

Superior Courts:

The Courts Are Moving Toward a More Unified Administration; However, Diverse Service, Collection, and Accounting Systems Impede the Accurate Estimation and Equitable Distribution of Undesignated Fee Revenue



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February 21, 2002

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The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning certain undesignated court-related fees and the administrative controls implemented by the Administrative Office of the Courts (AOC) over superior court operations.

This report concludes that the superior courts are moving towards a more unified administration; however, there currently exists a highly decentralized system of collecting and accounting for undesignated fees. As a result, efforts to determine a precise amount of undesignated fee revenue would be premature and prohibitively complex. However, estimates show that for the largest division in each of the three largest superior courts these fees generated about \$17.4 million in fiscal year 2000–01, or 9 percent of the divisions' total combined revenue. In addition, several issues must be resolved before the State can implement a consistent and equitable distribution of undesignated fee revenue. Finally, the AOC is in the early stages of implementing a statewide management system over superior court operations. If carried out, these efforts should ensure that the superior courts handle and report on their resources in a sufficient and consistent manner.

Respectfully submitted,

ELAINE M. HOWLE
State Auditor

BUREAU OF STATE AUDITS

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SUMMARY

Audit Highlights . . .

Our review of certain court-related fees and the fiscal and administrative oversight of superior court operations found that:

- The funding act addressed the disposition of some fees, but did not specify who would receive others, referred to as undesignated fees.*
- Due to the decentralized nature of the superior courts' accounting and collection processes, it is prohibitively complex to determine the precise amount of revenue generated by undesignated fees.*
- We estimated that the largest division in each of the three largest superior courts together generated \$17.4 million in undesignated fee revenue during fiscal year 2000–01, most of which was distributed to the counties in accordance with locally negotiated agreements.*

continued on the next page . . .

RESULTS IN BRIEF

The Lockyer-Isenberg Trial Court Funding Act of 1997 (funding act) made sweeping changes to the funding of the superior court system, effectively transferring responsibility for financing court operations from the counties to the State. As a result, the disposition of certain court-related fees came into question. Although the funding act addressed the disposition of some fees, it did not specify who should receive others, referred to as undesignated fees. This has created an ongoing debate between the superior courts and the counties over who should retain the revenue from such undesignated fees. A working group composed of selected court and county representatives, formed to determine the appropriate disposition of these fees, disbanded in late 1999 before reaching a consensus on the appropriate disposition of 47 of the undesignated fees it identified. As a result, the courts currently distribute this revenue on the basis of the local agreements they negotiated with the counties.

Because of the decentralized nature of the superior courts' accounting and collection processes, a precise and comprehensive calculation of revenue that the undesignated fees generate would be prohibitively complex. Although the superior courts we reviewed agreed to unify their former municipal and superior courts at least two years ago, the Administrative Office of the Courts (AOC) stated that efforts are ongoing statewide to consolidate those services that support court operations. In the meantime, these courts use highly decentralized collection and accounting processes, in which they sometimes aggregate certain designated and undesignated fees. Consequently, they do not always report how much revenue the undesignated fees generate individually. We examined the largest division in each of the three largest superior courts and determined that undesignated fees generated about \$17.4 million in fiscal year 2000–01, or 9 percent of the divisions' total combined revenue, and that the superior courts distributed the vast majority of this revenue to the counties. The civil assessment penalty, imposed for an individual's failure to appear in court or pay a previously imposed fine, represented 58 percent of the \$17.4 million, making it the largest revenue generator.

- ☑ *Several issues must be resolved before the State can implement a consistent and equitable distribution of undesignated fee revenue.*
 - ☑ *The Administrative Office of the Courts has initiated a wide-reaching management system for superior court resources; however, such actions will not ease efforts to determine how much revenue undesignated fees generate.*
-

Before the State can implement a consistent and equitable distribution of undesignated fees, it must resolve several important issues. The California Constitution requires that fee revenue be used to offset the cost of providing services. Thus, it will be necessary to determine who incurs the cost related to each fee in each superior court before determining who should receive that revenue. Currently, the entities providing certain services vary from county to county; therefore, a uniform statewide designation of fees would be vulnerable to constitutional challenge. Additionally, the list of undesignated fees that the working group prepared contains errors, and though the courts we reviewed properly administered these fees, the list requires correction.

In an attempt to address some of the administrative confusion that resulted from the funding act, the AOC has initiated efforts to develop a wide-reaching management system for superior court resources. Such actions will not ease efforts to determine how much revenue undesignated fees generate because the majority of this revenue is distributed to the counties and therefore is outside the courts' control. However, the AOC hopes that its efforts will help to ensure that the superior courts handle and report their resources in a sufficient and consistent manner. To this end, it has recently published the Trial Court Financial Policies and Procedures Manual, which outlines some of the requirements the superior courts must meet, now that they are state funded. The AOC has also begun to develop a statewide accounting software system so that the superior courts will no longer need to rely on the counties for their accounting needs. Finally, it has sponsored legislative changes that increase its authority and thus should aid in its ability to meet its responsibilities to monitor the superior courts.

RECOMMENDATIONS

To make sure that undesignated fees are properly identified and distributed, the AOC should review and correct the working group's list of these fees. Once this list is complete and accurate, the AOC should direct each superior court to identify the entity in its jurisdiction that incurs the cost of providing the service related to each fee on the list. It should also direct the superior courts to ensure that, in their agreements with their respective counties, the courts distribute each of these fees to the entity

incurring the cost. Finally, the AOC should seek legislation designating the distribution of charges other than fees, such as penalties and fines.

