



Judicial Council of California · Administrative Office of the Courts

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REPORT TO THE JUDICIAL COUNCIL

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Financial Accountability and Efficiency for
the Judicial Branch

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Submitted by

Advisory Committee on Financial
Accountability and Efficiency for the
Judicial Branch
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Executive Summary

On August 31, 2010, the new Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch met to review and discuss potential fiscal year (FY) 2010–2011 compensation issues related to Administrative Office of the Courts (AOC) employees, FY 2011–2012 budget change proposal concepts, and audit reports. This report provides information on the advisory committee’s review of FY 2011–2012 AOC budget change proposal concepts and AOC employee compensation issues for FY 2010–2011, including a recommendation that the Chief Justice approve a 3.5 percent step increase for all eligible AOC employees, effective July 1, 2010, to be implemented upon enactment of the 2010 State Budget. The advisory committees review of audit reports is addressed in a separate report.

Previous Council Action

The Judicial Council at its August 27, 2010, business meeting approved the development of FY 2011–2010 BCPs for the Administrative Office of the Courts.

Methodology and Process

The Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch was appointed by the Chief Justice to review and make recommendations to the Chief Justice, Judicial Council, and Administrative Director of the Courts on annual budget change proposals for funding of the AOC and proposed changes in the annual compensation plan for the AOC. In addition, the committee was charged with reviewing financial audit reports for the judicial branch and, where appropriate, making recommendations to the Judicial Council on individual or systemic issues for the council's consideration at the time it receives and considers audit reports.

The purpose of the advisory committee is to promote transparency, accountability, efficiency, and understanding of the AOC and the judicial branch. The advisory committee fosters the best use of the work, information, and recommendations provided by the AOC, and it promotes an increased understanding of the AOC's mission, responsibilities, accomplishments, and challenges.

The advisory committee is a standing committee of the Judicial Council, charged with the following responsibilities:

- Each year, prior to submission to the State Department of Finance, review budget change proposals for funding of the AOC and make recommendations to the Chief Justice, Judicial Council, and Administrative Director of the Courts.
- Each year, review proposed changes in the annual compensation plan for the AOC and report recommendations to the Chief Justice, Judicial Council, and Administrative Director of the Courts. The Chief Justice is charged by law with making the final decision. (Cal. Const., art VI, § 6; Gov. Code, § 19825(b).)
- Review all financial audit reports for the Judicial Branch and, where appropriate, make recommendations to the Judicial Council on individual or systemic issues for the council's consideration at the time it receives and considers audit reports.
- Advise on other issues related to the committee charge as requested by the Chief Justice, Judicial Council, and Administrative Director of the Courts.

In accordance with its charge, on August 31, 2010, the advisory committee convened its first business meeting which focused on the following areas.

Judicial branch audit reports

The committee's review of judicial branch audit reports is addressed in a separate report to the council.

FY 2011–2012 budget change proposals

Since the new committee's first meeting occurred after the council's approval of the budget change proposal concepts on August 27, 2010, the purpose of the advisory committee's review of these concepts this year was to provide additional branch input and communication regarding overall funding changes, resource needs, and prioritization. If staff determined, as a result of this

meeting or other discussions with the California Department of Finance (DOF), that there was a need to revise planned proposals in a material or substantive way, staff were then to return to the Judicial Council with additional or revised recommendations, before the submission of final BCPs to the DOF.

The advisory committee reviewed the budget change proposal concepts as presented by AOC staff and made no recommendations for changes or revisions. FY 2011–2012 budget change proposal concepts were developed into budget change proposals and submitted to the California Department of Finance on September 13, 2010.

In future years, the Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch will conduct the initial review of budget change proposal concepts and make recommendations to the Chief Justice, Judicial Council, and Administrative Director of the Courts when they are submitted to the council for review and approval. The timing of the first business meeting of the advisory committee, which was not until after council review, prevented that from occurring for the FY 2011–2012 budget development process.

AOC annual compensation issues

AOC staff provided a report on compensation and personnel policy issues to the committee, including a discussion of options, issues, and considerations related to AOC staff compensation and personnel issues such as reinstating annual step increases, reducing or eliminating mandatory one-day furloughs for staff, and the need to fill critical positions.

In response to substantial budget reductions and the suspension of growth funding in the State Budget, the entire judicial branch, including the appellate and trial courts and the AOC, has implemented measures to reduce employee compensation costs, as well as other costs, during the last three fiscal years. Hiring freezes, furloughs, layoffs, reduction/elimination of cost-of-living adjustments (COLAs) and step increases have all been a part of the collective effort during this challenging fiscal climate.

The staff report on compensation and personnel policy issues found, however, that with regard to compensation, AOC action to suspend its 3.5 percent annual step increase for eligible employees was not consistent with actions taken by trial courts, where step increases largely remained in place and averaged 5.1 percent per year; nor was it consistent with actions taken by executive branch departments which have not suspended annual 5.0 percent step increases. By comparison, over a ten year period, the step increase for the appellate courts, AOC, California Judicial Center Library, and the Habeas Corpus Resource Center was reduced to 2.5 percent beginning in FY 2002–2003. The step increase was adjusted to 3.5 percent in FY 2004–2005 until its suspension in FY 2009–2010. In addition to the adjustments and suspension of the step increases, during the same ten year period, FY 2000–2001 to FY 2009–2010, employees only received cost-of-living adjustments in fiscal years 2000–2001, 2003–2004, 2006–2007, and 2007–2008. FY 2010–2011 marks the third consecutive year that employees will not receive COLAs.

Based on this report and information that the cost of reinstating step increases could be accommodated within the AOC's budget, given ongoing vacancies and other savings, and consistent with trial court and executive branch policies concerning step increases, a majority of advisory committee members concurred with the staff recommendation to request that the Chief Justice, who is charged by law with making the decision, reinstate a 3.5 percent step increase to eligible employees, effective July 1, 2010. Two members did not concur with the recommendation. The committee will revisit the recommendation as needed if issues arise regarding funding.

The committee deferred making recommendations on other compensation-related issues pending additional information and enactment of the State Budget.

While the report and recommendations to the committee referenced the AOC, the recommendation also relates to compensation issues that equally affect employees in the appellate courts, California Judicial Center Library, and the Habeas Corpus Resource Center.

Policy and Cost Implications

In addition to the suspension of step increases in FY 2009–2010, staff also received a 4.62 percent reduction in pay as a result of mandatory furloughs. In recognition that it is crucial that the agency reinstate step increases at some level to address inequities created as a result of prior year employee compensation reductions, the AOC, upon approval by the Chief Justice, plans to reinstate a 3.5 percent step increase to eligible employees, effective July 1, 2010.¹ Based on current headcount, the estimated cost of implementing the step increase would amount to \$620,000 General Fund and \$493,000 Special Funds for FY 2010–2011. These costs are not funded by the Legislature and are instead managed within the agency's own budget. Step increases would apply only to those eligible employees who have not yet reached the maximum of their salary range. Based on August 2010 figures, approximately 79 percent of AOC staff would be eligible to receive a step increase this fiscal year.

¹ The Chief Justice of California issues a pay memorandum to the State Controller's Office to initiate step increases for the judicial branch, which includes the appellate courts, California Judicial Center Library, Administrative Office of the Courts, and the Habeas Corpus Resource Center.