



Judicial Council of California · Administrative Office of the Courts

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REPORT TO THE JUDICIAL COUNCIL

For business meeting on: July 27, 2012

Title
Judicial Branch Budget Allocation of Fiscal
Year 2012–2013 Reductions to State
Judiciary Entities

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Executive Summary

The Budget Act of 2012 specifically schedules \$49.043 million in reductions to the state judiciary. The enacted budget continues \$30.043 million in cuts approved by the Legislature in 2011–2012, and includes \$19 million in new reductions (\$8 million General Fund and \$11 million other funds), of which \$15 million was redirected to offset reductions to trial court operations.

Judicial Branch Entity	2011–2012	2012–2013	Total 2011–12/2012–13 Reductions
Supreme Court	\$ (2,820,000)	\$ (514,000)	\$ (3,334,000)
Courts of Appeal	(12,512,000)	(2,163,000)	(14,675,000)
Judicial Council/AOC	(13,463,000)	(7,063,000)	(20,526,000)
Judicial Branch Facility Program	(181,000)	(9,040,000)	(9,221,000)
Habeas Corpus Resource Center	(1,067,000)	(220,000)	(1,287,000)
Total State Judiciary Reductions	\$ (30,043,000)	\$ (19,000,000)	\$ (49,043,000)

The reductions scheduled in the Budget Act of 2012 bring the state judiciary's cumulative ongoing General Fund reductions to \$55.140 million. (See Attachment A.)

State judiciary budget reductions

At its July 22, 2011, business meeting the Judicial Council approved an allocation of \$350 million in reductions on a one-time basis in 2011–2012 to the Supreme Court, Courts of Appeal (COA), trial courts, and Administrative Office of the Courts (AOC) and Habeas Corpus Resource Center (HCRC). The council did not make any decision about allocation of reductions for 2012–2013, and instead planned to revisit the 2011–2012 distribution methodology in 2012–2013. (Attachment B provides the distribution of the \$350 million reduction to the judicial branch that was approved by the council.)

Since the July 22 meeting, the following actions taken by the Governor preclude the council's taking action on the distribution of reductions to the judicial branch in 2012–2013:

- The enacted budget scheduled the state judiciary 2011–2012 General Fund reductions as ongoing; and
- The Governor vetoed a provision in the budget that would have allowed the council to offset up to \$350 million in General Fund reductions to trial courts with funds dedicated to other purposes within the judiciary.

Actions taken to address budget reductions

The following provides information about the budget reductions to each state judiciary entity¹, including the measures taken to address the reductions.

Supreme Court. The reduction to the Supreme Court budget for 2011–2012 was \$2.820 million. The Supreme Court began implementing reduction measures prior to 2011–2012, including:

- An approximate 5 percent salary reduction due to the implementation of mandatory furlough (12 days per year) for the past three years and continuing into the fourth fiscal year. The furloughs have affected employees' ability to use other types of leave time as it accrues, creating a contingent, unfunded liability for this accumulated leave time. This problem is exacerbated by the fact that individual workloads have increased as a result of the vacancy holds.
- No cost-of-living adjustments since July 1, 2007.
- Only filling positions deemed critical by the Chief Justice. In most instances, the positions are not filled until, at a minimum, the costs incurred for paying out the separated employees' accrued leave are fully absorbed within that court's budget—typically a 3-to 4-month delay to fill such positions. By the end of fiscal year 2011–2012, the cumulative, average vacancy rate for the Supreme Court was 13 percent. At the

¹ The Supreme Court, Courts of Appeal, Judicial Council/AOC, and the Habeas Corpus Resource Center.

end of July 2012, the court will pick up two additional vacancies, one in Civil Central Staff and another in the Clerk's Office.

Petitions for review in the Supreme Court must be decided within a short, jurisdictional time period or they are automatically deemed denied. Meeting these time limits with fewer resources available has made it difficult for the court to address cases without such time limits promptly. The ability of the court to expeditiously decide granted cases in order to resolve issues of statewide importance or to resolve conflicts in the law also has been affected.

- Closed the Clerk's Office in Los Angeles at the end of 2009 to reduce operating expenditures.
- Reduced operating expenditures by 17 percent.

The approach that will be taken to address the \$514,000 reduction for 2012–2013 has not been finalized; however, it is likely that the Supreme Court's reduction plan will be similar to the approach taken in prior years. In addition, Senate Bill 1021 (Stats. 2012, ch. 41) authorized an increase of approximately 20 percent in certain filing fees to offset reductions to the Supreme Court budget.²

Courts of Appeal. The reduction to the Courts of Appeal budget for 2011–2012 was \$12.512 million. The COA began implementing reduction measures prior to 2011–2012, including:

- An approximate 5 percent salary reduction due to the implementation of mandatory furlough (12 days per year) for the past three years and continuing on into the fourth fiscal year.
- No cost-of-living adjustments since July 1, 2007.
- Only filling positions deemed critical by a court's administrative presiding justice. In most instances, the positions are not filled until, at a minimum, the costs incurred for paying out the separated employees' accrued leave are fully absorbed within that court's budget—typically a 3-to 4-month delay to fill such positions. Backlogs are accumulating in all courts due to vacant positions and furloughs. Some courts cannot keep current with their caseloads; as a result calendaring of civil cases is being delayed as priority must be given to juvenile and criminal cases. In some courts, civil cases are being set aside until the juvenile and criminal cases can be processed.

