

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
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Agenda Number: 1/29/2004
Prepared on: 1/29/2004
Department Name: County Administrator
Department No.: 012
Agenda Date: 2/10/2004
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Michael F. Brown, County Administrator

STAFF

CONTACT: Ken Masuda, Director of Budget and Research 568-3411
Andrea Labbe, Administrative Analyst 884-8083

SUBJECT: Transfer of Undesignated Court Fee Revenue from the County to the State per AB1759 of 2003.

Recommendation(s):

That the Board of Supervisors:

- A. Accept status report on Category 4 Undesignated Fees revenue transfer from Counties to the State.
- B. Approve budget revision request appropriating \$455,639 from Department 990, General Fund Contingency, to Department 025, Fund 0069, Court Services, to cover the payment amount due to the State for fiscal year 2003-04, as legislated by AB1759.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 3. A Strong, Professionally Managed County Organization.

Executive Summary and Discussion:

Background:

The Lockyer-Isenberg Trial Court Funding Act of 1997 (AB233) fundamentally changed the relationship between counties and local trial courts. With implementation of this legislation, funding of trial court operations, as defined by the "California Rules of Court, Rule 810, Court Operations" generally became a State responsibility, with, however, a legislated amount of annual county contribution, which varied from county to county. This annual county contribution is known as a county's maintenance of effort (MOE) payment. As part of this legislation, each county and its local court were to enter into agreements for the continued

provision of county services to the court, if both so wished. Many counties have had Memorandums of Understanding (MOUs) in effect with their courts since the 1999-2000 fiscal year.

Problem:

There were a number of fees and fines associated with local court functions whose disposition was not specifically provided for in AB233. In 1998, California State Association of Counties (CSAC) and the Administrative Office of the Courts (AOC) formed a joint working group to identify and provide recommendations concerning the disposition of these fees, identified as Undesignated Fees. The working group was able to identify and classify Undesignated Fees into four categories. Categories 1–3 had a clear purpose justifying their disposition identified within the statute, however the status of the Category 4 fees, for which there is no clear statutory disposition of revenue, other than deposit into the county treasury, remained unresolved until very recently.

It was determined from an audit of fiscal year 2001-02 court revenues and reported to your Board as part of our October 7, 2003 assessment of State budget impacts, that during fiscal year 2001-02 the County retained approximately \$200,000 of Category 4 Undesignated Fees revenue. The \$200,000 amount was determined from collections data stored within the local court administered Case Management financial system. Courts fiscal division staff verifies Case Management data on a monthly basis. Collections data originates from the local courts as well as from the Sheriff and Probation departments.

Part of the State budget solution for fiscal year 2003–04 involved a sweep of the Category 4 Undesignated Fees from Counties to the State, in an effort to offset substantial reductions to the State budget for State and local (Superior) courts.

CSAC and other county representatives attempted to inform legislators and their staff regarding the negative implications of the proposed sweep. The sweep was argued to be an improper increase in county support of trial court operations, which, is wholly inconsistent with the intent of the trial court funding reforms initiated in 1997, and constitute a revenue loss, ranging between \$100 and \$150 million for the 58 counties as a whole. (CSAC conducted a survey to obtain approximate amounts of Undesignated Fees Revenue retained by each county).

Solution:

Despite efforts to prevent the undesignated fee transfer, the revenue sweep garnered strong legislative support and an agreed-upon approach to carry out the transfer was codified in budget trailer bill Assembly Bill 1759, effective August 2003. (Relevant provisions on undesignated fees are found in Code of Civil Procedure Section 116.820 and Government Code Section 68085.5).

AB 1759 contained, amongst others, the following items:

- Existing local agreements regarding sharing or distribution of undesignated fees shall be maintained through fiscal year 2004-05. A process for entering new agreements, where none exist, will require Administrative Office of the Court (AOC) involvement to ensure that expenditures from revenue sharing agreements are consistent with Judicial Council policies and procedures.
- County exposure regarding the transfer of any undesignated fee revenue will be limited to \$31 million on a statewide basis for fiscal year 2003-04 and 2004-05.