AGENCY COMMENTS

The AOC concurs with our findings and is taking steps to implement our recommendations. ■

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INTRODUCTION

BACKGROUND

The California state court system is the largest of its kind in the nation, and its administration is correspondingly complex. Two types of courts operate in California: superior courts, also known as trial courts, and appellate courts, which include the California Supreme Court and six district Courts of Appeal. The superior court system is responsible for handling approximately 8.5 million cases each year. It has 375 locations statewide, and its annual state funding totaled about \$2 billion during fiscal year 2000–01. By February 2001, in an effort to simplify the administration of this system, each of the State’s 58 counties had agreed to unify what had previously been its municipal and superior courts into one superior court. However, many superior courts continue to maintain separate accounting divisions that handle and report fee revenue collections for their former municipal and superior courts. For example, the largest superior court in the State, Los Angeles County Superior Court, has 25 separate accounting divisions. In addition, this superior court has multiple branches or locations, resulting in 50 court locations in Los Angeles County alone.

Under the leadership of the chief justice, the 27-member Judicial Council is responsible for monitoring the superior courts to ensure the consistent, impartial, and accessible administration of justice. On December 8, 1961, the Judicial Council established the Administrative Office of the Courts (AOC) to operate as its administrative arm. The AOC provides services such as budget planning and educational programs to the approximately 20,000 judges and employees of the superior and appellate courts. It also works with advisory committees, task forces, and working groups to aid the Judicial Council in shaping its policies and creating programs for the administration of justice in the superior courts.

The Lockyer-Isenberg Trial Court Funding Act

As we mentioned, the superior courts currently require approximately \$2 billion in state funding each year. Prior to the Lockyer-Isenberg Trial Court Funding Act of 1997 (funding act),

the counties in which the superior courts are located provided most of the money necessary for their operation. As a result, the financial support and administration of the superior courts varied from county to county. According to the language contained in the funding act, the Legislature felt that a new method of funding was necessary to provide more uniform standards and procedures, economies of scale, and greater structural efficiency. Therefore, beginning in fiscal year 1997–98, the funding act transferred the funding responsibility for superior court operations from the counties to the State.

State statutes define *court operations* to include the salaries and benefits of judges, judicial officers, and other court employees; the costs for marshals and sheriffs who work for the superior courts; some costs associated with certain court-appointed counsels; and the costs associated with certain court services. The State also funds some indirect costs for services that the county provides. The funding act states that the counties remain responsible for other sorts of costs the court may incur, including those associated with court facilities, as well as for payments to the State equal to those they made to their respective courts during the 1994–95 fiscal year. The counties make these maintenance of effort (MOE) payments, used to support superior court operations, to the State in four equal installments. The Legislature has since reduced the MOE contribution levels that the funding act established for all the counties. Table 1 shows the annual MOE payments to the State as required by legislation during fiscal year 2000–01 for Los Angeles, Orange, and San Diego counties. Because these counties contain the three largest superior courts, they were the focus of our review.

TABLE 1
**Annual Maintenance of Effort Payments
 by Counties to the State**

County	Fiscal Year 2000–01
Los Angeles	\$239,989,902
Orange	55,569,324
San Diego	58,497,228

In addition to mandating these funding changes, the funding act revised the amount and distribution of certain court-related fees and established task forces to resolve issues relating to court

employees and facilities. It also redefined the role of the Judicial Council, increasing its responsibilities to include the allocation of the superior courts' appropriations and their implementation of statewide policies for budget submission, budget management, and financial reporting. The Judicial Council delegated these responsibilities to the AOC.

Undesignated Court Fees

Although the funding act addressed the disposition of many court-related fees, it left some of them undesignated—that is, it did not state whether the county, State, or a specific program or fund should receive the fees. The Legislature established the nature and amount of each of these fees in statutes it passed prior to passing the funding act. However, the State's increased role in funding the operations of the superior courts brought into question the appropriateness of the counties continuing to receive some of these fees. To address this issue, the Judicial Council, in partnership with the California State Association of Counties, formed a working group composed of representatives from both the courts and counties of Alameda, Fresno, Kings, Los Angeles, Solano, and Ventura in 1999. This working group set out to develop recommendations for the Legislature on how to distribute undesignated fees on a consistent basis statewide.

This working group identified many fees not addressed by the funding act and placed them in one of four categories:

- Category 1: Nondiscretionary revenue specified for a particular program or fund.
- Category 2: Revenue directed for court use that may be discretionary (the revenue was recommended to go to the State).
- Category 3: Revenue directed for county use that may be discretionary (the revenue was recommended to go to the county).
- Category 4: Statute does not specify the use or disposition of this revenue.

The working group placed the majority of the fees into the first three categories, with both sides agreeing on an appropriate distribution. However, the working group cataloged 47 fees as

category 4 undesignated fees because they could not reach a consensus regarding their designation. The Appendix lists these undesignated fees.¹

Both the courts and the counties made recommendations to the Legislature for the distribution of these fees. The court representatives argued that the entity (county or court) that performs the service or function relating to that fee should retain the fee, except in the case of the civil assessment penalty. They felt that the counties should retain the revenue from civil assessments up to the amount that was collected in fiscal year 1994–95, with any excess over that amount going to the courts. The court representatives also recommended that existing local agreements regarding the disposition of fee revenue remain in effect until their expiration, with the exception of those that relate to civil assessment penalty revenue that is used to cover costs associated with court facilities. They proposed that these agreements should remain in effect indefinitely. At the time the representatives of the courts made their recommendation, the Legislature had granted 38 counties reductions in their MOE payments. Therefore, the Judicial Council recommended that the courts modify their original recommendation to exclude these counties from retaining civil assessment revenue.

The county representatives in the working group proposed a markedly different approach. They contended that if the funding act did not specifically state who should set a particular fee or how it was to be distributed, then the authority to set and distribute such fees should remain as it was before the funding act. This would mean that the counties would receive fee revenues that the funding act had not otherwise designated, funds that they would use to offset their annual contributions to the courts. The counties' representatives believed that one goal of the funding act was to provide the counties fiscal relief and that any shifting of revenue away from the counties would be contrary to this goal.

