	78,737,692	77,246,980	82,714,944	
Trial Court Reimbursements	15,250,644	12,898,515	14,370,808	13,636,446	
Prior Year Revenue	86,852	211,008	-	632	
Revenue Total	**95,340,457**	**91,847,215**	**91,617,788**	**96,352,023**	**-**
Personal Services	(62,244,299)	(64,547,332)	(62,175,663)	(61,940,270)	
Operating Expenses and Equipment	(31,899,531)	(34,217,165)	(29,980,578)	(29,070,126)	
Special Items of Expense	(932,094)	(896,393)	(799,787)	(664,199)	
Prior Year Expense Adjustments	(11,029)	3,344	-	(5,710)	
Expense Total	**(95,086,952)**	**(99,657,546)**	**(92,956,029)**	**(91,680,305)**	**-**
Annual Revenues Over/(Under) Expenses	253,506	(7,810,331)	(1,338,241)	4,671,718	-
Ending Fund Balance	**9,429,193**	**1,618,862**	**280,622**	**4,952,340**	
Fund Balance as a % of Total Expense	9.9%	1.6%	0.3%	5.4%	
Personal Services as % of Total Expenses	65%	65%	67%	68%	
TCTF Funding and Reductions or Reduction Offset (Non-Security)					
Ongoing (SAL or CPI and Benefit Cost Change)	2,727,300	1,846,164	891,949		3,965,500
One-Time for Benefit Cost Change		(428,317)	1,151,863	1,657,671	
Ongoing Reductions or Reduction Offsets			(6,729,033)	4,070,759	(4,847,249)
One-Time Reductions or Reduction Offsets		(3,072,246)	(36,539)		
Net Allocation	**2,727,300**	**(1,654,399)**	**(4,721,760)**	**5,728,430**	**(881,749)**

In FY 2008–2009, the court's share of the statewide reduction of $92.24 million was $3.072 million. At the same time, courts collectively received about $69 million in Consumer Price Index adjustment (in lieu of the State Appropriations Limit adjustment) ongoing funding in FY 2008–2009, and the Superior Court received an allocation of $1.846 million of that amount. The net allocation of $1.654 million and $2.3 million in lower reimbursements in FY 2008–2009 as compared to the previous fiscal year resulted in total annual revenue dropping to $91.847 million (from $95.340 million). In FY 2009–2010, total revenue remained more or less flat compared to the previous year because $2.043 million in new funding for benefit increases and about $1.5 million in higher reimbursements offset the incremental reduction increase of $3.7 million (from $3.072 million to $6.729 million). In FY 2010–2011, total revenue increased by $4.7 million, largely the net effect of the allocation of $5.728 million and a $734,362 decrease in reimbursements. $4.1 million of the $5.728 million allocation was a result of funding restoration.

[9] The Superior Court's fund condition statement data are posted by the court in the Phoenix Financial System.

Notwithstanding the court's share ($10.978 million) of the statewide transfer of $484.6 million from courts' TCTF base allocation to the county sheriffs, in FY 2011–2012 the court's trial court revenue should decline by about $2.5 million (the sum of the net allocation of $881,749 and the loss of the one-time benefit funding of $1.657 million). It is anticipated that the Superior Court (and other courts) will receive new funding in FY 2011–2012 related to current-year cost increases associated with court retirement, health care, and retiree health care contributions, subject to the approval of the Department of Finance and the Legislature. Courts' cost change survey information will soon be submitted to the Department of Finance for review and approval of such additional funding.

During the four-year period displayed above, expenditures peaked at $99.657 million in FY 2008–2009, with both personal services and operating expenses and equipment (OE&E) expenditures increasing from the prior fiscal year. In FY 2009–2010 and FY 2010–2011, total expenditures dropped below those reported for FY 2007–2008, particularly OE&E expenses. How much the Superior Court will expend in the current year will depend on various factors, most significantly those related to court staff and essential OE&E expenses. According to the Superior Court's FY 2011–2012 Schedule 7A, the total current year budget for all authorized positions (495.6 FTEs) as of July 1, 2011, is $68.1 million.

Over the past four-year period, the court experienced annual deficits (i.e., annual expenses exceeding annual revenues) in two of the fiscal years. Notably, the Superior Court ended FY 2010–2011 and began the current fiscal year with a fund balance of $4.952 million, which equals 5.6 percent of last fiscal year's total expenses. As of September 7, 2011, the court has not yet submitted its certification of the court's FY 2010–2011 year-end financial statements, including constraints on ending fund balance, which is due to the council by September 15, 2011. The court's funding request indicates that $4.8 million of the $4.952 million ending balance is unrestricted. As noted above, an estimate of the court's minimum operating and emergency reserve required under the current Fund Balance Policy for FY 2011–2012 is $2.9 million; this requirement may be waived by the council.

San Francisco Superior Court's Budget Projection (dated 7/27/2011)
When meeting with court staff on July 27, 2011, about the court's proposal to lay off 192 staff, AOC staff were provided a "Budget Planning Tracker" document that displayed the court's incremental (year-to-year) budget change assumptions and resulting fund balance projections for a three-year period from FY 2011–2012 through FY 2013–2014. Attachment H displays the assumptions and fund balance projections in the detail provided by the Superior Court for a scenario in which 192 staff are laid off. Table 3 below provides the identical assumptions and projections at a more summary level for display purposes, and, using all the same assumptions but with no layoffs, displays a fund balance projection for a scenario with no layoffs. Because AOC does not currently have detailed projections of revenues and expenditures for FY 2011–2012 through FY 2013–2014 from the Superior Court, it is relying on the "Budget Planning Tracker" document with its 192 staff layoff assumption to estimate what would happen under

177 and 75 staff layoff scenarios. It appears the assumptions underlying the Superior Court's emergency funding request are essentially identical to those in the "Budget Planning Tracker" document, as the request refers to a cumulative $20.4 million deficit in the next three years and the sum of the annual deficits in each of the three fiscal years in the document is equal to $20.42 million.

Table 3. San Francisco Superior Court's 3-Year Budget Projection for 192 Staff Layoff and Projection with Zero Staff Layoff

Budget Planning Tracker (year over year change; $ in millions)	192 staff layoff				Zero staff layoff			
	11/12	12/13	13/14	Total	11/12	12/13	13/14	Total
Prior Year Balance	4.42	11.40	4.94		4.42	(1.41)	(12.14)	
Allocation								
Reduction in Base Budget Allocation	(4.80)	(9.93)	(2.24)		(4.80)	(9.93)	(2.24)	
Personal Services								
Miscellaneous	(0.14)	(0.47)	(0.17)		(0.14)	(0.47)	(0.17)	
FY 10/11 0.5 Year Furloughs	(1.10)	0.00	0.00		(1.10)	0.00	0.00	
Operating Expenses and Equipment	(0.19)	(0.73)	(0.65)		(0.19)	(0.73)	(0.65)	
Annual Surplus / (Deficit) Prior to Solutions	(6.23)	(11.13)	(3.06)	(20.42)	(6.23)	(11.13)	(3.06)	(20.42)
Solutions								
Using Reserves	0.00	0.00	0.00		0.00	0.00	0.00	
Recover Records Requests Costs from Justice Partners	0.10	0.00	0.00		0.10	0.00	0.00	
Traffic Civil Assessment Revenue	0.30	0.40	0.00		0.30	0.40	0.00	
Reduction in Force	12.81	4.27	0.00		0.00	0.00	0.00	
Ending Balance	**11.40**	**4.94**	**1.88**		**(1.41)**	**(12.14)**	**(15.20)**	

It appears the assumption in the Superior Court's budget projection is that steady state FY 2010–2011 revenues and expenditures are in balance. As such, the document identifies the incremental changes from FY 2010–2011 to project annual surplus/deficit and ending fund balances.

