

SUBCOMMITTEE NO. 5

Agenda

Senator Loni Hancock, Chair
Senator Joel Anderson
Senator Jim Beall



PART A

Thursday, April 30, 2015
9:30 a.m. or Upon Adjournment of Session
State Capitol - Room 113

Consultant: Julie Salley-Gray

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PROPOSED FOR VOTE ONLY**0250 Trial Courts**

1. **State Judiciary Rent Increase.** The Governor's budget proposal includes \$934,000 (General Fund) to support rent increases at the Supreme Court (\$115,000), the Court of Appeal (\$377,000), the Judicial Council (\$319,000), and other judicial branch facilities (\$123,000).

In addition, the proposal requests that any funding for future rent increases be included as workload in the annual budget process for all state judiciary entities.

2. **Technical Adjustments for Cost Changes.** The Administration submitted a spring finance letter proposing a \$3.4 million reduction to the judicial branch's budget. The proposal consists of the following:
 - a) A \$3.9 million reduction to the \$42.7 million included in the January budget for trial court health benefit and retirement rate cost adjustments. The proposed reduction is based on updated cost estimates.
 - b) A \$540,000 increase to correctly reflect the augmentation to support trial court operations included in the January Governor's budget proposal.

0280 Commission on Judicial Performance

3. **Trial Court Counsel.** The Governor's budget requests one trial counsel position for the commission, to be funded within their existing budget.

1750 Horse Racing Board

4. **Equine Drug Testing.** The Governor's budget requests a \$1.2 million augmentation from the Horse Racing Fund due to the increased costs associated with the equine drug testing program. The cost increase is primarily due to an increase in services provided by the Equine Analytical Chemistry Laboratory located at the University of California, Davis.

ITEMS TO BE HEARD

0250 Judicial Branch

Background. The judicial branch is responsible for the interpretation of law, the protection of individual rights, the orderly settlement of all legal disputes, and the adjudication of accusations of legal violations. The branch consists of statewide courts (the Supreme Court and Courts of Appeal), trial courts in each of the state's 58 counties, and statewide entities of the branch (the Judicial Council, Judicial Branch Facility Program, and the Habeas Corpus Resource Center). The branch receives revenue from several funding sources, including the state General Fund, civil filing fees, criminal penalties and fines, county maintenance-of-effort payments, and federal grants.

Due to the state's fiscal situation, the judicial branch, like most areas of state and local government, received a series of General Fund reductions from 2008-09 through 2012-13. Many of these General Fund reductions were offset by increased funding from alternative sources, such as special fund transfers and fee increases. A number of these offsets were one-time solutions, such as the use of trial court reserves and for the most part, those options have been exhausted. In addition, trial courts partially accommodated their ongoing reductions by implementing operational actions, such as leaving vacancies open, closing courtrooms and courthouses, and reducing clerk office hours. Some of these operational actions resulted in reduced access to court services, longer wait times, and increased backlogs in court workload.

Key Legislation

AB 233 (Escutia and Pringle), Chapter 850, Statutes of 1997, enacted the Lockyer-Isenberg Trial Court Funding Act of 1997, to provide a stable and consistent funding source for the trial courts. Beginning in 1997-98, consolidation of the costs of operation of the trial courts was implemented at the state level, with the exception of facility, revenue collection, and local judicial benefit costs. This implementation capped the counties' general purpose revenue contributions to trial court costs at a revised 1994-95 level. The county contributions become part of the Trial Court Trust Fund, which supports all trial court operations. Fine and penalty revenue collected by each county is retained or distributed in accordance with statute.

AB 1732 (Escutia), Chapter 1082, Statutes of 2002, enacted the Trial Court Facilities Act of 2002, which provided a process for transferring the responsibility for court facilities from the counties to the state, by July 1, 2007. It also established several new revenue sources, which went into effect on January 1, 2003. These revenues are deposited into the State Court Facilities Construction Fund (SCFCF) for the purpose of funding the construction and maintenance of court facilities throughout the state. As facilities were transferred to the state, counties began to contribute revenues for operation and maintenance of court facilities, based upon historical expenditures.