The working group disbanded before reaching a consensus on the appropriate disposition of 47 undesignated fees. As we will discuss in greater detail in Chapter 1, the lack of a consensus regarding undesignated fees has resulted in the counties and their respective courts acting independently in determining an approach to the distribution of those fees.

¹ Though the working group and this report refer to these as undesignated fees, the list includes fines and penalties as well as fees.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits review a sample of California's superior courts to determine how much revenue the category 4 undesignated fees generate, which entities collect these revenues, and how the courts distribute them. In addition, the audit committee asked that we examine the AOC's fiscal and administrative controls over superior court operations.

To comply with the request, we reviewed and evaluated the laws, rules, and regulations associated with undesignated fees. To determine how much revenue the undesignated fees generated during fiscal year 2000–01, we reviewed collections at the superior courts of Los Angeles, Orange, and San Diego counties. We selected these superior courts because they are the largest within the statewide superior court system; however, because all three maintain multiple divisions, we reviewed only the single largest division within each. We also contacted various county departments within the three counties to determine whether they collect revenue related to any of the undesignated fees.

Using the list of category 4 undesignated fees that the working group published, we estimated the amount of revenues that these fees generated and determined their distribution at each of the three superior courts we reviewed. We did not test the accuracy of the working group's list and therefore do not attest that it includes all existing undesignated fees. We discuss in Chapter 1 the errors in the list that came to our attention. To determine how the courts distribute undesignated revenues, we reviewed superior court financial databases, distribution reports, and locally negotiated agreements between the courts and their respective counties.

Finally, we examined the AOC's plans for implementing fiscal and administrative controls over superior court operations to ensure the consistent and sufficient handling and reporting of revenues and expenditures. ■

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CHAPTER 1

The Accurate Accounting and Consistent Distribution of Undesignated Fees Could Prove Prohibitively Complex

CHAPTER SUMMARY

When the Lockyer-Isenberg Trial Court Funding Act of 1997 (funding act) transferred the funding responsibility for superior court operations from the counties to the State, it addressed the disposition of some, but not all, court-related fees. Because of the complicated nature of the administration of California’s superior court system, determining the precise amount of revenues that these undesignated fees generated would be cost-prohibitive at this time. Although the superior courts we reviewed—those of Los Angeles, Orange, and San Diego counties—agreed to unify at least two years ago, the Administrative Office of the Courts (AOC) stated that efforts are ongoing statewide to consolidate those services that support court operations. Meanwhile, the superior courts we reviewed continue to use highly decentralized collection and accounting processes and do not always discretely report revenues generated by undesignated fees.² Because the courts themselves do not always separately account for the funds that these fees generate, the State’s ability to do so is limited. Our estimates for the largest divisions of the three largest superior courts suggest that undesignated fees generated about \$17.4 million during fiscal year 2000–01, or 9 percent of the total revenue that these divisions collected. However, this estimate is based on aggregate totals that include designated as well as undesignated fees; thus, it is overstated.

If a precise amount of undesignated fee revenue could be reached, the State would still need to resolve a number of issues before the fees could be distributed appropriately. The California Constitution requires that the revenues generated from fees be used to offset the cost of providing services. Thus, to properly distribute funds, each superior court and its corresponding

² Our review of undesignated fees is limited to those that the working group defined as category 4—revenue that is not specified by statute as to its use or disposition.

county would need to determine who incurs this cost. Because the entities providing the services may vary from county to county, a uniform statewide designation of these fees appears to be an unlikely solution. The superior courts currently distribute the majority of undesignated fee revenues to the counties in accordance with locally negotiated agreements. However, because the State now funds most superior court operations, this distribution is under debate. In addition, the list of undesignated fees that a working group of court and county representatives prepared contains errors that require correction. However, these fees were properly distributed by the superior courts we reviewed.

THE SUPERIOR COURTS' ACCOUNTING AND COLLECTION PROCEDURES IMPEDE EFFORTS TO CALCULATE UNDESIGNATED FEE REVENUE

The accounting and collection procedures that the State's superior courts use make a precise and comprehensive calculation of undesignated fee revenues in each court—let alone throughout the State—premature and cost-prohibitive. As autonomous local entities, the superior courts throughout the State have implemented their own unique processes of collecting and accounting for undesignated fees. Moreover, although unification combined the former municipal and superior court systems into a single superior court system, the three superior courts we reviewed continue to maintain multiple accounting divisions. As a result, neither a statewide nor a countywide system is in place to centrally collect and account for undesignated fee revenue. This problem is further complicated by the fact that counties and cities collect certain undesignated fees independently of the superior courts. Finally, the courts sometimes aggregate those undesignated fees that they do collect with designated fees. As a result, even estimating what the fees might total is difficult.

The Courts' Accounting and Collection Procedures Are Highly Decentralized

As we discussed in the Introduction, California is in the process of unifying what had been its municipal and superior courts into a single countywide superior court. According to the Judicial Council, the goal of court unification is to improve services to the public by consolidating court resources, which should

offer the courts greater flexibility in assigning cases and also save the taxpayers' money. By February 2001 all superior courts in the State had agreed to unify. However, the AOC stated that efforts are ongoing statewide to consolidate those services that support court operations. For example, although each of the three superior courts we reviewed agreed to unify their municipal and superior courts more than two years ago, their efforts to centralize the handling and reporting of court-related fees remain incomplete. Therefore, each superior court we reviewed continues to maintain separate divisions that account for undesignated fees, essentially continuing its system prior to unification. As a result, determining the precise amount of revenue generated by undesignated fees statewide is cost-prohibitive.

Efforts to consolidate the handling and reporting of court-related fees are still ongoing more than two years after each of the three superior courts we reviewed agreed to unify their municipal and superior courts.

For example, the Los Angeles County Superior Court has 25 separate divisions. Each of these divisions independently collects and accounts for undesignated fee revenue, then summarizes and reports its information to the county separately. The superior courts of both Orange and San Diego counties are structured similarly, with separate divisions that report on undesignated fees. Although all three superior courts we reviewed ultimately intend to consolidate these services, they have yet to fully implement these plans. Until this occurs, a comprehensive determination of undesignated fee revenue would be costly due to the need to collate information from a variety of sources.