Notwithstanding some anticipated expenditure increases, including $1.1 million "increases" that would result from ending the court's furlough program and two local revenue solutions (recovering costs from justice partners and increased civil assessment collections), the court's projection of a cumulative $20.4 million deficit rests entirely on the assumption that it will receive future allocations of $9.93 million and $2.24 million in ongoing reductions in FY 2012–2013 and FY 2013–2014, respectively. These assumed reductions are the court's estimated 3.38 percent pro-rata share of ongoing reductions that will need to be allocated by the council unless offset with General Fund restorations, fund transfers (e.g., construction funds), and/or new fee/fine revenue. Based on the assumption that reduction offsets will not materialize in FY 2012–2013, the court's estimate is in line with AOC staff's estimate. Without layoffs, a negative

$1.41 million fund balance is projected for this fiscal year, increasing to a negative $15.2 million fund balance by the end of FY 2013–2014. The court's analysis is that laying off 192 staff in October 2011 would yield $17.08 million in ongoing savings (about $89,000 per employee) with 75 percent (or $12.81 million) of the savings realized in FY 2011–2012 and 25 percent (or $4.27 million) in the following fiscal year, with the projection that the court would end FY 2013–2014 with a fund balance of $1.88 million.

Budget Projection for 177 and 75 Staff Layoff Scenarios Based on Court's Assumptions
Table 4 below provides an estimate of ending fund balances under three layoff scenarios in which 192, 177, and 75 staff are laid off. The table assumes that, like the 192 staff layoff scenario, the 177 and 75 staff layoff scenarios would yield annual ongoing savings of about $89,000 per employee. Under the 177 staff layoff scenario, the court would have positive balances in all three fiscal years, ending FY 2013–2014 with a fund balance of $1 million. Under the 75 staff layoff scenario, and assuming no receipt of emergency funding, the court would have a $4.04 million ending balance in FY 2011–2012, but would have a negative $5.02 million balance by the end of FY 2012–2013, increasing by $3.06 million to a cumulative negative $8.08 million balance by the end of FY 2013–2014. If the court received $2.5 million in emergency funding, it would have an estimated ending fund balance of $6.54 million in FY 2011–2012, negative $2.52 million in FY 2012–2013, and negative $5.58 million in FY 2013–2014.

[Table begins on next page.]

Table 4. 3-Year Projection for Various Layoff Scenarios

Budget Planning Tracker (year over year change; $ in millions)	192 Staff Layoff Scenario			177 Staff Layoff Scenario			75 Staff Layoff Scenario		
	11/12	12/13	13/14	11/12	12/13	13/14	11/12	12/13	13/14
Prior Year Balance	4.42			4.42			4.42		
Adjustment to FY 10/11 Balance[1]	0.50			0.50			0.50		
Allocation									
Reduction in Base Budget Allocation	(4.80)	(9.93)	(2.24)	(4.80)	(9.93)	(2.24)	(4.80)	(9.93)	(2.24)
Adjustment to Reduction Amount[2]	(0.05)			(0.05)			(0.05)		
Personal Services									
Miscellaneous	(0.14)	(0.47)	(0.17)	(0.14)	(0.47)	(0.17)	(0.14)	(0.47)	(0.17)
FY 10/11 0.5 Year Furloughs	(1.10)	0.00	0.00	(1.10)	0.00	0.00	(1.10)	0.00	0.00
Operating Expenses and Equipment	(0.19)	(0.73)	(0.65)	(0.19)	(0.73)	(0.65)	(0.19)	(0.73)	(0.65)
Solutions									
Recover Records Requests Costs from Justice Partners	0.10	0.00	0.00	0.10	0.00	0.00	0.10	0.00	0.00
Traffic Civil Assessment Revenue	0.30	0.40	0.00	0.30	0.40	0.00	0.30	0.40	0.00
Annual Surplus / (Deficit) Prior to Solutions	(5.88)	(10.73)	(3.06)	(5.88)	(10.73)	(3.06)	(5.88)	(10.73)	(3.06)
Ending Balance without Layoffs	**(0.96)**	**(11.69)**	**(14.75)**	**(0.96)**	**(11.69)**	**(14.75)**	**(0.96)**	**(11.69)**	**(14.75)**
Reduction in Force[3]	12.81	4.27	0.00	11.81	3.94	0.00	5.00	1.67	0.00
Ending Balance with Layoffs	**11.85**	**5.39**	**2.33**	**10.85**	**4.06**	**1.00**	**4.04**	**(5.02)**	**(8.08)**
Ending Balance with Layoffs and Receipt of $2.5 Million Emergency Funding							**6.54**	**(2.52)**	**(5.58)**

1. FY 2010-11 balance is understated by about $500,000.

2. FY 2010-11 ongoing reduction is understated by about $50,000.

3. Assumes average savings per employee is $88,958 in all layoff scenarios, based on the court's assumption in 192 staff layoff scenario. Also assumes layoffs occur on October 1, 2011, resulting in 75% savings in the first year and 25% in the second.

Alternatives considered and policy implications

Discussed above.

Implementation requirements, costs, and operational impacts

Not applicable.

Comments From Interested Parties

None.

Attachments

1. Attachment A: San Francisco Superior Court's Request for Emergency Funding
2. Attachment B: Trial Court Improvement Fund Reserve for Urgent Needs History
3. Attachment C: Trial Court Improvement Fund Internal Guidelines (rev. January 2007)
4. Attachment D: Finance Memo 2002–003 (memo, form, and instructions)
5. Attachment E: Finance Memo 2003–005 (memo, form, and criteria)
6. Attachment F: Proposal per Agreement between AOC and Superior Court
7. Attachment G: Fund Balance Policy
8. Attachment H: San Francisco Superior Court – Budget Projections (7/27/2011)
9. Attachment I: San Francisco Superior Court Press Release (8/31/2011)

REQUEST FOR TCIF EMERGENCY FUNDING **Funding will address the avoidance of (check all that apply):** _X_ Lay-offs ___ Mandatory furloughs ___Reduced hours (less than minimum standard operating requirements) _X_ Court closures	**Administrative Office of the Courts** **455 Golden Gate Ave** **Finance Division** **San Francisco, CA 94102-3660**

ALLOCATION TO BE ADJUSTED

SUPERIOR COURT:	**AMOUNT REQUESTED**:
San Francisco Superior Court	$2.5 million

SUMMARY OF REQUEST (Attach backup data)

Please fully explain how the requested funding will be used in avoidance of at least one of the above issues.

As a result of ongoing state budget cuts, the San Francisco Superior Court faces a cumulative $20.4 million structural deficit in the next 3 years. To address this sizeable shortfall, we have proposed to close 25 courtrooms and lay-off 177 staff which will take effect Oct 3, 2011. The one-time infusion of $2.5 million will mitigate the 2011-12 deficit of $6.23 and reduce the number of courtroom closures to 14 and the number of staff layoffs to 75.

III. ACTIONS TAKEN AND IMPACTS

A. What steps have been or are being taken to address the unallocated reduction issue that is causing the hardship? (Include an explanation of whether the steps are consistent with the court's budget reduction plan, as submitted.)

The San Francisco Superior Court has implemented several plans to increase revenue and reduce ongoing costs including the following:

- A hiring freeze since April 2009;
- Staff furloughs for 3 consecutive years, generating $3.7 million in savings;
- Operational changes including elimination of an overnight bail office, saving $800,000;
- Renegotiated service contracts for janitorial and document storage services, saving $1.2 million;
- Installation of VoIP saving $1.6 million;
- Recovery of $916,000 in indigent defense, Civil Grand Jury, and transcript costs from the City and County of San Francisco;
- Adoption of revenue measures including an escheatment program and increased collections of civil assessment fees, generating $1.6 million;

All of these efforts have resulted in generating a year-end surplus of $4.6 million in 2010-11. However, the reserve is inadequate to address ongoing revenue reductions and increasing expenses. The salary budget comprises 80% our operating budget and remains the focus of our cost-cutting strategy. We will continue with staff layoffs, however, at a lower scale should this $2.5 million funding request be approved.

B. What additional steps or actions will be taken if this funding request is not approved?

Should this funding request not be approved, 25 civil courtrooms will be closed and 177 staff will be laid-off.

