

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 0250	Department JUDICIAL BRANCH	Priority No.
Budget Request Name 0250-002-BCP-BR-2016-GB		Program 0140-JUDICIAL COUNCIL	Subprogram

Budget Request Description
 Judicial Council State Operations

Budget Request Summary

The Judicial Council requests an ongoing augmentation of \$8.7 million General Fund to support the Judicial Council's state operations costs of the Phoenix Financial System utilized by the trial courts for financial and human resources management assistance.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

FSR SPR Project No. Date:

If proposal affects another department, does other department concur with proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Catrayel Wood	Date	Reviewed By Madelynn McClain	Date
Chief Administrative Officer <i>[Signature]</i>	Date 12/31/15	Administrative Director <i>[Signature]</i> FOR MH	Date 12/31/15

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA <i>[Signature]</i>	Date submitted to the Legislature 1/7/16
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A. Budget Request Summary

The Judicial Council proposes an ongoing augmentation of \$8.7 million General Fund to support the Judicial Council state operations costs related to the Phoenix Financial System (Phoenix). The Phoenix program is a statewide system utilized by the trial courts for financial and human resources management assistance. The State Trial Court Improvement and Modernization Fund (IMF) currently funds a portion of the Phoenix Program, but the continued decline in revenue over the past several years has led to potential solvency issues in the IMF.

B. Background/History

The Lockyer-Isenberg Trial Court Funding Act of 1997 shifted the responsibility for funding the trial courts from the counties to the state. Historically, most courts' accounting, personnel, and other administrative services have been provided by counties or outsourced to vendors. With the Trial Court Funding Act of 1997, many courts were faced with assuming the task of performing their own human resources- and finance-related functions, but did not have the experience and resources to accomplish this successfully. Counties historically provided these functions for the courts but once trial court responsibility was shifted to the state, many counties no longer performed these services or charged significant fees, leaving the courts in a serious predicament. In December 2002, the Phoenix Financial System was successfully piloted in the Superior Court of Stanislaus County and has since been implemented in all 58 superior courts. This program was established as a major statewide effort to fill service gaps for the courts and to fulfill the Judicial Council's directive for statewide fiscal accountability and human resources support as part of the Council's strategic plan. The program's purpose is to provide daily centralized administrative services to the trial courts including accounting and financial services, trust accounting services, purchasing services, a centralized treasury system, human capital management services, and core business analysis, training and support. There are currently 58 Judicial Council employees providing dedicated system support and design, test, deploy, maintain, and manage the Phoenix System, which enables the branch to produce a standardized set of monthly, quarterly, and annual financial statements that comply with existing statutes, rules, and regulations. Judicial Council support of the Phoenix Program is critical as council staff provide the necessary oversight and central administrative services crucial to the seamless operation of Phoenix. Trial Court staff interact with their designated counterparts within the Judicial Council on a daily basis.

Both internal and external stakeholders benefit immensely from an integrated, Judicial Council-administered program that ensures statewide consistency in court accounting and administrative practices and the gathering, entry, and reporting of reliable financial data. The financial component of the Phoenix System has been implemented in all 58 superior courts. The human resources management/payroll component has been deployed to 11 courts to date. Due to limited resources within the branch, the Judicial Council is unable to deploy the human resources management/payroll component to all courts.

The Phoenix Program was originally funded from various special funds; however, beginning in 2009-10, the Legislature provided an ongoing augmentation of \$6 million General Fund to support the Phoenix Financial System. Due to the decreases in General Fund support in recent years, approximately \$4 million General Fund is available annually to support the Phoenix Program. In 2015-16, \$18.6 million is estimated to be expended to support the Phoenix Program. State operations resources are provided to the Judicial Council Information Technology and the Trial Court Administrative Services Units to support the Phoenix Program. The Information Technology unit provides the necessary infrastructure for the Phoenix Program, which includes operational efficiencies, and secures valuable information for all 58 trial courts. The Trial Court Administrative Services office manages the Phoenix Program which provides for both transition assistance for trial courts moving from county stewardship to the judicial branch's financial and human resources system and a diverse range of services, including a centralized treasury system, accounting and financial services, trust accounting services, human capital management services, and core business analysis, training, and support. Local assistance funding is provided directly to trial courts for required licensing, hardware, maintenance and operations (M&O), technology center support costs, and end-user training in direct support of the trial courts.

Resource History
(Dollars in thousands)

Program Budget	PY - 4	PY - 3	PY - 2	PY - 1	PY
Authorized Expenditures (SO/LA)	7,447,748	7,116,690	20,167,449	17,707,312	17,319,872
Actual Expenditures (SO/LA)	7,175,554	6,622,848	17,856,260	16,726,766	16,442,607
Revenues	n/a	n/a	n/a	n/a	n/a
Authorized Positions	13	9	71	64	65
Filled Positions	10	7	61	60.88	59.88
Vacancies	3	2	10	3.13	5.13

C. State Level Considerations

The Phoenix Program was piloted in 2002 as a major statewide effort to fill this services gap for the courts and to fulfill the Judicial Council's directive for statewide fiscal accountability and human resources support as part of the Council's strategic plan. The program's purpose is to provide daily centralized administrative services to the trial courts including accounting and financial services, trust accounting services, purchasing services, a centralized treasury system, human capital management services, and core business analysis, training and support.