The difficult task of accounting for undesignated fees is further hampered by the fact that at least three county departments collect and account for certain fees independently of the superior courts. In each of the counties we reviewed, the county recorder-clerk and sheriff's departments collect and account for some undesignated fee revenue, and the county probation departments in two of the three counties reported collecting certain undesignated fees as well. For example, in Los Angeles County, the county recorder-clerk provides the services and collects the revenue for at least five undesignated fees. Table 2, on the following page, shows the undesignated fees that various county recorder-clerks collected and the revenue that these fees generated for fiscal year 2000–01. However, Los Angeles and Orange counties do not always discretely account for undesignated fees, grouping them with designated fees, and therefore the amounts reported in Table 2 are overstated.

TABLE 2

**Undesignated Fees Collected by County Recorder-Clerks
Fiscal Year 2000–01***

Undesignated Fee Description	Los Angeles	Orange	San Diego	Total Fee Revenues
Marriage certificate filing	\$1,385,884	\$559,552	\$94,836	\$2,040,272
Searching records	13,657*	–	470	14,127
Financial statement filing	9,533*	–	–	9,533
Filing a power of attorney	–	–	34	34
Exemplification of record	13,920*	–	–	13,920
Total County Fee Revenues	\$1,422,994	\$559,552	\$95,340	\$2,077,886

Sources: The Registrar-Recorder-Clerk's Office of Los Angeles County, the Assessor-Recorder-Clerk's Office of San Diego County, and the Clerk-Recorder's Office of Orange County.

* Revenue amounts reported for June 2000 through May 2001. Revenue amounts for June 2001 were not available.

In each of the three counties we looked at, a third entity collects one undesignated fee as well. The county sheriff's departments and incorporated cities collect the revenue for the assessment penalty related to violating disabled-parking restrictions. Table 3 shows the number of separate divisions for the three superior courts we reviewed, the number of county departments that collect and account for undesignated fees, and the number of cities within these counties that collect the assessment penalty for disabled-parking violations in incorporated areas.

TABLE 3

**The Number and Type of Entities That Collect
and Account for Undesignated Fees**

	Superior Court Divisions	County Departments	Cities
Los Angeles	25	3	88
Orange	6	3	34
San Diego	5	2	18

The Courts Do Not Separately Report Undesignated Fee Revenue

Using the courts' accounting records to determine the amount of revenue generated by a particular undesignated fee can result in an amount that is overstated because such records combine revenue from various sources.

The particular accounting practices the superior courts follow make accurately estimating undesignated fee revenue difficult. Because they are not required to do so, the three superior courts we reviewed do not always discretely account for undesignated fee revenue but rather sometimes account for fees by grouping them together when they share the same distribution destination, such as fees the superior courts remit to the county. All three superior courts group designated and undesignated revenue when a fee is paid, and one superior court groups the fees together once again when it reports collections to the county for distribution. Consequently, using the courts' records to determine the amount of revenue generated by a particular undesignated fee can result in an amount that is overstated because such records combine revenue from various fees.

The difficulties inherent in separating aggregated fees are perhaps overwhelming. For example, the Los Angeles County Superior Court uses the same distribution code for jury service and mileage fee collections (a designated fee) and contempt collections (an undesignated fine) because all of the revenue from both the fee and the fine goes to the county. Superior court cashiers assign a single distribution code for the fee or fine at the time of payment, so determining whether the amount represented a jury fee or a contempt fine would require reviewing the original paperwork. Given the large volume of activity at this superior court—somewhere in excess of 930,000 transactions in fiscal year 2000–01—such a task would be labor-intensive and costly. The situation at the Orange and San Diego county superior courts is similar.

The Los Angeles County Superior Court's current method of reporting revenues to the county further complicates accounting for the actual amount of undesignated fee revenue it collects. When generating its reports, this superior court further combines many undesignated and designated fees into one generic line item. It also relies on a partially manual rather than a fully automated process for reporting revenues, and consequently its reports are more susceptible to human error. According to the Los Angeles County Superior Court administrator, the court will fully convert to a centralized automated system in 2003.

THOSE COUNTIES WE REVIEWED RECEIVED THE MAJORITY OF UNDESIGNATED FEE REVENUE

Although estimating undesignated fee revenue accurately is difficult for the reasons we have already stated, we reviewed the records for the three largest divisions of Los Angeles, Orange, and San Diego county superior courts and concluded that they collected approximately \$17.4 million in undesignated fees during fiscal year 2000–01, or less than 9 percent of the divisions' total fee revenue.³ Because the funding act does not specify who is to receive these fees, the courts and counties have made stipulations addressing this in their local agreements. Because the distribution of undesignated fees is based on these locally negotiated agreements, various courts may allocate specific fees differently. However, for all three superior courts we reviewed, the counties receive the majority of undesignated fee revenue.

Because the funding act does not specify who is to receive the undesignated fee revenue, the courts and counties have made stipulations in their local agreements for the distribution of these fees.

As shown in Table 4, the largest division of the Los Angeles County Superior Court generated an estimated \$13.4 million in undesignated fee revenue during fiscal year 2000–01, or about 9 percent of the division's total revenue. This court relies on an informal understanding with its county regarding the distribution of undesignated fee revenue that predates the passage of the funding act. This understanding results in the superior court distributing all undesignated fee revenue to the county with the exception of two undesignated fees—petition for summary probate and a small portion of the unlawful detainer.