C. What specific program and public service impacts will occur if this funding request is not approved?

With the closure of 40% of courtrooms, primarily concentrated in civil and family law, the public will be severely impacted and face significant delays in legal resolutions.

IV. STATUS OF COURT'S TCTF/Non-TCTF Reserves

A. Explain the status of the court's reserves, including the available amounts, and how they will be used.

The San Francisco Court has a budgeted fund balance of $4.9 million of which $4.8 is unrestricted. However, there is approximately $1.6 million in grant revenue receivables and the available cash on hand is $3.7 million as of August 31st. The Court must set aside $2.5 million of the reserve to fund payroll which occurs on a bi-weekly schedule and does not align with the monthly AOC revenue disbursement. The remaining cash is for monthly non-personnel operating costs such as dependency counsel payments, janitorial services and document management services. The low cash balance has required us to hold payment on bills from the prior year (e.g., $2.7 million in Sheriff security bills) to maintain the $2.5 million dedicated for payroll.

B. Explain the timeline for when the court will need the funds and whether the allocation can be received over time or must be received lump-sum by critical dates. Explain the nature of all critical dates.
The San Francisco Court requests immediate disbursement of funds as a single lump-sum. We began the new fiscal year with a $6.23 million deficit.

V. REQUEST HISTORY

A. Has a request on this issue been previously submitted to the AOC for consideration? __YES _X_NO

B. If yes, explain the history of the request, including the date submitted, the division which reviewed it, and the outcome. If the request was denied, explain why.

VI. MONTH AND YEAR WHEN THE HARDSHIP WAS FIRST IDENTIFIED

Month: June Year: 2011

VII. REQUESTING SUPERIOR COURT'S AUTHORIZED REQUESTER

Requested by: Sue Wong Title: Chief Financial Officer Date: 8/31/11

VIII. TRIAL COURT BUDGET SUPPORT ANALYST

Recommend for Approval: __YES __NO Approved By: _____ Date: _____

IX. REGIONAL DIRECTOR

Recommend for Approval: __YES __NO Approved By: _____ Date: _____

X. DIRECTOR, FINANCE DIVISION ___APPROVED ___DENIED

Approved by: _____ Date: _____

Trial Court Improvement Fund -- Reserve for Urgent Needs History
FY 2000-2001 through FY 2011-2012

			Distribution Type				
Fiscal Year	Half of 1% TCTF Transfer for Urgent Needs[1]	Total Distribution to Courts	Allocation Prior to Formal Urgent Need Categories[2]	Deficiency	Extraordinary Homicide	Cash Advance / Loan	Emergency Funding Due to Unallocated Reduction
2000-2001	9,050,000	3,091,937	2,836,987		254,950		
2001-2002	8,863,915	315,400			315,400		
2002-2003	8,905,500	377,175			377,175		
2003-2004	9,412,435	242,290		197,000	45,290		
2004-2005	9,678,920	592,196		480,000	112,196		
2005-2006	10,625,000	66,189			66,189		
2006-2007	12,120,570	-					
2007-2008	13,062,065	-					
2008-2009	13,107,855	1,625,823		594,823		1,031,000	
2009-2010	12,589,700	40,211		40,211			
2010-2011[3]	13,616,070	-					
2011-2012	9,848,315						
Total		**6,351,221**	**2,836,987**	**1,312,034**	**1,171,200**	**1,031,000**	**-**

1. Amount required to be held in reserve until March 15 in accordance with Government Code section 77209. It is computed by multiplying the Trial Court Trust Fund Program 45.10 (Trial Court Operations) appropriations item by one-half of 1% (0.005). In FY 2010-11, the Program 45.10 appropriation was $1.969 billion.

2. Funding was provided for perimeter security related need and nondiscretionary court expenses related to probation services previously provided by counties (e.g., mediation and evaluation).

3. 3 requests were received; 2 were denied and one was withdrawn.

Urgent Needs Distribution by Court

Court	Urgent Needs Distribution
Alameda	-
Alpine	-
Amador	47,239
Butte	-
Calaveras	36,200
Colusa	-
Contra Costa	276,723
Del Norte	-
El Dorado	85,000
Fresno	-
Glenn	420,456
Humboldt	84,000
Imperial	50,000
Inyo	-
Kern	554,687
Kings	66,000
Lake	1,027,989
Lassen	33,000
Los Angeles	-
Madera	-
Marin	-
Mariposa	58,362
Mendocino	36,850
Merced	31,473
Modoc	45,000
Mono	500
Monterey	-
Napa	-
Nevada	50,000
Orange	-
Placer	1,458,937
Plumas	96,461
Riverside	734,793
Sacramento	-
San Benito	-
San Bernardino	-
San Diego	-
San Francisco	-
San Joaquin	-
San Luis Obispo	56,076
San Mateo	200,197
Santa Barbara	92,600
Santa Clara	300,865
Santa Cruz	70,000
Shasta	-
Sierra	-
Siskiyou	117,000
Solano	177,030
Sonoma	-
Stanislaus	-
Sutter	34,543
Tehama	-
Trinity	-
Tulare	61,963
Tuolumne	-
Ventura	-
Yolo	-
Yuba	47,277
Total	**6,351,221**

Trial Court Improvement Fund
Internal Guidelines

1.0 Overview

The Trial Court Funding Act of 1997 (Chapter 850, Statutes of 1997) revised provisions governing the Trial Court Improvement Fund (Improvement Fund). Government Code section 68502.5 was amended to provide for the allocation of funds in the Improvement Fund to ensure open and equal public access to the trial courts, to improve trial court operations, and to address trial court emergencies. In addition, Government Code section 77209 was added to provide for an annual appropriation to the Improvement Fund consisting of one percent of the annual appropriation for the trial courts. The section states that the Improvement Fund shall be used as specified and expenditures may be made to vendors or individual trial courts that have the responsibility to implement approved projects. Any funds unencumbered at the end of that fiscal year are reappropriated to the Improvement Fund for the following fiscal year.

Government Code section 77209(g) allows the Judicial Council (Council), with appropriate guidelines, to delegate the administration of the Improvement Fund to the Administrative Director of the Courts (Administrative Director).

2.0 Purpose

In order to meet the critical needs of the courts and enable staff to commit funding on a timely basis, this policy establishes the guidelines by which the Council's Executive and Planning Committee (Executive Committee) is authorized to act on behalf of the Council with regard to the administration of the Improvement Fund, and the administration of the Improvement Fund is delegated by the Council to the Administrative Director, pursuant to Government Code section 77209(g) and the California Rules of Court (rule 10.11(d), effective January 1, 2007).

3.0 Guidelines and Procedures

In accordance with rule 10.11(d), the Executive Committee is hereby authorized to act on behalf of the Council regarding administration of the Improvement Fund, and the Council hereby delegates the administration of the Improvement Fund to the Administrative Director or his/her designee in accordance with the following guidelines:

3.1 General Allocation of the Improvement Fund

The Improvement Fund contains funding from the following sources: Funds required to be allocated to the Improvement Fund from the Trial Court Trust Fund by Government Code section 77209(b) (One Percent Transfer); funds representing the state's fifty percent

share of the increase in fee, fine, and forfeiture revenue required to be deposited in the Improvement Fund by Government Code section 77205; funds representing interest earned on money in the Surplus Money Investment Fund from the Improvement Fund; funds retained in the Improvement Fund from previous years; and funds representing two percent of the fines, penalties, and forfeitures in criminal cases that is required to be deposited in the Improvement Fund by Government Code section 68090.8 (Two Percent Automation Fund). Except as noted below, the funds in the Improvement Fund may be used as provided in these guidelines.

A. The One Percent Transfer required to be allocated to the Improvement Fund from the Trial Court Trust Fund by Government Code section 77209(b) must be allocated from the Improvement Fund as provided by in that section.