SB 1407 (Perata), Chapter 311, Statutes of 2008, authorized various fees, penalties and assessments, which were to be deposited into the Immediate and Critical Needs

Account (ICNA) to support the construction, renovation, and operation of court facilities. In addition, the bill authorized the issuance of up to \$5 billion in lease-revenue bonds.

SB 1021 (Committee on Budget and Fiscal Review), Chapter 41, Statutes of 2012, altered the administration of trial court reserves by limiting the amount of the reserves individual courts could carry from year to year to one percent of their funding and establishing a statewide reserve for trial courts, which is limited to two percent of total trial court funding.

In enacting these changes, the Legislature sought to create a trial court system that was more uniform in terms of standards, procedures, and performance. The Legislature also wanted to maintain a more efficient trial court system through the implementation of cost management and control systems.

Budget Overview. The Governor's proposed budget includes \$3.5 billion (\$1.6 billion General Fund and \$1.9 billion in other funds) in 2015-16 for the judicial branch. Of that amount, \$2.7 billion is provided to support trial court operations. The following table displays three-year expenditures and positions for the judicial branch; as presented in the Governor's budget.

(dollars in thousands)

Program	2013-14	2014-15	2015-16
Supreme Court	\$43,440	\$45,973	\$46,095
Courts of Appeal	205,544	216,212	216,626
Judicial Council	132,966	139,869	134,678
Judicial Branch Facilities Program	236,110	338,528	360,704
State Trial Court Funding	2,437,488	2,538,117	2,701,598
Habeas Corpus Resource Center	12,588	14,233	14,242
Total	\$3,068,136	\$3,292,932	\$3,473,943
Positions	1,693.9	1,962.8	1,962.3

Issue 1: Capital Outlay Proposals

Background. California's courthouses are managed at the state level. The Judicial Council serves trial and appellate courts statewide by managing maintenance, renovations, new court construction, and real estate.

Two staff offices under the Judicial Council share responsibility for supporting the court facilities of California's Supreme Court, Courts of Appeal, and trial courts:

- The Capital Program office leads strategic planning for capital outlay and funding, and manages new courthouse design and construction.
- The Real Estate & Facilities Management office manages court real estate, environmental compliance and sustainability, and facilities maintenance and modifications.

The Judicial Council is also the policymaking body of the California courts, and its two advisory groups - the Court Facilities Advisory Committee and the Trial Court Facility Modification Advisory Committee, provide ongoing oversight and governance of both offices.

The process of building a new courthouse is complex, involving local communities, state and local government agencies, justice partners, and contractors. Each judicial branch courthouse project managed by the staff of the Judicial Council follows a standard procedure, from funding and site selection through occupancy and evaluation. Even before the process begins, there are several required steps:

- The Judicial Council approves the project.
- A project feasibility report and budget proposal are completed and submitted for executive branch and legislative approvals.
- A local project advisory group is formed.
- Judicial Council staff solicit site offers.

The steps in funding a new courthouse are as follows:

