



JUDICIAL COUNCIL
OF CALIFORNIA

TRIAL COURT BUDGET
ADVISORY COMMITTEE

**TRIAL COURT BUDGET ADVISORY COMMITTEE
REVENUE AND EXPENDITURE SUBCOMMITTEE**

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OF CALIFORNIA

TRIAL COURT BUDGET
ADVISORY COMMITTEE

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TRIAL COURT BUDGET ADVISORY COMMITTEE

REVENUE & EXPENDITURE SUBCOMMITTEE

MINUTES OF OPEN MEETING

July 7, 2015

8:00 a.m. to 11:16 a.m.

Judicial Council of California, 455 Golden Gate Avenue, San Francisco

Advisory Body Members Present: Judges: Hon. Marsha Slough (Co-Chair), Hon. Dodie A. Harman, Hon. Elizabeth W. Johnson, Hon. Cynthia Ming-mei Lee, Hon. Paul M. Marigonda, and Hon. Winifred Younge Smith.

Executive Officers: Ms. Sherri R. Carter (Co-Chair), Mr. José Octavio Guillén, Mr. Shawn C. Landry, Mr. Stephen H. Nash, Ms. Kim Turner, and Mr. David H. Yamasaki.

Advisory Body Members Absent: Ms. Rebecca Fleming

Others Present: Hon. Laurie M. Earl, Mr. Mark Dusman, Mr. Curt Soderlund, Mr. Zlatko Theodorovic, Mr. Steven Chang, Mr. Colin Simpson, Ms. Lucy Fogarty, Mr. Jeffrey Wong, Ms. Virginia Sanders-Hinds, Ms. Renea Stewart, Ms. Diana Earl, and Ms. Daphne Light.

OPEN MEETING

Call to Order and Roll Call

The meeting was called to order at 8:00 a.m. and roll was taken.

Approval of Minutes

The May 27, 2015 meeting minutes were approved unanimously.

Public Comment

No written comments were received and there were no requests to speak during the public comment portion of the meeting.

DISCUSSION AND ACTION ITEMS

Item 1

2015–2016 Allocation of New Funding to the State Trial Court Improvement and Modernization Fund for the Telecommunications Program (Action Item)

Action: A motion was made, seconded, and approved unanimously to (1) allocate an additional \$5.5 million for the Telecommunications Program in fiscal year 2015–2016 from the \$5.5 million in additional General Fund transfer into the IMF provided in the Budget Act of 2015 to be spent in accordance with the Budget Change Request submitted to the Department of Finance and (2) request that the Judicial Council Information Technology office report back to the subcommittee on the estimated cost of the program after the office has finished its survey and analysis.

Item 2

2015–2016 Allocations from the State Trial Court Improvement and Modernization Fund (Action Item)

Action: A motion was made, seconded, and approved unanimously to adopt two recommendations of the Ad Hoc Working Group:

1. Recommend that the Judicial Council direct staff to provide an annual report by September 30th of each year to TCBAC of outstanding encumbrances for all programs funded from the TCTF or IMF that support the trial courts. The report should identify the amount of each encumbrance, the purpose of the encumbrance, the name of the vendor/contractor for which the funds are encumbered, the equipment or services related to each encumbrance, and estimated timeframes for expenditure or disencumbrance.
2. Recommend that the Judicial Council direct staff to provide an updated encumbrance report by March 31st of each year to TCBAC, containing the same information as the September report. This report should update the TCBAC on the status of encumbrances contained in the September report as well as any new encumbrances that have occurred since the previous September. This updated information will be considered by the TCBAC as it undertakes its review of funds available to support trial court activities in the next Fiscal Year.

Action: A motion was made, seconded, and approved unanimously to have the Ad Hoc Working Group report back to the subcommittee on July 29 regarding reducing the 2015–2016 allocation for the Phoenix, California Courts Technology Center, and Enterprise Planning and Policy programs by \$4.681 million through aligning the 2015–2016 allocations with the costs that will be incurred in 2015–2016, subject to further adjustment, and the continued assessment of the accounting and contractual issues related to modifying the length of the Oracle contract and/or the current encumbrance practice.

Action: A motion was made, seconded, and approved unanimously to recommend that the fiscal year 2015–2016 allocation for the California Courts Protective Order Registry (CCPOR) be increased by \$145,560 for costs associated with the California Law Enforcement Telecommunications program's infrastructure that is used by the CCPOR program.