- The plan for allocating the \$31 million amongst all counties shall be jointly developed by CSAC and AOC by January 1, 2004.
- Counties and courts will provide detailed reporting of revenue for the first two quarters of fiscal year 2003–04.

Result:

During the past year, per AB1759, CSAC and the AOC met and jointly determined by January 1, 2004, to pro-rate the estimated \$31 million undesignated fee revenue transfer based on the legislated annual county contribution payments – each county’s annual MOE payment to the State for funding of local trial courts.

The County received a letter, dated January 14, 2004 from CSAC, informing the County of our pro-rata share of the total \$31 million. Based on the pro-rated calculation, the County is required to submit \$455,639 to the State for each fiscal year 2003-04 and 2004-05. Payments will be made with two payments per fiscal year, due on February 15 and May 15, each equal to \$227,820.

The actual amount due for fiscal year 2004-05 may be adjusted in September 2004, depending on actual receipts of undesignated fees remitted to the State during fiscal year 2003-04.

Note that the amount the County of Santa Barbara is required to pay, according the negotiated pro-ration, \$445,639, is more than twice the \$200,000 amount found by the aforementioned audit of fiscal year 2001-02 court revenues and reported to your Board as part of our October 7, 2003 assessment of State budget impacts. As a result, the draw from the General Fund Contingency is \$245,639 more than the amount set aside by Board action in October.

Mandates and Service Levels:

Assembly Bill 1759, Government Code Section

68085.5 (e) requires that

The Administrative Office of the Courts and the California State Association of Counties shall jointly determine and administer on or after January 1, 2004, and on or after January 1, 2005, all of the following:

....A county-by-county transfer of the amount specified in paragraph (2) [\$31 million] to the Trial Court Trust Fund in two equal installments, on February 15 and May 15, in each fiscal year [fiscal year 2003-04 and fiscal year 2004-05].

68085.5 (f) requires that

Each superior court and each county shall provide detailed quarterly reports [of certain revenues generated by the fees and fines.] The reports shall include the total amount collected and retained by the court or county and the existing distribution of those fees.

68085.5 (h) requires that

No other transfers of the fees and fines specified ...shall take effect prior to July 1, 2005.

Fiscal and Facilities Impacts:

The proposed action impacts the total available discretionary dollars.

The proposed action authorizes the payment of \$455,639 to the State, in two equal payments of \$227,820 due on February 15 and May 15.

- The proposed action impacts Contingency monies, as the first 2 payments, due February 15, 2004 and May 15, 2004 will be drawn from Contingency monies (as the fiscal year 2003-04 budget for Department 025 – Court Special Services, Fund 0069 – Court Activities, does not include appropriations to cover the additional payments.)
- The proposed action impacts discretionary General Fund monies and total General Fund Contribution to departments for fiscal year 2004-05. During fiscal year 2004-05, the annual payment will be drawn from the adopted budget within Department 025 – Court Special Services, Fund 0069 – Court Activities, thus beginning with fiscal year 2004-05, additional General Fund Contribution will be allocated to Department 025, Fund 0069 to cover the annual payment.

Fiscal Impact Summary:

Fiscal Year	Date	Payment Amount	Payment From	Total Per Fiscal Year
2003-04	2/15/04	227,820	Contingency	455,640
	5/15/04	227,820		
2004-05	2/15/05	227,820	GFC - Dept 025, Fund 0069	455,640
	5/15/05	227,820		
Total				911,280

Any payment(s) for fiscal year 2005-06 and beyond have yet to be decided. By January 1, 2005, a long-term resolution of the whole issue of the undesignated fee problem must be developed. It may mean a fee sharing arrangement of all undesignated fees or an appropriate splitting of fee revenues. The AOC and CSAC are working on collecting data as outlined in Section 68085.5 (f). This information is essential to know how best to structure any long-term solution.

The proposed action has no impact to facilities

CC:

Gary Blair, Executive Office of Santa Barbara Superior Court

Robert W. Geis, Auditor-Controller