B. In accordance with the above code section, one-half of the One Percent Transfer is to remain unallocated prior to March 15 of each year unless allocated to a court or courts for urgent needs is subject to the following:

   1. A court seeking funding for urgent needs must submit a request in writing to the Administrative Director through the Director of the Administrative Office of the Courts (AOC) Finance Division as soon as the urgent need is determined.
   2. An urgent need is defined as an unanticipated critical financial obligation beyond the local court's prudent management of its resources that cannot be reasonably eliminated, deferred or funded from within the local court's budget and that requires a one-time allocation of funds within the fiscal year in which the urgent need arises; and
   3. Approval of requests for urgent needs must be made in conformance with these guidelines and *Finance Memo TC 2003-005 Emergency Funding Requests - TCIF* adopted by the AOC.

C. In accordance with the above code section, up to one-quarter of the One Percent Transfer may be allocated for trial courts that meet any additional criteria established by the Council.

D. In accordance with the above code section, up to one-quarter of the One Percent Transfer may be allocated for statewide projects or programs for the benefit of the trial courts.

E. The Two Percent Automation Fund must only be used for automated record keeping purposes as provided by Government Code section 68090.8.

F. Pursuant to Government Code section 77209(k), a required amount of $31,563,000 shall be transferred from the Trial Court Improvement Fund to the

Trial Court Trust Fund for allocation to trial courts for court operations and administrative infrastructure needs on behalf of the trial court.

3.2 Approved Budget Categories and Projects; Guidelines for Changes

A. The Administrative Director must seek input from the Council, at its annual planning meeting, on future direction and program priorities, and consider that input in preparing the proposed budget required by this section.

B. As soon as practical after passage of the annual state budget act each fiscal year, the Administrative Director or his/her designee must present to the Executive Committee for review and approval a proposed budget of potential programs and projects to be paid for from the Improvement Fund. Consistent with statutory requirements, the proposed budget must be divided into three categories:

1. Ongoing statewide programs (e.g., Litigation Management Program, Trial Court Transactional Assistance Program, the CJP insurance program, and technology programs);
2. Trial court projects and model programs, such as the mentor unified family courts, ADR, and the complex litigation pilot programs; and
3. The emergency funding reserve referred to in section 3.1.B above.

C. After approving the proposed budget as presented or as modified by the Executive Committee, the Executive Committee may thereafter amend the budget, including, but not limited to, approving new projects and programs that create an ongoing obligation on the Improvement Fund.

D. After the Executive Committee's approval of the proposed budget, the Administrative Director or his/her designee may:

1. Approve new projects and programs during the fiscal year within the approved funding level of each of the three budget categories set forth in section 3.2.B;
2. Approve changes to, defer, or eliminate programs or projects in the approved budget, including, but not limited to, changing the amount allocated to the program or project, if the changes, deferrals, or eliminations do not result in a transfer of money from any budget category to another in excess of that permitted by section 3.2.D.5 below provided that any change, deferral, or elimination of an item in category 3.2.B.1 may be made only upon approval by the Council;
3. Approve one-time emergency funding requests from the reserve;
4. Transfer up to 20 percent of the budget from categories one and two in section 3.2.B to any other category; and

5. Transfer any funding that is unexpended as of May 1 to any program or project that may be funded by the Improvement Fund except for unexpended money in emergency funding reserve. Money in the emergency-funding category that is unexpended as of March 31 may be transferred pursuant to this paragraph.

E. The Administrative Director or his/her designee may approve new projects and programs or take the other actions provided for in section 3.2.D above only if:

1. The new project will benefit one or more courts by implementation, testing, promotion or replication of a program that is intended to improve the administration of the justice;
2. The new project or other action will be implemented in the most efficient and cost-effective manner;
3. The new project or other action is consistent with and is intended to further the Council's strategic plan, budget priorities, or operational plan; and
4. The new project or other action is not prohibited by statute or California Rules of Court.

3.3 Reporting on Prior Year Allocations

As soon as practical after the end of each calendar year, the Administrative Director or his/her designee must prepare, and submit to the Executive Committee for review and approval, an annual report to the Council and the Legislature on prior fiscal year project expenditures paid for from the Improvement Fund. This report must include, by category, the amount allocated, a description of major projects, and the progress towards meeting the outcomes of the approved projects and programs.

3.4 Audits

The Administrative Director may request performance or financial audits of programs or projects paid for from the Improvement Fund.

3.5 Delegation Timeframe and Limitation

The delegation of authority in these guidelines to the Administrative Director will remain in effect unless revoked. The Council may revoke the delegation at any time. The categories in section 3.2.B may only be changed by the Council.

Judicial Council of California
Administrative Office of the Courts

Finance Division
455 Golden Gate Avenue ◆ San Francisco, CA 94102-3660
Telephone 415-865-7960 ◆ Fax 415-865-4325 ◆ TDD 415-865-4272

RONALD M. GEORGE
Chief Justice of California
Chair of the Judicial Council

WILLIAM C. VICKREY
Administrative Director of the Courts

RONALD G. OVERHOLT
Chief Deputy Director

CHRISTINE HANSEN
Director
Finance Division

TO:	Presiding Judges of the Superior Courts Executive Officers of the Superior Courts Fiscal Contacts of the Superior Courts
FROM:	Tina Hansen, Director Finance Division
DATE:	May 8, 2002
SUBJECT/ PURPOSE OF MEMO:	Finance Memo TC 2002-003 Request for Cash Advance, One-Time Deficiency Funding, or Homicide Case Extraordinary Cost Reimbursement
ACTION REQUESTED:	Please review the attached memorandum and provide a copy to the appropriate budget staff.

CONTACT FOR FURTHER INFORMATION:	**NAME:**	**TEL:**	**FAX:**	**EMAIL:**
	Vicki Muzny	415-865-7553	415-865-4331	vicki.muzny@jud.ca.gov

Each year, several courts contact the Administrative Office of the Courts (AOC) to discuss funding difficulties affecting their particular court and to evaluate possible solutions to their specific budget issues. The purpose of this memorandum is to provide direction to the trial courts on the procedure for requesting one-time deficiency funding from the AOC. Please keep in mind that the ability of the AOC to provide funding of a request will depend on the availability of appropriate one-time funding and, when required, approval by the Judicial Council.

This process applies to the following types of funding needs:

1. Cash advance needed because of the timing of reimbursements receipts;
2. One-time deficiency request due to unanticipated expenditures; or
3. Homicide case extraordinary cost reimbursement.

Cash Advance
If you are experiencing a cash flow shortfall, Finance Division staff will work with you to attempt to alleviate the problem. This may include providing an advance against the 13th month's allocation to the court. The court should request a cash advance prior to incurring the costs of utilizing a loan or line of credit (requires pre-approval in writing by the Judicial Council) with your county or another agency. (A Finance Memo will be released shortly that describes the policy and procedures for obtaining a loan or line of credit.)

Deficiency Request
Deficiency funding may only be requested for current year expenditures and only for *actual*, not estimated, expenditures.

Homicide Case Extraordinary Cost Reimbursement
A request for homicide case reimbursement is to be accompanied by an estimate of the extraordinary costs for that case. If approved, the funding will be provided based on actual expenditures.

Only one-time funding can be provided to courts through this process. If a court is experiencing an ongoing funding problem, it may request one-time deficiency funding through this process, but will have to address the ongoing need through a different procedure. If the program area is a Judicial Council approved budget priority, the court may opt to request ongoing funding during the next budget cycle. Please note, in accordance with the Trial Court Financial Policies and Procedures Manual (section 6.5 of Procedure No. FIN 4.02) a court must submit a request (in writing) for approval from the Finance Division of the AOC before redirecting more than $400,000 or 10% (whichever is less) of its total budget from one or more program item(s) to another. The AOC will review the request and respond within 30 days of receipt.

Regardless of the type of request, if it is an anticipated need that will not occur until after the beginning of the next fiscal year, the request cannot be made until after July 1. The court should take whatever measures are possible in advance of the need to try to ameliorate the situation.

