

Dear Presiding Judges and Court Executive Officers:

You may have seen a letter recently titled "AOC's Revenue Projections Off by \$70 million." The letter both misstates and misunderstands the revenue projections at issue.

As an initial point, the letter says that a \$70 million shortfall is for the current year (FY 2013–14). It is not. In fact, the projected shortfall is for the budget year (FY 2014–15) which begins on July 1, 2014. In addition, the revenue projections are not "off" but instead reflect the five-year downward trend in Trial Court Trust Fund (TCTF) revenues, something judicial branch leaders—including the Trial Court Budget Advisory Committee (TCBAC) comprising presiding judge and court executive officer representatives—have monitored with the AOC's Fiscal Services Office since the beginning of the 2008–09 when judicial branch funds were redirected to backfill funding reductions to the trial courts.

Total revenue in the Trial Court Trust Fund from all sources will be approximately \$2.1 billion in the current year; so the estimated ongoing deficit of \$70 million represents approximately 3.3% in order of magnitude. With the decline in paid civil fees affecting the fund and use of the fund balance to backfill trial court funding reductions and unfunded costs (e.g., trial court employee benefits), there will no longer be a reserve in the Trial Court Trust Fund to absorb revenue shortfalls as has been the case to this point, and the Department of Finance has been informed of that fact. Assuming projected 2014–15 revenues remains constant, the structural shortfall will be \$56 million, increasing to \$66 million if the Judicial Council approves fund transfers between the Trial Court Trust Fund and the State Trial Court Improvement and Modernization Fund.

Revenue projections are not performed in a vacuum. The AOC has been working in close concert with the Department of Finance, and, as appropriate, with the Legislative Analyst's Office, on the status of the fund. The practice of revising revenue estimates is an ongoing process in all state entities. The Trial Court Budget Advisory Committee is provided regular updates for its discussions on this issue. The projections are on the agenda for discussion at the Trial Court Budget Advisory Committee meeting on March 25, which will be audiocast.

The projected reduction in revenues represents a challenge for the branch since the budget process over the last few years has moved more of our branch budget support away from the General Fund in favor of user fees. The challenge is being addressed internally by the TCBAC with the support of our Fiscal Services Office and externally with the Department of Finance.

Sincerely,

Hon. Douglas P. Miller, Chair, Executive and Planning, on behalf of the Chairs of the Judicial Council Internal Committees

Hon. James E. Herman, Chair, Technology

Hon. Harry E. Hull, Jr., Chair, Rules and Projects

Hon. Mary Ann O'Malley, Chair, Litigation Management

Hon. Kenneth K. So, Chair, Policy Coordination and Liaison