1. Site Selection and Acquisition
2. Design
3. Construction

Status of Judicial Branch Courthouse Construction Program
December 31, 2014

County	Capital Project Name	Capital Project Status
1 Alameda	New East County Courthouse	Construction began in August 2014 and is scheduled to end in first quarter of 2017
2 Butte	New North Butte County Courthouse	Construction began in May 2013 and is scheduled to end in first quarter of 2015
3 El Dorado	New Placerville Courthouse	In site acquisition; reappropriate site acquisition and preliminary plans in FY 2015–2016
4 Glenn	Renovate and Addition to Willows Courthouse	In working drawings; construction to start in FY 2014–2015 and is scheduled to end in fourth quarter of 2016
5 Imperial	New El Centro Courthouse	In design; proceed with working drawings in FY 2014–2015 and into FY 2015–2016
6 Inyo	New Inyo County Courthouse	In site acquisition; reappropriate site acquisition and preliminary plans in FY 2015–2016
7 Kings	New Hanford Courthouse	Construction began in August 2013 and is scheduled to end in fourth quarter of 2015
8 Lake	New Lakeport Courthouse	In working drawings; start construction in FY 2015–2016
9 Los Angeles	New Eastlake Juvenile Courthouse	In site acquisition; reappropriate site acquisition in FY 2015–2016
10 Los Angeles	New Hollywood Courthouse Modernization	In design; construction to start in FY 2015–2016 and is scheduled to end in second quarter of 2017
11 Mendocino	New Ukiah Courthouse	In site acquisition; proceed with design in FY 2014–2015; start working drawings in FY 2015–2016
12 Merced	New Los Banos Courthouse	Bidding in process; construction to start in FY 2014–2015 and is scheduled to end in second quarter of 2016
13 Riverside	New Indio Juvenile and Family Courthouse	In design; proceed with working drawings in FY 2014–2015 and into FY 2015–2016
14 Riverside	New Mid-County Civil Courthouse	In site acquisition; reappropriate site acquisition and preliminary plans in FY 2015–2016
15 Sacramento	New Sacramento Criminal Courthouse	In design; proceed with preliminary plans and working drawings using one-time funds authorized by AB 1476
16 San Diego	New Central San Diego Courthouse	Construction began in December 2013 and is scheduled to end in fourth quarter of 2016
17 San Joaquin	Renovate Juvenile Justice Center	Construction began in June 2014 and is scheduled to end in second quarter of 2015
18 Santa Barbara	New Santa Barbara Criminal Courthouse	In design; proceed with working drawings and demolition of existing structures on new courthouse site (using construction-phase funding of \$0.400 million) in FY 2015–2016
19 Santa Clara	New Santa Clara Family Justice Center	Construction began in August 2013 and is scheduled to end in first quarter of 2016
20 Shasta	New Redding Courthouse	In design; proceed with working drawings and demolition of existing structures on new courthouse site (using construction-phase funding of \$0.174 million) in FY 2015–2016
21 Siskiyou	New Yreka Courthouse	In working drawings; construction bidding in FY 2015–2016
22 Sonoma	New Santa Rosa Criminal Courthouse	In design; proceed with working drawings in FY 2015–2016
23 Stanislaus	New Modesto Courthouse	In design; proceed with working drawings in FY 2015–2016
24 Sutter	New Yuba City Courthouse	Construction began in August 2013 and is scheduled to end in second quarter of 2015
25 Tehama	New Red Bluff Courthouse	Construction began in December 2014 and is scheduled to end in third quarter of 2016
26 Tuolumne	New Sonora Courthouse	In design; proceed with working drawings in FY 2015–2016
27 Yolo	New Woodland Courthouse	Construction began in May 2013 and is scheduled to end in second quarter of 2015
County	Capital Project Name	Indefinitely-Delayed Capital Project Status
28 Fresno	Renovate Fresno County Courthouse	Indefinitely delayed as of Judicial Council meetings on October 26, 2012, and January 17, 2013
29 Kern	New Delano Courthouse	
30 Kern	New Mojave Courthouse	
31 Los Angeles	New Glendale Courthouse	
32 Los Angeles	New Santa Clarita Courthouse	
33 Los Angeles	New Southeast Los Angeles Courthouse	
34 Monterey	New South Monterey County Courthouse	
35 Nevada	New Nevada City Courthouse	
36 Placer	New Tahoe Area Courthouse	
37 Plumas	New Quincy Courthouse	

Proceed – Projects will move forward as indicated above.

Indefinitely Delayed – Projects are indefinitely delayed until funds become available in the future. No work to proceed on site acquisition or design, unless specified above.

Note: In October 2012, the Judicial Council referred one project, a renovation of the Lancaster (McCourtney Juvenile) Courthouse in Los Angeles County, to its Trial Court Facility Modification Advisory Committee for consideration of funding as a facility modification. The scope of this project is currently being developed with the Los Angeles Superior Court.

Governor's Budget. The proposed budget included the following court construction proposals:

Lake County: New Lakeport Courthouse - \$40.8 million from the Public Building Construction Fund (0668) for the construction phase of a new four-courtroom courthouse of approximately 45,300 square feet in the city of Lake. Total project costs of \$50 million funded pursuant to SB 1407.