To request funding through this process, a court must complete the attached form "Request for Cash Advance, Deficiency Funding, or Homicide Case Extraordinary Cost Reimbursement" and provide the following information:

- The specific purpose of funding requested, i.e., program area (if applicable), type of cost within that program, etc.
- The status of the court's reserves and the reason(s) why the reserve cannot be used to satisfy the shortfall. Courts must provide a cash flow analysis.
- The reason(s) why the court cannot absorb the costs in the current year.
- State all efforts taken by the court within its own funding to address the issue, i.e., deferring purchase of new equipment, not filling staff vacancies, etc.
- In addition to the above criteria, if the request is for reimbursement of extraordinary costs due to a homicide case, the court must also provide a description of the case and an estimate of the extraordinary costs (e.g., security, court reporter). If funding is approved, allocation will be based on actual expenditures, which must be supported by detailed invoices. Only current fiscal year or future fiscal year costs may be requested. Past years' costs will not be considered.

The "Request for Cash Advance, Deficiency Funding, or Homicide Case Extraordinary Cost Reimbursement" form and additional supporting documentation should be sent to the court's regional budget analyst as indicated below, as soon as possible after the need has been identified, so that the analyst can work with the court to expedite the request.

Region	**Name of Analyst**	**Contact Information**
Northern/Central	Lesley Allen	415-865-4363 lesley.allen@jud.ca.gov
Bay Area/Northern Coastal	Mark Garcia	415-865-4367 mark.garcia@jud.ca.gov
Southern	Vicki Muzny	415-865-7553 vicki.muzny@jud.ca.gov

Review and Consideration of Requests
The regional analyst will review the request and may contact the court for additional information if necessary. The analyst will provide a recommendation on the request to the Regional Director and the Finance Director within 15 days of receipt of the request. The Finance Director can approve cash advances within 30 days. If your need is more immediate and you require funding for a cash advance in less than 30 days, request a waiver, indicate the date the advance is needed, and provide an explanation on the request form.

Except at the end of the year, when the Administrative Director of the Courts has authority to allocate one-time year-end funds, requests for deficiency and homicide case extraordinary cost reimbursement funding must be presented to the Judicial Council for consideration. The request will be presented to the council at its next scheduled meeting, after receipt of the request, providing that no additional clarification is required.

A court may e-mail the form and supporting documentation to their budget analyst, but a *signed* form is required for requests to be fully considered.

If you have any questions on this matter, please don't hesitate to contact your regional budget analyst.

REQUEST FOR CASH ADVANCE OR DEFICIENCY FUNDING (Check only one):

- ☐ Cash Advance
- ☐ One-Time Deficiency
- ☐ Homicide Case Extraordinary Cost Reimbursement

Administrative Office of the Courts
455 Golden Gate Avenue
San Francisco, CA 94102-3660

I. ALLOCATION TO BE ADJUSTED

SUPERIOR COURT:	AMOUNT REQUESTED:
PROGRAM AREA (if applicable):	FISCAL YEAR FOR WHICH FUNDING IS NEEDED:

II. SUMMARY OF REQUEST/CERTIFICATE OF NECESSITY (BRIEF JUSTIFICATION PRESENTING ALL SUPPORTING FACTS INCLUDING THE UNANTICIPATED NATURE OR CIRCUMSTANCES OF REQUEST FOR EXISTING PROGRAMS (Use attachments if additional space is needed)

III. NOTIFICATION TO AOC (use attachments if additional space is needed)

☐ Request waiver of 30 days (cash advance only) Explain

IV. TCTF/Non-TCTF Reserves Status (Use attachments if additional space is needed)

☐ NO ☐ YES If yes, how much? _____. Why cannot your court's reserves be used?

V. HAS AOC PREVIOUSLY DENIED THIS REQUEST? (Use attachments if additional space is needed)

☐ NO ☐ YES If yes, when and why? Please attach previous request.

VI. MONTH AND YEAR WHEN THE UNAVOIDABLE NATURE OF THIS REQUEST WAS FIRST IDENTIFIED

Month: _____ Year: _____

VII. REQUESTING SUPERIOR COURT

Requested by: _____ Title: _____ Date: _____

VIII TRIAL COURT BUDGET SUPPORT ANALYST

Recommend for Approval: ☐ YES ☐ NO Approved By: _____ Date: _____

IX. REGIONAL DIRECTOR

Recommend for Approval: ☐ YES ☐ NO Approved By: _____ Date: _____

X. DIRECTOR, FINANCE DIVISION ☐ APPROVED ☐ DENIED

Approved by: _____ Date: _____

FOR AOC USE ONLY

☐ Trial Court Trust Fund ☐ Trial Court Improvement Fund

Amount Approved: _____ Date Disbursed: _____ Notification Sent: _____

Instructions for Completing the
***Request for Cash Advance, Deficiency Funding, or Homicide Case Extraordinary Cost Reimbursement* Form**

Type of Request

Check type of request. Check only one box.

- *Cash Advance* – Advance funds needed to cover a cash flow shortfall.
- *One-Time Deficiency* – Funds needed to cover a one-time budget shortfall.
- *Homicide Case Extraordinary Cost Reimbursement*. Funds needed to cover extraordinary costs due to a homicide case.

I. Allocation to be Adjusted

- Superior Court: Name of your court
- Amount: Amount of funding requested
- Program Area: Identify program area, if applicable, i.e., security, technology
- Fiscal Year for Which Funding is Requested: Indicate for which fiscal year you are requesting the funding. Requests for funding are limited to the current fiscal year, except for extraordinary expenses on homicide cases.

II. Summary of Request/Certificate of Necessity

Provide a brief justification and all supporting facts. Justifications should discuss the items below and be accompanied by supporting documents.

- The specific purpose of funding requested.
- The status of the court's reserves and the reason(s) why the reserve cannot be used to satisfy the shortfall. Courts must provide a cash flow analysis.
- The reason(s) why the court cannot absorb the costs in the current year.
- State all efforts taken by the court within its own funding to address the issue, i.e., deferring purchase of new equipment, not filling staff vacancies, etc.
- In addition to the above, if the request is for reimbursement of extraordinary costs due to a homicide case, the court must provide a description of the case and an estimate of the extraordinary costs (e.g., security, court reporter). If funding is approved, allocation will be based on actual expenditures, which must be supported by detailed invoices. Only current fiscal year or future fiscal year costs may be requested. Past years' costs will not be considered.

III. Notification to AOC

AOC approval of funding for cash advances will be processed within 30 days. If your need is more immediate and you require funding for a cash advance in less than 30 days, request a waiver, indicate the date the advance is needed, and provide an explanation. Deficiency requests and homicide case extraordinary cost reimbursements must be approved by the Judicial Council, except for allocation of available year-end funding. Provided that no additional clarification is needed, these requests will be presented to the council at its next regular business meeting after receipt of the request.

IV. TCTF/Non-TCTF Reserves Status

Does your court have any cash reserves? If yes, identify the amount and explain why it cannot be used to fund the deficiency.

V. Has AOC Previously Denied?

Has this request been made previously through the BCR process, a deficiency or any other funding request to the AOC? If yes, attach a copy of the request. What was the result of the denial for the court?

VI. Month and Year the Unavoidable Nature of This Request was First Identified

The month and year your court determined that a cash shortfall or deficiency would occur.

VII. Requesting Superior Court

Only the Presiding Judge or Court Executive Officer can request funding for a cash advance, deficiency, or homicide case extraordinary cost reimbursement. A signature is required.

VIII. Trial Court Budget Support Analyst

The request will be reviewed and a recommendation made by the budget support analyst assigned to your court's region.

IX. Regional Director

The request will be reviewed and a recommendation made by your court's Regional Director.

X. Director, Finance Division

The Director of the Finance Division must approve all requests.