D. Justification

In 2012, the Trial Court Improvement Fund and the Judicial Administration Efficiency and Modernization Fund were combined to create the IMF. While each predecessor fund had specific statutory directives, the IMF is broad in its governing authority and may be utilized by the Judicial Council for approved trial court projects. The Judicial Council has allocated resources for projects historically funded from the IMF; however, in recent years, due to the significant decline in IMF revenues, the Judicial Council has taken action to reduce or eliminate expenditures for specific programs and shifted program support to other fund sources where applicable and allowable by law. Most importantly, the Judicial Council requested the elimination of the \$20 million transfer to the Trial Court Trust Fund to support trial court operations, which started in 2011-12. This, along with the redirection of certain trial court expenditures back to the IMF, resulted in a loss of approximately \$13.3 million directly provided to trial courts for statewide operations. Additionally, the Judicial Council took action to further reduce IMF support to some programs at its October 2015 meeting by directing staff to analyze the feasibility of shifting certain costs away from the State Trial Court Improvement and Modernization Fund to other fund sources.

As indicated above, the IMF has experienced significant declines in revenue over the past several years (see table below). These revenues, which consist of 50-50 excess revenue split from collections of certain fees, fines, and forfeitures; 2 percent of all fines, penalties, and forfeitures collected in criminal cases; and royalties received from publication of uniform jury instructions, are intended to ensure equal access to trial courts by the public and to improve trial court operations and should be used for those purposes.

Historical Revenue for the State Trial Court Improvement and Modernization Fund			
	50-50 Excess Revenue	2% of Fines/Penalties/Forfeitures	Total
2005-06 (high year)	\$73,157,065	\$15,894,733	\$89,051,798
2013-14	\$26,873,351	\$15,242,700	\$42,116,051
2014-15	\$23,702,658	\$14,730,023	\$38,432,681
2015-16 (est.)	\$21,671,895	\$13,843,182	\$35,515,077

Consistent with the recent investments in statewide security funding for the LAN/WAN program and the strengthening of information technology security controls to enhance the reliability of Judicial Branch data, this augmentation would ensure the funding necessary to continue Judicial Council oversight and administration of the Phoenix Program maintains the branch's ability to produce standardized monthly,

quarterly, and annual financial statements that comply with existing statutes, rules, and regulations. This BCP request continues to recognize that costs related to statewide operations of the Judicial Branch, such as the Phoenix Program, are funded from the General Fund rather than from other special funds designated for specific purposes.

E. Outcomes and Accountability *(Provide summary of expected outcomes associated with Budget Request and provide the projected workload metrics that reflect how this proposal improves the metrics outlines in the Background/History Section.)*

Allocating General Fund resources to support the Phoenix Program will mitigate disruptions to the trial courts' daily centralized administrative services, accounting and financial services, trust accounting services, purchasing services, and other core business services, as well as, preserve limited resources within the IMF. The Phoenix Program ensures statewide consistency in court accounting and administrative practices and the gathering, entry, and reporting of reliable financial data.

F. Analysis of All Feasible Alternatives

1. Approve an ongoing augmentation of \$8.7 million General Fund to support the Phoenix Program.

PRO

- o No reduction of support to the financial and human resources management systems services to the trial courts. Continues to build on the branch's efforts to realign expenditures within the IMF to ensure fund solvency and supports the Judicial Council's role in supporting strong central administrative functions for the branch.

CON

- o An ongoing impact of \$8.7 million to the General Fund.

2. Provide an ongoing augmentation of \$6.5 million General Fund (75 percent) to support the Phoenix Program.

PRO

- o Program is partially funded and will limit the reductions to the core financial and human resources management systems services. Continues to build on the branch's efforts to realign expenditures within the IMF to ensure fund solvency

CON

- o Reductions, though limited, to essential financial and human resources management systems services.
- o An ongoing impact of \$6.5 million to the General Fund

3. Deny General Fund Augmentation

PRO

- o No impact on the General Fund.

CON

- o Will result in a reduction of support to the financial and human resources management systems services to the trial courts. Will result in further reductions/elimination of programs funded from the IMF to address solvency issues within the IMF.

Implementation Plan

Effective July 1, 2016, the state operations costs of the Phoenix Program will be supported from the General Fund.

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H. Supplemental Information (*Describe special resources and provide details to support costs including appropriate back up.*)

None.

I. Recommendation

4. The Judicial Council recommends Alternative 1, an ongoing augmentation of \$8.7 million General Fund to support the Phoenix Program.

BCP Fiscal Detail Sheet

BCP Title: Judicial Council State Operations

DP Name: 0250-002-BCP-DP-2016-GB

Budget Request Summary

	CY	BY	FY16			
			BY+1	BY+2	BY+3	BY+4
Salaries and Wages						
Earnings - Permanent	0	8,700	8,700	8,700	8,700	8,700
Total Salaries and Wages	\$0	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700
Total Personal Services	\$0	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700
Total Budget Request	\$0	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700

Fund Summary

Fund Source - State Operations						
0001 - General Fund	0	8,700	8,700	8,700	8,700	8,700
Total State Operations Expenditures	\$0	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700
Total All Funds	\$0	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700

Program Summary

Program Funding						
0140010 - Judicial Council	0	8,700	8,700	8,700	8,700	8,700
Total All Programs	\$0	\$8,700	\$8,700	\$8,700	\$8,700	\$8,700