A D J O U R N M E N T

There being no further business, the meeting was adjourned at 11:16 a.m.

Approved by the advisory body on [Date].

Item 1
2015–2016 Allocations from the State Trial Court Improvement and Modernization
Fund
(Action Item)

The materials for Item 1 are the following:

- Attachment 1A –Report from the Ad Hoc Working Group
- Attachment 1B – IMF Fund Condition Statement

TO: Members of the Revenue and Expenditure Subcommittee of the Trial Court Budget Advisory Committee

FROM: Members of the Ad Hoc Working Group on Trial Court Revenues

DATE: July 28, 2015

SUBJECT: Follow-Up Report Regarding Allocation Reduction Recommendations

Background and Issue Statement

At the July 7, 2015 meeting of the Revenue and Expenditure Subcommittee (R&E Subcommittee), the Ad Hoc Working Group on Trial Court Revenues presented a report on its review of expenditures, encumbrances, and allocations related to the Phoenix, California Courts Technology Center (CCTC); and the Enterprise Policy/Planning program (EPP). The report included findings and specific recommendations. The first two recommendations related to future reporting on encumbrances. The R&E Subcommittee approved those two recommendations. The third recommendation in the report related to specific one-time allocation reductions related to the three projects, reflecting elimination of funding planned for encumbrance rather than expenditure in fiscal year 2015-2016. These recommended reductions totaled \$5,336,911.

After the report had been submitted, but before the R&E Subcommittee meeting had convened on July 7, 2015, staff from the Judicial Council submitted additional updated information related to projected encumbrances, fund reversions, and funding needs that resulted in a revised reduction amount of \$4,681,205. In addition to these revised numbers, Judicial Council staff (JC Staff) also identified technical accounting questions regarding the proposal to reduce funding in 2015-16 that staff planned to encumber related to its annual Oracle contract, by only providing funding for actual costs to be incurred in 2015-16, rather than encumbering a majority of the allocated funding for a subsequent fiscal year, thus unnecessarily tying up current year monies. During the July 7th meeting, there was substantial discussion, including exploration of the possibility of modifying the ending term of the Oracle contract to more closely align with the annual fiscal year. Given the lateness of the issue, and the need to further research the accounting and contract issues that had been raised, members of the Ad Hoc Working Group suggested that it would be prudent to defer action on this third recommendation, to allow further review and discussion by both JC Staff and members of the Ad Hoc Working Group. Based upon this suggestion, the R&E Subcommittee took the following action related to Recommendation 3:

A motion was made, seconded, and approved unanimously to have the Ad Hoc Working Group report back to the subcommittee on July 29 regarding reducing the 2015–2016 allocation for the Phoenix, California Courts Technology Center, and Enterprise Planning and Policy programs by \$4.681 million through aligning the 2015–2016 allocations with the costs that will be incurred in 2015–2016, subject to further adjustment, and the continued assessment of the accounting and contractual issues related to modifying the length of the Oracle contract and/or the current encumbrance practice.

Following the July 7 R&E Subcommittee meeting, JC Staff presented revised numbers to the Ad Hoc Working Group that reflected updated end of year expenditures, reversions, and encumbrances. In addition to presenting this information, JC Staff indicated that they believe that this adjustment can be implemented as recommended. The results of these adjusted amounts are reflected in the table below:

Recommended IMF Allocation Adjustments
Prepared by Ad Hoc Working Group
July 28, 2015

Project	Approved IMF 2015- 16 Allocation	Recommended One-Time Allocation Adjustment 2015-16	Recommended Revised Allocation
Phoenix	\$12,496,300	-\$375,186	\$12,121,114
California Court Technology Center (CCTC)	\$10,487,200	-\$1,952,231	\$8,534,970
Enterprise Policy and Planning (EPP)	\$5,220,500	-\$2,388,360	\$2,832,140
<i>Total Allocations</i>	\$28,204,000	-\$4,715,777	\$23,488,224

In addition to updating actual and planned expenditures and investigating the technical ability to make the proposed adjustments, JC staff also explored the possibility of modifying the ending date of the next Oracle contract, to potentially align it more closely to the beginning and ending of the fiscal year. Inquiries were made with the vendor and it was determined that such a change could be implemented. Staff subsequently indicated, however, that there are workload and other considerations that would make such a change unattractive. In addition, given the ability to split fund the contract by fiscal year, changing the contract term at this time would be unnecessary. Consequently, changing the term and ending date of future Oracle contracts is not included in the modified recommendation below.