Judicial Council of California
ADMINISTRATIVE OFFICE OF THE COURTS

455 Golden Gate Avenue • San Francisco, California 94102-3688
Telephone 415-865-4200 • Fax 415-865-4205 • TDD 415-865-4272

MEMORANDUM

Date
November 10, 2003

To
Presiding Judges of the Superior Courts
Executive Officers of the Superior Courts
Fiscal Contacts of the Superior Courts

From
Tina Hansen, Director
Finance Division
Administrative Office of the Courts

Subject
Emergency Funding Requests - TCIF
Finance Memo TC 2003-005

Action Requested
Review and disseminate to staff as appropriate; replicate and place in all *Trial Court Financial Policies and Procedures Manuals*

Deadline
N/A

Contact
Denise Friday
Trial Court Regional Budget Support Unit
415-865-7536 phone
415-865-4325 fax
denise.friday@jud.ca.gov

Finance Memo TC 2002-003, *Request for Cash Advance, One-Time Deficiency Funding, or Homicide Case Extraordinary Cost Reimbursement*, dated May 8, 2002 provided notification of the process for trial courts to request one-time deficiency funding from the Administrative Office of the Courts (AOC) to address urgent needs as a result of the timing of reimbursement receipts, unanticipated expenditures, or homicide case extraordinary cost reimbursement. Please continue to request deficiency funding for these purposes through the process as stated in Finance Memo TC 2002-003. Emergency funding requests due to the impact of unallocated budget reductions will be addressed in this memorandum.

During meetings with the trial courts and at meetings of the Judicial Branch Budget Advisory Committee, there was considerable discussion as to how the unallocated budget reductions should be applied to trial courts given the varying capacity within the courts to absorb the reduction. It was ultimately recommended that the unallocated reductions should continue to be applied at the same percentage for all courts, but that an emergency fund should be established to address undue hardships (i.e., court closures or layoffs) faced by those courts that have taken all reasonable steps to prepare and manage unallocated budget reductions.

At their February 2003 meeting, the Judicial Council approved the following staff recommendations:

1. *"Approve setting aside, uncommitted funds on a one-time basis in both FY 2002–2003 and FY 2003–2004 from the one-half of the one percent reserve in the Trial Court Improvement Fund to make additional funding available for courts that took all reasonable steps to prepare and manage the anticipated budget reductions yet still face undue hardships as a result of the unallocated reductions and to meet cash flow issues. Uncommitted funds from FY 2002–2003 would be carried over to FY 2003–2004 and remain available for these purposes."*
2. *"Direct staff to establish strict guidelines, including an approval and appeals process, for utilization of these funds."*

The purpose of this memorandum is to provide direction to the trial courts on the criteria and procedure for requesting a portion of these funds from the AOC.

Emergency Funding Criteria

Total emergency funding from the Trial Court Improvement Fund (TCIF) is limited to resource availability. Only one-time funding can be provided to courts through this process. Courts must have exhausted all available reserves not otherwise dedicated to critical needs. Courts must indicate the steps taken to address the unallocated reduction that is causing the hardship, why resources aren't available, what will occur if funding is not approved, public service impacts, and other relevant information. In addition, to be eligible for funding, requests must specifically address the avoidance of one of the following:

- Lay-offs
- Mandatory furloughs
- Reduced hours (less than the minimum standard operating requirements established by the Judicial Council)
- Court closures

Note: Courts that have been granted an exemption for reduced hours or court closures are not eligible for funding to address that specific issue.

Request for Emergency Funding

To request emergency funding courts must complete the attached *Request for TCIF Emergency Funding* form and submit it to the AOC Finance Division Director. Fully completed forms will reduce the number of follow-up questions and shorten the review process. To expedite the request, courts may e-mail or fax the form and any supporting documentation to the AOC. A signed original request, however, must also be received by the AOC prior to the issuance of any funds.

Note: The *Request for TCIF Emergency Funding* form is in *Word* format, so the text areas will expand automatically to accommodate the amount of narrative provided.

Approval and Appeals Process

The attached list of *Criteria for Emergency Funding Requests* will be used by AOC Budget Analysts to evaluate the requests. Within 10 working days of receiving the request, the AOC Finance Division will notify the court in writing of its decision. If a request is denied, the court may submit an appeal to the AOC Finance Division Director. The AOC Finance Division Director, Chief Deputy Director, and appropriate Regional Director will consider the appeal jointly and notify the court of its final decision within 10 working days.

If you have any questions on this matter, please do not hesitate to contact your regional budget analyst.

CMH/DG/ob
Attachments
1) Request for TCIF Emergency Funding Form
2) Criteria for Emergency Funding Requests

cc: AOC Executive Management Team
AOC Finance Division Management Team
Regional Budget Analysts

REQUEST FOR TCIF EMERGENCY FUNDING **Funding will address the avoidance of (check all that apply):** ___ Lay-offs ___ Mandatory furloughs ___Reduced hours (less than minimum standard operating requirements) ___ Court closures	**Administrative Office of the Courts** **455 Golden Gate Ave** **Finance Division** **San Francisco, CA 94102-3660**

ALLOCATION TO BE ADJUSTED

SUPERIOR COURT:	**AMOUNT REQUESTED**:

SUMMARY OF REQUEST (Attach backup data)

Please fully explain how the requested funding will be used in avoidance of at least one of the above issues.

III. ACTIONS TAKEN AND IMPACTS

A. What steps have been or are being taken to address the unallocated reduction issue that is causing the hardship? (Include an explanation of whether the steps are consistent with the court's budget reduction plan, as submitted.)

B. What additional steps or actions will be taken if this funding request is not approved?

C. What specific program and public service impacts will occur if this funding request is not approved?

IV. STATUS OF COURT'S TCTF/Non-TCTF Reserves

A. Explain the status of the court's reserves, including the available amounts, and how they will be used.

B. Explain the timeline for when the court will need the funds and whether the allocation can be received over time or must be received lump-sum by critical dates. Explain the nature of all critical dates.

V. REQUEST HISTORY

A. Has a request on this issue been previously submitted to the AOC for consideration? __YES __NO

B. If yes, explain the history of the request, including the date submitted, the division which reviewed it, and the outcome. If the request was denied, explain why.

VI. MONTH AND YEAR WHEN THE HARDSHIP WAS FIRST IDENTIFIED

Month:_____ Year:_____

VII. REQUESTING SUPERIOR COURT'S AUTHORIZED REQUESTER

Requested by:_____ Title:_____ Date:_____

VIII. TRIAL COURT BUDGET SUPPORT ANALYST

Recommend for Approval: __YES __NO Approved By: _____ Date: _____

IX. REGIONAL DIRECTOR

Recommend for Approval: __YES __NO Approved By: _____ Date: _____

X. DIRECTOR, FINANCE DIVISION ___APPROVED ___DENIED

Approved by: _____ Date: _____

Criteria for Emergency Funding Requests
Trial Court Improvement Fund

AOC Budget Analyst criteria reference for court requests to be used in tandem with the Request for Emergency Funding form

1. Requests must specifically address the avoidance of one of the following:
    a) Lay-offs
    b) Mandatory furloughs
    c) Reduced hours (less than the minimum standard operating requirements established by the Judicial Council)
    d) Court closures

2. Court must fully explain how the requested funding will be used in avoidance of at least one of the above issues.

3. Court must have exhausted *available* reserves not otherwise restricted or dedicated to a mandatory need. Dedicated reserves should be itemized and reflect timelines for estimated dates of usage.

4. The court must itemize and fully explain all funding redirections that have been taken to address the problem.

5. The court must explain why other reasonable program cost shifts or reductions in expenditures cannot be made.

6. The court must explain actions that will occur if funding is not approved.

7. The court must indicate specific program and public service impacts.

8. The court must identify if and how this problem was cited in the recent budget reduction drills. If it was identified as an item for reduction, then the court must fully explain why funding is now being requested.

[AOC and Court agree that AOC will present the following to the Judicial Council for its consideration.]