We estimate that the largest division of the Orange County Superior Court collected approximately \$1.3 million in undesignated fees during fiscal year 2000–01, or 5 percent of the division's total revenue. The current agreement between the superior court and the county requires the court to pay \$4 million per year to ensure that the county continues to receive the same revenue it received during fiscal year 1994–95. This annual payment was included in calculating the county's MOE payment to the State. This agreement covers all superior court divisions and includes many of the undesignated fees. Because our revenue estimate addresses only the largest division of the superior court, it is unclear whether the court collects sufficient revenue to cover its payment to the county. However, the agreement clearly shows that the superior court is distributing the majority of

³ This total is overstated because it includes certain designated fees that the counties combined with undesignated fees in their accounting process.

TABLE 4

**Undesignated Fee Revenue Collected by the Largest Division at Each of the
Three Superior Courts for Fiscal Year 2000–01**

Fee Description	Los Angeles	Orange	San Diego	Totals
Confession of judgment*	\$ 43,180	\$ 20	–	\$ 43,200
Postponement*		4,050	\$12,642	16,692
Transmittal of papers to higher court	195	29,968	–	30,163
Filing civil notice of appeal in superior court and small claims appeal	119,558	9,550	20,743	149,851
Judgment debtor	24,683	425	3,370	28,478
Small claims (filing)	531,906	89,469	121,840	743,215
Unlawful detainer	165,941	9,296	–	175,237
Contempt(s)†	2,599,964	189,744	382,694	3,172,402
Sanctions†	24,762	446,072		470,834
Certified copy of complaint/affidavit for examination from another county*	36	–	–	36
Abstract of judgment (certified copy/affidavit for examination from another county)*		–	–	–
Searching document (probate) and searching records‡	1,159,790	4,515	46,178	1,210,483
Document storage‡	10		–	10
Issuance of writs§	748,344	32,935	28,224	809,503
Abstract of judgment (issuing)§		42,639		42,639
Order of sale	5,733	40	–	5,773
Exemplification of record ,**		960	12,459	13,419
Abstract of judgment (receiving and filing from another court) ,**		–		–
Dissolution of marriage	2,250	–	(43)	2,207
Returned check	27,751	18,842	25,291	71,884
Change of plea and dismissal of criminal proceedings	175,480	9,200	58,068	242,748
Civil assessment	7,717,505	400,513	1,995,092	10,113,110
Affidavit	140	–	–	140
Issuance of handbook for conservators	380	–	–	380
Investigation (conservator)	11,895	–	–	11,895
Petition for summary probate	40,740	–	–	40,740
Total Undesignated Fee Revenues	\$13,400,243	\$1,288,238	\$2,706,558	\$17,395,039

Sources: Automated cashiering systems for the superior courts of Los Angeles, Orange, and San Diego counties.

* The Los Angeles County Superior Court collectively accounts for these undesignated fees.

† The San Diego County Superior Court collectively accounts for these undesignated fees.

‡ The Orange County Superior Court collectively accounts for these undesignated fees.

§ Both the Los Angeles and San Diego county superior courts collectively account for these undesignated fees.

|| The Los Angeles County Superior Court collectively accounts for these undesignated fees.

**The San Diego County Superior Court collectively accounts for these undesignated fees.

undesigned fee revenue—including the civil assessment penalty—to the county. According to the Orange County Superior Court’s executive director of fiscal services, the court and county are currently renegotiating the terms of this agreement.

According to its local agreement, the only undesigned fee revenue the San Diego County Superior Court receives is the amount of civil assessment penalties in excess of \$1.5 million.

For the largest division of the San Diego County Superior Court, we estimated that undesigned fees generated approximately \$2.7 million during fiscal year 2000–01, or 14 percent of the division’s total revenue. The agreement between the superior court and the county of San Diego requires that the court pay the county an amount equal to certain revenues collected during fiscal year 1996–97, its base level. The court may keep any collections above this base level. However, according to the superior court’s director of finance, the court and county have never reached an agreement regarding certain revenues that must be excluded prior to calculating the base level. Consequently, the base level has yet to be established, and the superior court annually remits the majority of undesigned fee revenue to the county. According to its local agreement, the only revenue the court receives from undesigned fees are those in excess of \$1.5 million that result from the collection of civil assessment penalties. Like the Orange County Superior Court, the San Diego County Superior Court is in the process of renegotiating the terms of its agreement with the county.

Our review of these three superior court divisions suggests that the civil assessment penalty generates far more revenue than any other type of undesigned fee. In fact, for fiscal year 2000–01, this penalty generated more revenue than all the other undesigned fees combined, representing roughly 58 percent of the divisions’ total undesigned fee revenue. Superior courts impose civil assessment penalties of up to \$250 against any defendant who fails to appear in court for any proceeding or who fails to pay a court-imposed fine. The intent of the civil assessment penalty was to provide the superior courts with an improved method of obtaining compliance with fines they had previously imposed. Each of the three superior courts we reviewed contracts with a private collection agency to recover payments for some delinquent traffic and criminal cases. Such payments may include amounts associated with the civil assessment penalty. These collection agencies generally work on a commission basis, retaining a percentage of revenue collected.

The 58 statewide superior courts reported to the AOC that they had collected approximately \$53 million in civil assessment penalties during fiscal year 2000–01. The superior courts remitted \$43 million of this amount to the counties and retained the remaining \$10 million. Table 5 shows the amounts that the superior courts for the counties of Los Angeles, Orange, and San Diego, which include the three divisions we reviewed, reported to the AOC.

TABLE 5

Civil Assessment Penalties as Reported to the AOC for Fiscal Year 2000–01

Los Angeles County Superior Court	\$21,344,239
Orange County Superior Court	488,233
San Diego County Superior Court	8,243,675
Total	\$30,076,147

CERTAIN ISSUES CRITICAL TO DETERMINING THE PROPER DISTRIBUTION OF REVENUE FROM UNDESIGNATED FEES REMAIN UNRESOLVED

A number of key issues that are critical to determining who should retain revenue from undesignated fees have yet to be resolved. The first involves the requirement under the California Constitution that fee revenues be allocated to the entity that incurs the cost of providing the service. Under these terms, courts and counties must determine what services they fund before the State can make any fee designations. The issue is further complicated by the fact that different entities in different counties provide the services. Before a statewide designation could be assigned for any given fee, all 58 counties would have to fund the delivery of services in the same way. A related issue concerns certain fees that are currently considered undesignated. A working group consisting of selected superior court and county representatives initially determined which fees the funding act left undesignated, as we discussed in the Introduction. However, we found that 6 of the 47 fees that the working group categorized as undesignated relate to a service that a county or a city provides, or that the funding act does indeed designate.