Siskiyou County: New Yreka Courthouse - \$57 million from the Public Building Construction Fund (0668) for the construction phase of a new five-courtroom courthouse of approximately 67,500 square feet in the city of Yreka. Total project costs of \$66 million funded pursuant to SB 1407.

Mendocino County: New Ukiah Courthouse - \$6.1 million from the Immediate and Critical Needs Account (3138) for the working drawings phase of a new eight-courtroom courthouse of approximately 90,200 square feet in the city of Ukiah. Total project costs of \$94.4 million funded pursuant to SB 1407.

Santa Barbara County: New Santa Barbara Criminal Courthouse - \$6.3 million from the Immediate and Critical Needs Account (3138) for the working drawings (\$5.9 million) and demolition (\$400,000) phases of a new eight-courtroom courthouse of approximately 92,300 square feet in the city of Santa Barbara. Total project costs of \$94.4 million funded pursuant to SB 1407.

Shasta County: New Redding Courthouse - \$8.9 million from the Immediate and Critical Needs Account (3138) for the working drawings (\$8.7 million) and demolition (\$174,000) phases of a new 14-courtroom courthouse of approximately 165,300 square feet in the city of Redding. Total project costs of \$159.3 million funded pursuant to SB 1407.

Sonoma County: New Santa Rosa Criminal Courthouse - \$11.3 million from the Immediate and Critical Needs Account (3138) for the working drawings phase of a new 15-courtroom courthouse of approximately 169,300 square feet in the city of Santa Rosa. Total project costs of \$175.4 million funded pursuant to SB 1407.

Stanislaus County: New Modesto Courthouse - \$15.3 million from the Immediate and Critical Needs Account (3138) for the working drawings phase of a new 26-courtroom courthouse of approximately 301,500 square feet in the city of Modesto. Total project costs of \$265.9 million funded pursuant to SB 1407.

Tuolumne County: New Sonora Courthouse - \$4.1 million from the Immediate and Critical Needs Account (3138) for the working drawings phase of a new five-courtroom courthouse of approximately 61,500 square feet in the city of Sonora. Total project costs of \$65.4 million funded pursuant to SB 1407.

El Dorado County: New Placerville Courthouse - Reappropriate \$4.8 million from the Immediate and Critical Needs Account in support of the acquisition (\$1.1 million, previously budgeted in 2012) and preliminary plans (\$3.6 million, previously budgeted in 2014) phases of a new six-courtroom courthouse of approximately 77,600 square feet in the city of Placerville. Total project costs of \$77.7 million funded pursuant to SB 1407.

Inyo County: New Inyo County Courthouse - Reappropriate \$1.9 million from the Immediate and Critical Needs Account in support of the acquisition (\$700,000, previously budgeted in 2012) and preliminary plans (\$1.2 million, previously budgeted in 2014) phases of a new six-courtroom courthouse of approximately 21,000 square feet in the city of Bishop. Total project costs of \$24.2 million funded pursuant to SB 1407.

Los Angeles County: New Eastlake Juvenile Courthouse - Reappropriate \$13.8 million from the Immediate and Critical Needs Account in support of the acquisition (previously budgeted in 2012) phase of a new five-courtroom courthouse of approximately 57,800 square feet in the county of Los Angeles. Total project costs of \$89.1 million funded pursuant to SB 1407.

Riverside County: New Mid-County Civil Courthouse - Reappropriate \$4.7 million from the Immediate and Critical Needs Account in support of the acquisition (\$414,000 previously budgeted in 2012) and preliminary plans (\$4.3 million previously budgeted in 2014) for a new nine-courtroom courthouse of approximately 89,690 square feet in the Hemet area. Total project costs of \$92.5 million funded pursuant to SB 1407.

Spring Finance Letter. The Judicial Branch and the Administration requested authority to reappropriate previously budgeted funds in support of the following courthouse projects as follows:

Mendocino County: New Ukiah Courthouse - Reappropriate \$8 million from the Immediate and Critical Needs Account in support of the acquisition (\$1.1 million, previously budgeted in 2012) and preliminary plans (\$4.6 million, previously budgeted in 2014) phases of a new eight-courtroom courthouse of approximately 90,200 square feet in the city of Ukiah. Total project costs of \$95.4 million funded pursuant to SB 1407.