Third quarter statistics reports from the AOC Courts Programs and Services Division indicate that the clearance rate (how long it takes to complete an appeal) has slowed for the Courts of Appeal as follows:

- 10 percent for civil appeals
- 5 percent for criminal cases
- 5 percent for juvenile cases

² It is estimated that the fee increase will generate additional revenue of approximately \$116,046 in 2012–2013.

- Courts have reduced operating expenditures by more than 32 percent cumulative average.
- Most courts have eliminated or severely curtailed mediation/settlement programs.

For 2012–2013 the reduction to the COA budget is \$2.163 million. The approach that will be taken to address 2012–2013 reductions has not been finalized; however, it is likely that the COA reduction plan will be similar to the approach taken in prior years. Also, as with the Supreme Court, SB 1021 will provide additional fee revenue to offset reductions to the COA budget.³

Judicial Council/AOC and Judicial Branch Facility Program. The Judicial Branch Facility Program is identified as Program 35 in the Judicial Branch budget; the Office of Court Construction Management, which administers Program 35, functions under the authority of the Administrative Director of the Courts. Therefore, reduction measures identified for the Judicial Council/AOC are also applicable to the Judicial Branch Facility Program.

- The reduction to the Judicial Council/AOC budget for 2011–2012 was \$13.463 million.
- The reduction to the Judicial Branch Facility Program budget for 2011–2012 was \$181,000.⁴

Reduction measures undertaken by the Judicial Council/AOC and the Judicial Branch Facility Program in 2011–2012 included:

- Continuation of the mandatory furlough program into a third fiscal year;
- Organizational realignment;
- Reduction in workforce that encompassed layoffs, elimination of vacant positions, reduction of temporary and contract staff, and two phases of a Voluntary Separation Incentive Program (VSIP);⁵
- Renegotiated leases and consolidated lease space; and
- Reduction in operating expenses and equipment.

For 2012–2013 the reduction to the Judicial Council/AOC is \$7.063 million (\$4 million of which was transferred to trial courts) and \$9.040 million to the Judicial Branch Facility Program, of which \$9 million is redirected to mitigate the level of reductions to trial court operations. In total, the Budget Act redirected \$15 million (\$4 million General Fund and \$11 million other funds) to trial courts to mitigate the level of reductions to trial court operations, as shown in the table below.

³ It is estimated that the fee increase will generate additional revenue of approximately \$920,519 in 2012–2013.

⁴ Identified 2011–2012 reductions were to the Judicial Branch Facility Program General Fund.

⁵ It should be noted that the majority of the savings related to layoffs and VSIP separations will be realized in 2012–2013.

Judicial Branch Entity	GF	TCTF	TCIF	SCFCF	Total
Judicial Council/AOC	\$ (4,000,000)	\$ (920,000)	\$ (594,000)	\$ (486,000)	\$ (6,000,000)
Judicial Branch Facility Program	-	-	-	(9,000,000)	(9,000,000)
Total by Fund Type	\$ (4,000,000)	\$ (920,000)	\$ (594,000)	\$ (9,486,000)	\$(15,000,000)

The approach that will be taken to address the 2012–2013 reductions has not been finalized; however, it is anticipated that the reduction measures will be similar to those taken in 2011–2012, including further organizational realignment (structural and staffing), and continuation of the mandatory furlough program for a fourth year. Concurrent with these actions, the AOC will also take direction from and work with the Judicial Council to implement changes stemming from recommendations of the Strategic Evaluation Committee.

Habeas Corpus Resource Center. The reduction to the Habeas Corpus Resource Center budget for 2011–2012 was \$1.067 million. The measures undertaken by HCRC to address the reductions included implementation of a one day per month furlough, and a general reduction to operating expenses and equipment.

For 2012–2013 the reduction to the HCRC budget is \$220,000. The approach that will be taken to address these new reductions has not been finalized; however, it is likely that the reduction plan will be similar to that taken in 2011–2012.

Previous Council Action

The Budget Act of 2011 included \$350 million in new ongoing reductions to the judicial branch. Of these reductions, the Legislature scheduled \$200 million on a prorata basis throughout the branch; however, the additional \$150 million reduction was to the trial court operations item only. Budget Act provisional language authorized the Judicial Council to offset up to \$150 million of the reduction to other areas in the judicial branch, subject to 30-day notification to the Legislature.

At its July 22, 2011, business meeting, based on recommendations from the Trial Court Budget Working Group, the council approved an allocation of \$350 million in reductions on a one-time basis in 2011–2012 to the Supreme Court, Courts of Appeal (COA), trial courts, Administrative Office of the Courts (AOC), and Habeas Corpus Resource Center (HCRC). As stated previously, the council voted not to make any decisions at that meeting about allocation of reductions for 2012–2013, with the intent to revisit the 2011–2012 distribution methodology in 2012–2013; however, the aforementioned Governor’s veto of provisional language in the 2012 Budget Act prohibits the council from taking action to allocate reductions to other areas of the judicial branch.