The California Constitution Mandates That the Entity Incurring the Cost in Providing a Service Must Retain the Fees

The California Constitution imposes certain restrictions that must be considered when discussing the appropriate disposition of particular undesignated fees. These restrictions do not apply to all governmental charges including fines or penalties because this revenue may be used for general purposes; however, these restrictions do apply to fees. Specifically, the determination of whether a payment to a government entity is a tax or a fee depends primarily on the nature of the service that the entity provides. A California appellate court has held that the payment of special taxes does not include payments made for recovering the reasonable costs associated with providing a service. Rather, special taxes relate to activities that generate revenue for unrelated purposes. Therefore, for a governmental charge to be considered a fee, it must be used for its stated purpose, and the amount must reasonably approximate the cost of the service. In view of these requirements, any revenue that certain undesignated fees generate must be distributed to the entity that incurs the cost of providing the service, or the fee will be vulnerable to constitutional challenge.

Although the superior court may perform services related to undesignated fees in one jurisdiction, the county may provide these services in another jurisdiction, making a single statewide designation of fee revenue difficult.

This requirement becomes increasingly important when the State considers imposing a statewide designation for a particular fee. Although the superior court may perform the services associated with certain undesignated fees in one jurisdiction, the county may provide these services in another. This clouds a clear understanding of who incurs the cost and makes a single statewide designation of fee revenue difficult. For example, the county recorder-clerks in Los Angeles and San Diego counties perform the services related to two undesignated fees—one for filing a financial statement and another for filing a power of attorney. However, in Orange County, the superior court provides these services. Furthermore, in two counties, we found cases in which both the superior courts and counties provide the same service, and therefore both collect revenue related to the undesignated fee. Examples of such services are searching records and *exemplification*, the process of providing an attested copy, of a record on file. If the State chooses to impose statewide designations for undesignated fees such as these, it needs to be aware of the constitutional restrictions.

The Working Group Inappropriately Categorized Certain Fees as Undesignated

Our review of the working group’s published list of fees found that it defined certain fees as category 4 undesignated when they were in fact designated. As we mentioned, the California Constitution requires that the revenue generated from service-based fees be used to offset the cost associated with providing that service. However, 6 of the 47 fees that the working group categorized as category 4 undesignated either involved county programs or city-supported services, or they were specifically designated by the funding act. Nevertheless, the three superior courts we reviewed distributed the appropriate share of revenue for the five fees they collect to the entity incurring the cost of providing the service. The superior courts do not collect the sixth fee. Table 6 shows the six misclassified fees and their correct designations.

TABLE 6

Fees the Working Group Miscategorized

Fee Description	Erroneous Category	Correct Category			
		1	3	City	Designated
Alcoholism program	1,4	●			
Alcohol abuse program fund	1,4	●			
Small claims	4				●
Application for renewal of judgment	4				●
Change of venue	4				●
Assessment (disabled-parking)	4		●	●	

Sources: Working group’s list of undesignated fees; California’s Code of Civil Procedure, Penal Code, and Government Code; and Chapter 1244, Statutes of 1992.

Category 1: Nondiscretionary revenue specified for a particular program or fund.

Category 3: Revenue directed for county use that may be discretionary.

Category 4: Statute does not specify the use or disposition of this revenue.

City: Cities generally perform this service for incorporated areas; the sheriff’s department performs this service for unincorporated areas.

Designated: The funding act designates this fee.

The reasons for miscategorizing these fees varied. Legislation predating the funding act mandates that revenue generated by two of the six fees must go to the counties to support county-administered alcohol abuse programs; thus, the working group should have classified the revenue that these fees generate as nondiscretionary revenue specified for a program or fund. For three other fees, either the funding act specifically designated the revenue or the working group presented these fees twice on its list. This may have occurred because the legislation that outlines the services does not directly set the associated fees but instead refers to other legislation containing the amounts for the fees. This other legislation is either already included in the working group's list of fees or the funding act already designates this revenue to the State.

The reasons the working group miscategorized some fees as category 4 undesignated varied.

The final misclassified fee relates to an assessment for illegally parking in or obstructing a space set aside for disabled drivers. Legislation transferred the processing activities of parking ticket enforcement to the cities and counties as of January 1, 1994. Although the working group categorized this assessment fee as category 4 undesignated, the 1994 law designated the revenue it generates to the incorporated city or county where the violation occurred. For each of the three superior courts in our review, we found that the cities generally collect the revenue generated from this fee for violations occurring in incorporated areas; the county sheriff departments collect the fee for the violations that occur in the unincorporated areas. The superior courts in Los Angeles, Orange, and San Diego counties confirmed that they neither provide the service nor collect the revenue for this fee.

RECOMMENDATIONS

To make sure that category 4 undesignated fees are properly identified and distributed, the AOC should review and correct the working group's list of these fees. Once this list is complete and accurate, the AOC should direct each superior court to identify the entity in its jurisdiction that incurs the cost of providing the service related to each fee on the list. It should also direct the superior courts to ensure that, in their agreements with their respective counties, the courts distribute each of these fees to the entity incurring the cost. Finally, the AOC should seek legislation designating the distribution of charges other than fees, such as penalties and fines. ■

CHAPTER 2

The Administrative Office of the Courts Is in the Preliminary Stages of Implementing a Statewide Management System

CHAPTER SUMMARY

When the Legislature passed the Lockyer-Isenberg Trial Court Funding Act of 1997 (funding act), it transferred funding responsibility for California's superior court operations from the counties to the State. At the same time, it assigned the Judicial Council the role of establishing a statewide system for superior court management. Toward this goal, the Administrative Office of the Courts (AOC) has begun implementing a wide-reaching system for monitoring superior court operations. These efforts will not address the problems we discussed in Chapter 1 because the majority of undesignated fee revenue is distributed to the counties and therefore is outside of the AOC's control. However, the AOC's actions should help to ensure that the administration of the State's 58 superior courts is sufficient and consistent.