Glenn County: Renovation and addition to the Willows Courthouse - Reappropriate \$34.8 million in bond funds (previously budgeted in 2012) and \$1.6 million from the Immediate and Critical Needs Account (previously budgeted in 2014) in support of the construction phase of the renovation and addition to Willows courthouse. The renovated courthouse will contain three-courtrooms totaling approximately 42,000 square feet in the city of Willows. Total project costs of \$41 million funded pursuant to SB 1407.

General Fund Risk. As discussed during the March 26 subcommittee hearing, as part of public safety realignment in 2011, trial court security and a constitutionally-protected revenue stream to fund those security costs, were shifted to the county sheriffs. The Governor's January budget assumes that there will be \$535.1 million in realigned revenue available for trial court security in 2015-16. In addition to that base amount, the budget assumes that there will be an additional \$15.2 million in growth funding. That constitutes a \$32.5 million increase over the 2013-14 funding level.

The 2014 budget included an increase of \$1 million General Fund to address potential increased court security costs associated with new courthouse construction. In order to receive additional funding, counties are required to demonstrate that they have an increased need for security staff.

In addition to the \$1 million in funding, the budget included trailer bill language (Government Code 69927) limiting eligible courts that have an occupancy date on or after October 9, 2011. Based on the current list of construction projects, there are potentially 39 courthouses that may qualify for a General Fund augmentation for trial court security. The 2014 trailer bill language further outlined a process the courts would need to go through in order to establish that they had increased trial court security costs as a result of construction.

All of the projects being considered today could ultimately be eligible for a General Fund augmentation related to increased trial court security.

Legislative Analyst's Office (LAO). The LAO did not raise any concerns with this proposal in their analysis of the Governor's budget.

Questions for the Administration. The Administration should be prepared to address the following questions:

1. Has the Administration assessed whether or not these projects would lead to increased efficiencies, both in terms of security and otherwise, for the trial courts and the state?
2. Of the requests presented in both the January budget and the spring finance letter, which projects involve closing multiple court locations and consolidating court services in one building?

Issue 2: Finance Letter: Telecommunications Network

Spring Finance Letter. The Administration submitted a spring finance letter requesting \$5.5 million to fund telecommunication improvements for all 58 superior courts. The requested funding would be used to support hardware refresh, training, and the maintenance and security of the judicial branch network.

Specifically, the Administration is requesting an ongoing \$5.5 million General Fund augmentation to the judicial branch's Improvement and Modernization Fund (IMF) to expand the Local Area Network/Wide Area Network (LAN/WAN) telecommunications network infrastructure program. The proposal would expand the program to include the four remaining trial courts that do not currently participate. The expansion would provide these courts with a statewide integrated network that supports core operational systems.

Legislative Analyst's Office (LAO). The LAO finds that the proposal merits consideration. However, given the potential lack of state General Fund dollars available to augment non-education programs, as well as the insolvency of the IMF, the LAO recommends that the Legislature consider two options for modifying the proposal:

1. Given the insolvency of the IMF, the Legislature could provide the augmentation on a one-time basis, while it works with the judicial branch to address the insolvency of the fund. The LAO had previously recommended that the Legislature identify its priorities for use of the IMF in statute, in order to provide guidance to the Judicial Council for restructuring future expenditures. In developing such priorities, the LAO recommended that the Legislature consider the purpose of the IMF, as well as whether the IMF should fund projects with ongoing expenditures. As part of this process, the Legislature could determine whether the ongoing cost of the LAN/WAN expansion would be supported from the IMF. This option would provide the judicial branch with funds to address immediate LAN/WAN needs, while the branch addresses the insolvency of the IMF.
2. Alternatively, the Legislature could choose to direct the judicial branch to absorb the cost of the expansion in the budget year, while it addresses the insolvency of the IMF. The cost could be absorbed by further reducing expenditures in the IMF or by redirecting a portion of the General Fund augmentation to the trial courts in the budget year. This option would not require the additional General Fund augmentation to the judicial branch, but would likely impact other trial court programs or services.