Attachments

1. Attachment A: Ongoing General Fund Reductions to the State Judiciary
2. Attachment B: Recommended Spread of \$350 Million Reduction to the Judicial Branch

**Recommended Spread of \$350 Million Reduction to Judicial Branch
(Approved by the Judicial Council July 22, 2011)**

Judicial Branch Entity	FY 2008-2009	FY 2009-2010	FY 2010-2011	FY 2011-2012	FY 2012-2013
Supreme Court	\$ -	\$ (916,260)	\$ (916,260)	\$ (3,735,927)	\$ (4,249,927)
Courts of Appeal	-	(4,518,840)	(4,518,840)	(17,031,113)	(19,194,113)
Judicial Council/AOC	-	(10,263,198)	(10,263,198)	(23,726,032)	(28,789,032)
Judicial Branch Facility Program	-	(1,034,000)	(1,034,000)	(1,214,538)	(1,254,538)
Habeas Corpus Resource Center	-	(365,764)	(365,764)	(1,432,877)	(1,652,877)
Total, State Judiciary	\$ -	\$ (17,098,062)	\$ (17,098,062)	\$ (47,140,487)	\$ (55,140,487)



**Recommended Spread of \$350 Million Reduction to Judicial Branch
(Approved by the Judicial Council July 22, 2011)**

Appropriation Item	FY 2011-2012									
	Operations Budget ¹	Adjustment (court-appointed counsel [indigent and dependency], justices/judges compensation, and sheriff/CHP security)	Adjusted Operations Budget	% of Total Budget	Computed Ongoing Reduction of \$200 Million	Computed Reduction of \$150 Million ⁵	Amount of \$180 Million One-Time Offset Available *	\$122.4 Million One-Time Offset	Net FY 2011-12 Reduction	Reduction as % of Adjusted Operations Budget
	A	B	C (A + B)	D	E (D * -\$200 M)	F	G	H	I (E+F+G+H)	J (I / C)
Supreme Court ²	46,507,000	-17,443,294	29,063,706	1.3%	-2,534,532	-285,135	0	0	-2,819,667	-9.7%
Courts of Appeal ²	210,717,000	-81,746,809	128,970,191	5.6%	-11,246,987	-1,265,286	0	0	-12,512,273	-9.7%
Judicial Council/AOC	116,586,000	-4,310,000	112,276,000	4.9%	-9,791,152	-3,671,682	0	0	-13,462,834	-12.0%
Judicial Branch Facility Program ³	9,235,000	-8,052,000	1,183,000	0.1%	-103,165	-77,374	0	0	-180,538	-15.3%
Trial Court Operations, Grant and Local Assistance Funding ⁴	3,108,240,000	-1,095,214,666	2,013,025,334	87.8%	-175,548,082	-144,409,493	59,304,944	122,400,000	-138,252,631	-6.9%
Habeas Corpus Resource Center	13,789,000	-4,889,597	8,899,403	0.4%	-776,082	-291,031	0	0	-1,067,113	-12.0%
Total	3,505,074,000	-1,211,656,366	2,293,417,634	100.0%	-200,000,000	-150,000,000	59,304,944	122,400,000	-168,295,056	-7.3%

*Amount of the \$180 million one-time offset in FY 2011-12 that is available to offset new reductions in FY 2011-12 after offsetting prior-year reductions, but will not be available in FY 2012-13.

None of the \$180 million offset is available to other branch entities.

1. Based on general fund and special funds appropriations in Governor's FY 2011-2012 Budget. Special funds includes budget only for non-facility court-related funds: Appellate Court Trust Fund, Trial Court Improvement Fund, Judicial Administration Efficiency and Modernization Fund, and Trial Court Trust Fund. AOC's budget excludes various special purpose funding (e.g., Motor Vehicle Fund, Federal Trust Fund, etc.), as these allocations are not available for reduction.

2. The adjustments are related to the court-appointed counsel (indigent) budget and justices' compensation.

3. The adjustment is the amount that will be transferred to the Court Facilities Trust Fund.

4. The \$3.1 billion is the total state trial court funding appropriation. The \$1.1 billion adjustment is for the following:

*\$298.5 million for judges' compensation.

*\$26.0 million for assigned judges' compensation.

*\$497.8 million budget for sheriff-provided court security.

*\$107.8 million budget for court-appointed dependency counsel.

*\$35.8 million in new funding for FY 2010-11 benefit cost changes, which since it is not part of the beginning base budget for trial court operations was not included as part of the trial court operations funding subject to the reduction in FY 11-12.

*\$38.7 million for the Judicial Administration Efficiency and Modernization Fund, of which \$20 million will be used to offset funding reductions to trial courts.

*\$17.5 million, the estimated transfer of trial court premiums for participating in the Judicial Branch Workers' Compensation Program to the Judicial Branch Workers' Compensation Fund.

*\$73.6 million in expenditure authority not funded by annual base revenues.

5. Includes 85% reduction transition adjustment for SC and COA and 50% for JC/AOC and HCRC.