For example, the AOC recently published the first Trial Court Financial Policies and Procedures Manual (manual), which will eventually include statewide guidelines concerning most aspects of superior court management. It has also begun developing uniform accounting software in an effort to improve its budget development process and to achieve more consistent financial reporting by the superior courts. Finally, it has sponsored a number of statutory changes that increase its administrative authority and thus aid its ability to meet its monitoring responsibilities.

THE AOC IS ESTABLISHING GUIDELINES THAT SHOULD HELP THE COURTS TO MANAGE THEIR FINANCES

The funding act assigned the Judicial Council the responsibility for establishing a system that recognized that each superior court would continue to manage its day-to-day affairs. One part of this responsibility was to ensure that superior courts appropriately manage certain fiscal aspects of their operations.

To achieve this, the Judicial Council required that the AOC adopt financial policies and procedures for the superior courts. Deciding that a statewide strategy was necessary to cope with its belief that accounting and other support services would not be available to many of the superior courts when the counties no longer desired to provide such services, the AOC published its manual in August 2001. The manual provides a high-level discussion of day-to-day business practices that each superior court must follow unless it obtains AOC approval to operate differently. The manual's framework encompasses most facets of superior court management, including receiving budgeted resources, spending those resources, and reporting on financial conditions.

The recently published Trial Court Financial Policies and Procedures Manual provides each superior court with a high-level discussion of day-to-day business practices it must follow.

The AOC manual contains one requirement that significantly affects superior court management: the budgeting process. The manual's policy somewhat mirrors the State's process by requiring that the allocation of budgeted resources be segmented by individual superior court activity level. For example, the superior courts must now specifically budget for costs such as facilities rental, court reporter services, and equipment maintenance. The manual also establishes specific limits on the amounts the courts are able to shift in budgeted funding from one activity to another after the AOC approves their budget. Once they reach a certain amount, such shifts now require AOC approval. In addition, the manual requires the AOC to compare each superior court's request for additional resources against established criteria to decide whether the court's activity justifies the greater expense.

The AOC monitors the superior courts' adherence to these policies by requiring that they submit quarterly financial reports. Using these reports, the AOC reviews each superior court's budget and actual spending to ensure that the court does not exceed its limitations. This process should ensure more consistent reporting of court activities, particularly because the AOC has now clearly defined its reporting requirements in the manual. Setting limits on budgeted activities and requiring that the courts submit more detailed financial reports should make it easier for the AOC to identify potential problem areas.

However, the manual does not yet offer clear guidance on all aspects of financial policies and procedures. For instance, although the section explaining the budgeting process outlines specific steps the courts must take, the section on fiscal management contains less detail. The AOC recognizes that certain areas of its manual require expansion and refinement before it can ensure consistent practices among the 58 superior courts. According to

To ensure consistent practices among the superior courts, the AOC will continue to develop and refine its policies and procedures manual.

its director of finance, one of the AOC's objectives in issuing the manual was to begin the process of educating the superior courts on the general practices and reporting requirements that they must follow now that they are state-funded organizations. In consultation with the State Controller's Office, the AOC will continue to identify areas of priority within the manual for further development. The AOC's chart of proposed revisions and its correspondence with the State Controller's Office suggest that it plans to expand several sections of the manual including internal controls, procurement, and the new revenue collection and distribution process.

The AOC intends to incorporate the results of these efforts into the manual by July 2002, and it expects to distribute additional updates and revisions as they become necessary. Once fully developed and implemented, the policies outlined in the manual should establish a framework for a more structured administrative environment, encouraging the courts to treat and report their financial resources completely and consistently.

THE AOC PLANS TO DEVELOP ACCOUNTING SOFTWARE FOR THE COURTS' USE

In addition to its efforts to standardize the superior courts' accounting through the guidelines in its manual, the AOC is attempting to contract for the services of a software vendor to develop a statewide accounting system that the superior courts could use to manage and report on their financial activities. As we mentioned, the counties were responsible for providing financial services for the superior courts prior to the passage of the funding act in 1997. The AOC stated that since that time, most superior courts have continued to rely on their respective counties to provide basic accounting services so that they can report on their financial activities to the AOC. However, the AOC has expressed concerns about this arrangement because many county systems cannot provide the financial reports or the data that the superior courts must have in order to meet state reporting requirements, and modifying the current systems to do so would be difficult. A statewide accounting system would free the superior courts from their reliance on the counties for these services and allow them to standardize the way they account for and report their revenues and expenditures.⁴

⁴ As we discussed in Chapter 1, our review indicated that the superior courts do not retain most undesignated fee revenue. As a result, the new accounting system will not account for these fees.

The AOC intends for the accounting system to provide more reliable information, standard financial policies, and real-time access to financial data.

The current lack of a statewide accounting system tailored to the unique needs of the superior courts results in sometimes labor-intensive processes for resource distribution and financial reporting. The AOC stated that the process of converting financial data from a county's format to the State's format could cause long delays. In addition, the AOC declared that it was unable to verify the accuracy of the information that the courts submit under the current process. Also, the variation among the superior courts in terms of staff availability and technological resources makes coordinating and consolidating financial information difficult for the AOC. It intends for the planned statewide accounting system to improve these conditions in the following ways: by providing more reliable financial information; standardizing financial policies, procedures, and reporting; using common technology; and allowing the AOC to have real-time access to monitor financial data, thus permitting it to better oversee court operations. The AOC plans to limit the courts' ability to customize the accounting system, in order to avoid the unnecessary complexities that variations between one court and another might introduce.