Attachment F

BASIC TERMS OF AGREEMENT
BETWEEN
THE ADMINISTRATIVE OFFICE OF THE COURTS
AND
THE SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN FRANCISCO

- $2.5 million from [~~Administrative Office of the Courts~~] Trial Court Improvement Fund emergency funds;
- [~~$650,000~~] $645,960 from [~~Administrative Office of the Courts~~] Judicial Admin. Efficiency and Modernization Fund for complex litigation;
- Superior Court of California, County of San Francisco to continue to implement best practices to enhance collections matters;
- Superior Court of California, County of San Francisco to continue with implementation of cost savings measures;
- Superior Court of California, County of San Francisco will use necessary resources to keep open 11 courtrooms, previously marked for closure and to reduce number of staff layoffs;
- Administrative Office of the Courts commits to advocate for revenue solutions, including, but not limited to: budget restorations; review of uniform, statewide fee amounts; adoption of a county-based and county-retained appearance fee for case management conferences in complex litigation matters; and other possible legislative solutions in cooperation with the county courts.

On behalf of the Administrative Office of the Courts:

Ronald G. Overholt — Date 8/30/11
Chief Deputy Director

On behalf of the Superior Court of California, County of San Francisco:

T. Michael Yuen — Date 8/31/11
Court Executive Officer

The Judicial Council approved the revised Fund Balance Policy on October 29, 2010.

FUND BALANCE POLICY

BACKGROUND
In the Supplemental Report of the 2006 Budget Act, the Legislature specified that the Judicial Council report on court reserves and provide its policy governing trial court reserves. On October 20, 2006 and revised on April 23, 2009, the Judicial Council approved a fund balance policy for trial courts. Financial accounting and reporting standards and guidelines have been established by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB). The Trial Court Financial Policy and Procedures Manual, in compliance with these standards and guidelines, specifies that the trial courts are responsible for the employment of "sound business, financial and accounting practices" to conduct their operations.

In addition, Government Code section 77203 specifies that the Judicial Council has the authority to authorize trial courts to carry over unexpended funds from one year to the next. Consistent with this provision, this policy provides courts with specific directions for identifying fund balance resources necessary to address statutory and contractual obligations on an accurate and consistent basis as well as maintaining a minimum level of operating and emergency funds. In addition, this policy provides the necessary structure to ensure funds are available to maintain service levels for various situations that confront the trial courts including a late state budget.

GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for financial statements for periods beginning after June 15, 2010, and will impact year-end closing statements for the fiscal year 2010–2011.

PURPOSE
Governmental agencies/entities report the difference between their assets and obligations as fund balance. Under GASB Statement 54, fund balances for governmental funds must be reported in classifications that comprise a hierarchy. The statement distinguishes between nonspendable and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Under GASB 54, the number of classifications has been expanded from 2 to 5.

The purpose of this policy is to establish uniform standards, consistent with GASB 54, for the reporting of fund balance by trial courts and to maintain accountability over the public resources used to finance trial court operations.

POLICY
As publicly funded entities, and in accordance with good public policy, trial courts must ensure that the funds allocated and received from the state and other sources are used efficiently and accounted for properly and consistently. The trial courts shall account for and report fund balance in accordance with established standards, utilizing approved classifications. Additionally, a fund balance can never be negative.

Fund Balance Classifications

The Judicial Council approved the revised Fund Balance Policy on October 29, 2010.

Beginning with the most binding constraints, fund balance amounts must be reported in the following classifications:

- Nonspendable Fund Balance
- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance (General Fund only)

When allocating fund balance to the classifications and categories, allocations must follow the following prioritization:

1. Nonspendable Fund Balance
2. Restricted Fund Balance
3. Contractual commitments to be paid in the next fiscal year
4. The minimum calculated operating and emergency fund balance
5. Other Judicial Council mandates to be paid in the next fiscal year
6. Contractual commitments to be paid in subsequent fiscal years
7. Assigned Fund Balance designations
8. Unassigned Fund Balance

If there is insufficient fund balance to cover any or all of the first five priorities, the shortfall should be explained in detail in attached footnotes. Also, there are additional reporting requirements when the amount allocated to the operating and emergency category is below the minimum required.

Nonspendable Fund Balance

Nonspendable Fund Balance includes amounts that cannot be spent because they are either (a) not in spendable form (not expected to be converted to cash) or (b) legally or contractually required to be maintained intact. Examples include:

- Inventories
- Prepaid amounts Long-Term Loans and Notes Receivable
- Principal of a permanent (e.g., endowment) fund

This represents the 'newest' classification in comparison to the descriptions used before the creation of GASB 54. To some extent, the remaining 4 classifications are somewhat mirrored in the prior definitions.

Restricted Fund Balance

Restricted Fund Balance includes amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

- Externally imposed
  Imposed externally by grantors, creditors, contributors, or laws or regulations of other

governments (i.e., monies received by a grantor that can only be used for that purpose defined by the grant).

- Imposed by Law (Statutory)
  A restricted fund balance that consists of unspent, receipted revenues whose use is statutorily restricted (e.g., children's waiting room and dispute resolution program funding).

Committed Fund Balance

Committed Fund Balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Judicial Council. These committed amounts cannot be used for any other purpose unless the Judicial Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Committed Fund Balance must also include contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. While the requirement to include contractual commitments is a policy decision of the Judicial Council, the type, number and execution of contracts is within the express authority of presiding judges or their designee.

The Judicial Council has authorized a stabilization arrangement (Operating and Emergency fund category) to be set aside for use in emergency situations or when revenue shortages or budgetary imbalances might exist. The amount is subject to controls that dictate the circumstances under which the court would spend any of the minimum operating and emergency fund balance.

Each court must maintain a minimum operating and emergency fund balance at all times during a fiscal year as determined by the following calculation based upon the prior fiscal year's ending total unrestricted general fund expenditures (excluding special revenue, debt service, permanent, proprietary, and fiduciary funds), less any material one-time expenditures (e.g., large one-time contracts).

Annual General Fund Expenditures
5 percent of the first $10,000,000
4 percent of the next $40,000,000
3 percent of expenditures over $50,000,000

If a court determines that it is unable to maintain the minimum operating and emergency fund balance level as identified above, the court must immediately notify the Administrative Director of the Courts, or designee, in writing and provide a plan with a specific timeframe to correct the situation.

Assigned Fund Balance

This is a fund balance that is constrained by the Presiding Judge, or designee, with the intent that it be used for specific purposes or designations that are neither unspendable, restricted nor committed.

Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. Assigned amounts are based on

estimates and explanations of the methodology used to compute or determine the designated amount must be provided.

Assigned fund balances include:

- All remaining amounts that are reported in governmental funds, other than general fund, that are not classified as nonspendable and are neither restricted nor committed and
- Amounts in the general fund that are intended to be used for a specific purpose in accordance with the provision identified by the Presiding Judge, or designee.

Courts will identify assigned fund balances according to the following categories:

1. **One-time facility – Tenant improvements** Examples include carpet and fixture replacements.

2. **One-time facility – Other Examples** include amounts paid by the AOC on behalf of the courts.

3. **Statewide Administrative Infrastructure Initiatives.** Statewide assessment in support of technology initiatives (e.g., California Case Management System and Phoenix) will be identified in this designation.

4. **Local Infrastructure (Technology and non-technology needs)** Examples include interim case management systems and non-security equipment.

5. **One-time employee compensation (Leave obligation, retirement, etc.)** Amounts included in this category are exclusive of employee compensation amounts already included in the court's operating budget and not in a designated fund balance category.

    a. One-time leave payments at separation from employment. If amounts are not already accounted for in a court's operating budget, estimated one-time payouts for vacation or annual leave to employees planning to separate from employment within the next fiscal year should be in this designated fund balance sub-category. This amount could be computed as the average amount paid out with separations or other leave payments during the last three years. Any anticipated non-normal or unusually high payout for an individual or individuals should be added to at the average amount calculated.

    In a footnote, the court should note the amount of its employees' currently earned leave balance that is more than the established designated fund balance. The amount would be determined by multiplying the hours of earned vacation or annual leave on the payroll records for each employee times his or her current salary rate minus the designated fund balance established.

    b. Unfunded pension obligation. If documented by an actuarial report, the amount of unfunded pension obligation should be included as a designated fund balance. Employer retirement plan contributions for the current fiscal year must be accounted for in the court's operating budget.