Revised Recommendation for consideration of the Revenue & Expenditure Committee

3. Recommend that the Judicial Council modify its previously approved funding allocations for Fiscal Year 2015-16 for Phoenix, CCTC and EPP to reduce such allocations to reflect the actual costs to be incurred in FY 2015-2016 for each program, totaling \$4,715,777. These cuts are recommended to be one-time allocation reductions to these programs.

Alternative Actions to Consider

Alternatives for Recommendation 3 include (1) not reducing current year allocations for these programs despite the availability of significant carryover encumbered funds; and (2) not reducing encumbered amounts that relate to services that will be completed by July 31, 2015, thus leaving one month of funding that will not be expended until fiscal year 2016-2017. With regard to

Alternative (1), given the amount of funds that have rolled forward each year for these programs and given the severe reductions to, and complete elimination of, many worthy IMF-funded programs and the continued projections of minimal reserves in the IMF fund in Fiscal Year 2015-16, we believe that there is a strong need to recapture some of the encumbered funding that could be available for allocation to other critical programs. Regarding Alternative (2), leaving one month of encumbered funds would maintain a small additional cushion for these ongoing programs. The need for such a cushion in the current year is not clear, though, with a timely state budget in place and no indication from program staff that there is a likelihood of cost increases pending.

IMF -- Fund Condition Statement

(revised July 22, 2015)

#	Description	2012-2013 (Year-end Financial Statement)	2013-2014 (Year-end Financial Statement)	Estimated 2014-2015 (Estimated YEFS)	Estimated 2015-2016 ¹
		A	B	C	D
1	Beginning Balance	48,128,575	44,827,741	26,207,006	8,408,150
2	Prior-Year Adjustments	11,547,967	4,410,172	2,880,385	992,266
3	Adjusted Beginning Balance	59,676,542	49,237,913	29,087,391	9,400,416
4	<i>Revenues</i>				
5	50/50 Excess Fines Split Revenue	31,920,133	26,873,351	23,202,658	21,526,146
6	2% Automation Fund Revenue	15,753,200	15,242,700	14,730,023	14,143,701
7	Jury Instructions Royalties	518,617	445,365	484,063	484,063
8	Interest from SMIF	201,201	124,878	100,734	100,000
9	Other Revenues/SCO Adjustments	2,875	24,476	30,233	-
10	<i>Transfers</i>				
11	From State General Fund	38,709,000	38,709,000	38,709,000	44,218,000
12	To Trial Court Trust Fund (Budget Act)	(23,594,000)	(20,594,000)	(20,594,000)	(594,000)
13	To TCTF (GC 77209(k))	(13,397,000)	(13,397,000)	(13,397,000)	(13,397,000)
14	Net Revenues and Transfers	50,114,026	47,428,770	43,265,710	66,480,910
15	Total Resources	109,790,568	96,666,683	72,353,102	75,881,326
16	<i>Expenditures</i>				
17	Allocation	71,923,000	73,961,680	71,466,600	66,277,000
18	R/E Subcommittee Recommended Adjustments:				
19	Telecommunications program				5,509,000
20	CCPOR program				145,600
21	Ad Hoc Working Group Recommended Adjustments:				
22	Phoenix program				(375,186)
23	California Court Technology Center (CCTC) program				(1,952,231)
24	Enterprise Policy and Planning (EPP) program				(2,388,360)
25	Less: Unused Allocation	(7,123,067)	(4,082,985)	(7,819,229)	
26	Pro Rata and Other Adjustments	162,894	580,982	297,581	767,091
27	Total Expenditures	64,962,827	70,459,677	63,944,952	67,982,915
28	Fund Balance	44,827,741	26,207,006	8,408,150	7,898,411
29	Revenue/Transfers Over/(Under) Exp	(14,848,801)	(23,030,907)	(20,679,241)	(1,502,005)

1. Revenue estimates are May Revise estimates submitted to the Department of Finance in April 2015.