In a footnote, the court should note the amount of the current unfunded pension obligation that is in excess of the established designated fund balance.

c. Unfunded retiree health care obligation. If documented by an actuarial report, the amount of unfunded retiree health care obligation should be included as a designated fund balance.

   The current year's unfunded retiree health care obligation contains: (i) the current year Annual Required Contribution (ARC) based on a 30-year amortization of retiree health costs as of last fiscal year-end **and** (ii) the prior year retiree health care obligation **less** (iii) the retiree health care employer contributions and any transfers made to an irrevocable trust set up for this purpose. The current year's unfunded retiree health care obligation is to be added to the prior year's obligation.

   Note: The ARC amounts are located in each court's actuarial report, which is entitled "Postretirement Benefit Valuation Report".

   In a footnote, the court should note the amount of the cumulative unfunded retiree health care obligation that is in excess of the established designated fund balance.

d. Workers compensation (if managed locally). The amount estimated to be paid out in the next fiscal year.

e. Use of reserve funds for liquidation of outstanding leave balances for employees in a layoff situation, consistent with the requirements of GASB 45; other examples would include reserving funds for the implementation of "enhanced retirement" or "golden handshake" programs in the interest of eliminating salaries at the "high end" or "top step", and thereby generating salary savings or rehires at the low end of a pay scale for position(s), but realizing one-time costs in the interest of longer term savings for the court.

6. **Professional and consultant services.** Examples include human resources, information technology, and other consultants.

7. **Security.** Examples include security equipment~~,~~ and pending increases for security service contracts.

8. **Bridge Funding.** A court may choose to identify specific short or intermediate term funding amounts needed to address future needs that are otherwise not reportable, nor fit the criteria, in either restricted nor committed classifications, that it believes are necessary to identify through specific designations. These designations must be listed with a description in sufficient detail to determine their purpose and requirements.

9. **Miscellaneous (required to provide detail).** Any other planned commitments that are not appropriately included in one of the above designated fund balance sub-categories should be listed here with a description in sufficient detail to determine its purpose and requirements.

The Judicial Council approved the revised Fund Balance Policy on October 29, 2010.

Unassigned Fund Balance – for General Fund Use Only

Unassigned Fund Balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other fund balance and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The general fund is the only fund that shall report a positive unassigned fund balance amount.

Attachment H

SAN FRANCISCO SUPERIOR COURT - BUDGET PROJECTIONS (7/27/2011)

1	Budget Planning Tracker (year over year change; $ in millions)				
2	**Fund Balance**	**FY 11/12**	**FY 12/13**	**FY 13/14**
3	Prior Year Balance	4.42	11.4	4.95
4	**Allocation**	**FY 11/12**	**FY 12/13**	**FY 13/14**
5	Reduction in Base Budget Allocation	**(4.80)**	**(9.93)**	**(2.24)**
6	**Revenue Subtotal**	**(4.80)**	**(9.93)**	**(2.24)**
7	**Personal Services**			
8	One-Time Payments	**(0.07)**	**(0.07)**	**(0.07)**
9	Step Increases	**(0.17)**	**(0.10)**	**(0.10)**
10	Health Benefits - holdover	0.00	**(0.30)**	**-**
11	Health, Dental and Retirement	0.00	0.00	0.00
12	Worker's Comp	0.10	0.00	0.00
13	FY 10/11 0.5 Year Furloughs	**(1.10)**	0.00	0.00
14	Restoration of Fund Balance	0.00	0.00	0.00
15	**Personal Services Subtotal**	**(1.24)**	**(0.47)**	**(0.17)**
16	**Operating Expenses and Equipment**			
17	Janitorial Services	0.40	**(0.10)**	0.00
18	COWCAP Charges	**(0.31)**	**(0.31)**	**(0.32)**
19	Business and Crime Insurance	0.00	0.00	0.00
20	Recover Costs Managing CCSF Functions * (Civil Grand Jury)	0.03	0.00	0.00
21	General Inflationary Costs	**(0.31)**	**(0.32)**	**(0.33)**
22	**Operating Expense Subtotal**	**(0.19)**	**(0.73)**	**(0.65)**
23				
24	**Surplus / Deficit**	**(6.23)**	**(11.13)**	**(3.06)**
25	**Solutions**			
26	Using Reserves	0.00	0.00	0.00
27	Recover Records Requests Costs from Justice Partners	0.10	0.00	0.00
28	Traffic Civil Assessment Revenue	0.30	0.40	0.00
29	Reduction in Force	12.81	4.27	0.00
30	**Solutions Subtotal**	**13.21**	**4.67**	**0.00**
31				
32	**Remaining Surplus / (Deficit)**	**6.98**	**(6.46)**	**(3.06)**

NEWS RELEASE
SUPERIOR COURT OF CALIFORNIA
COUNTY OF SAN FRANCISCO

400 McAllister Street, Room 205
San Francisco, CA 94102-4512
Phone: 415-551-5737
FAX: 415-551-5701

T. MICHAEL YUEN
COURT EXECUTIVE OFFICER

Contact:

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Follow Us on Twitter:
https://twitter.com/SFSuperiorCourt

FOR IMMEDIATE RELEASE: August 31, 2011

SAN FRANCISCO REACHES AGREEMENT WITH AOC FOR EMERGENCY FUNDING TO REDUCE LAYOFFS, COURTROOM CLOSURES

AOC Agrees to Advocate for Local Revenue Solutions, Restoration of Trial Court Funding

SAN FRANCISCO -- An emergency funding compromise reached with the Administrative Office of the Courts (AOC) would significantly reduce the San Francisco Superior Court's staff layoffs from 177 to 75 and allow the Court to keep 11 civil courtrooms open, including both complex litigation departments, Presiding Judge Katherine Feinstein announced today.

The agreement, which was struck after negotiations that began late last week and continued over the weekend, must be approved by the Judicial Council in a special meeting on September 9, 2011.

"This agreement represents a true compromise with the AOC to help the San Francisco Superior Court lessen the blow on access to justice," Judge Feinstein said. "If the Judicial Council approves the terms of the agreement, our Court would reduce civil courtroom closures from 25 to 14 and lay off 15 percent instead of 40 percent of our staff."

The emergency funding deal comes just four days after Judge Feinstein asked the Judicial Council to approve emergency funding for the Court, which faces a $6.23 million deficit for the current fiscal year and a cumulative $20.4 million deficit through FY 2013-2014. The agreement would provide a $2.5 million infusion of emergency funds to the Court. The Court would agree to accept an existing $650,000 in grant money from the AOC, which partially funds

-MORE-

two complex litigation departments. The Court would save $4 million this year by laying off 75 employees.

"We could save some jobs, although not enough," Judge Feinstein said. "We would be able to offer more access to our civil justice system, but not as much as San Franciscans deserve. I compromised on this temporary approach because there is momentum building among attorneys and lawmakers to achieve a long-term solution to inadequate trial court funding."

Judge Feinstein emphasized that a significant part of the agreement would require a commitment from the AOC to advocate for revenue solutions, including restoration of judicial branch funding, review of uniform, statewide fee amounts and adoption of a fee for case management conferences in complex litigation matters that trial courts could charge and retain locally.

"We are working nonstop to move ahead in January with a legislative solution that has the backing and support of bar groups," Judge Feinstein said. "It has become clear that if the current model of trial court funding leaves our Court – or any other Court – teetering on the brink of financial collapse, then we must actively explore a new funding scheme to sustain the third branch of government in California."

The agreement would require the Court to continue to implement best practices with regard to collecting delinquent fees and fines. The Court also would agree to continue its efforts to implement cost-savings measures. While the agreement does not specifically require the Court to reduce its layoffs by a particular amount, it would require the Court to use necessary resources at its discretion to keep 11 courtrooms open.

"It's exceedingly likely that if our allocation remains flat next year, we will be looking at significant layoffs again – which I do not want our Court to have to repeat," Judge Feinstein said. "However this compromise allows us to seek legislative remedies with the AOC's help to better position trial courts for the next fiscal year."

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