According to the AOC's manager of fiscal services, once the system is in place, each superior court will have two options for using the new accounting system: it can have a designated service provider enter the data or it can enter the information itself through a Web site. The AOC cannot currently require the courts to use such a system. However, during fiscal year 2000-01, the AOC surveyed the courts to determine the kinds of financial accounting systems they used and whether they would consider moving to a statewide system. At that time, 38 of the 58 superior courts expressed interest in the possibility.

The AOC plans to implement the accounting system in two stages: First, it will test the software in its San Francisco office, and then it will roll it out in phases to participating superior courts. It has scheduled Stanislaus County Superior Court as the first to begin using the software in July 2002, followed by various other courts, depending upon the success of the software in Stanislaus. According to the manager of fiscal services, the AOC selected this superior court for the initial use of the system because it is large enough to experience many of the operational nuances that will help identify potential problems, yet small enough to minimize the risk of processing a large number of financial transactions. The AOC prioritized which superior courts would

next receive the software based on many factors, including whether their respective counties had given notice to discontinue providing accounting services and whether the court personnel were capable of implementing the new system. It also considered the size of the courts. It plans to defer adding larger courts onto the system until later to make implementation easier. The AOC anticipates that implementing the new accounting system statewide will take five years.

THE AOC'S RECENTLY ESTABLISHED AUDIT UNIT WILL REVIEW THE APPROPRIATENESS OF EACH SUPERIOR COURT'S PRACTICES

As part of its monitoring responsibilities, the AOC recently established the Internal Audit Unit (audit unit). Its initial efforts will be to identify any problems related to superior court management and recommend corrective actions. The audit unit's activities are still in their early stages but include identifying areas that may be the subject of future audits and drafting audit programs. It eventually intends to perform reviews of contracts and processes of selected superior courts and thus ensure that they are managing their resources effectively, consistently with established regulations and in compliance with the AOC's guidelines. The audit unit hopes to provide for a comprehensive review of all the superior courts within the next five years.

Consultant reviews of selected superior courts are to determine if county charges are supported by the courts' local agreements and comply with existing policies.

In addition to these planned activities, the audit unit has contracted two outside consulting firms to perform a review of 10 selected superior courts. The scope of the review is limited to charges that the counties billed in fiscal year 1999–2000 to the superior courts for services provided, such as information technology. The audit unit has asked the consultants to determine whether the court's local agreement with the county supports the allocation of the charges and whether such charges comply with existing policies. The audit unit initiated this review to address the concerns of the Legislature that court charges had increased sharply during this period. The audit unit also requested that the consultants obtain general information regarding these 10 superior courts to aid in identifying operational concerns. This information should include the courts' current revenue collection and distribution processes, their use of the AOC's manual, and the results of any previous internal or external audits.

The AOC is also contracting for the services of consultants to perform additional reviews that will focus on the superior courts' revenue collection and distribution processes. These reviews are scheduled to begin in early 2002.

LEGISLATIVE CHANGES SHOULD IMPROVE THE AOC'S ABILITY TO MONITOR THE SUPERIOR COURTS

The funding act of 1997 and related legislation that became effective in 2001 not only increased the AOC's authority to monitor the superior courts but also provided the AOC with some new management options. For example, as the result of changes in the law, the AOC can now establish operations funds so that the courts have the option of depositing funds outside the county treasury, an option they did not have in the past. Another change in the law gives the AOC the authority to review any documents pertaining to the superior courts' financial activities, regardless of whether the court, the county, or some other entity keeps these documents. In previous years, the AOC did not have access to county records. Because these changes should increase the AOC's knowledge of and control over the financial management of the superior courts, they should allow it greater flexibility in its administrative oversight.

One change in the law gives the AOC authority to review any documents pertaining to the superior courts' financial activities regardless of which entity keeps these documents.

A third change in the law increases the AOC's authority to review the reasonableness of indirect or overhead charges that appear in service contracts between the superior courts and their respective counties. As a result, the AOC should be able to ensure that courts and counties can agree on and adequately support indirect charges. This change in the law also allows a shift of responsibility for the monitoring of the court budget process from the Judicial Council to the AOC. The AOC will have the direct authority to monitor the superior courts' budget, and thus it will be able to implement policies and procedures statewide.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Elaine M. Howle". The signature is written in a cursive, flowing style.

ELAINE M. HOWLE
State Auditor

Date: February 21, 2002

Staff: Doug Cordiner, Audit Principal
Theresa Gartner, CPA
Jessica Tucker
Tameka Hutcherson

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APPENDIX

The Joint Court-County Working Group List of 47 Undesignated Court-Related Fees

Fee Description	Category
Transmittal of papers to higher court	4
Postponement	4
Small claims appeal	4
Small claims (issuing an abstract of judgment)	4
Judgment debtor	4
Small claims (filing)	1,2,4
Sanctions	4
Change of venue	4
Certified copy of complaint/affidavit for examination from another county	4
Application for renewal of judgment	4
Filing for writ of execution	4
Abstract of judgment (certified copy/affidavit for examination from another county)	4
Issuance of certificate of satisfaction of judgment	4
Confession of judgment	4
Unlawful detainer	4
Contempt of a court order or judgment	4
Filing civil notice of appeal in superior court	4
Document storage	4
Searching document (probate)	4
Issuance of writs	4
Order of sale	4
Abstract of judgment (issuing)	4
Exemplification of record	4
Marriage certificate filing	4
Making a record of certificate of revivor	4
Searching records	4
Filing power of attorney	4
Financial statement filing	4
Dissolution of marriage	1,4
Certification of foreign translation	4
Returned check	4
Abstract of judgment (receiving and filing from another court)	4
Transcript of the register of accounts	4
Establish fact of birth, death, marriage	4
Contempt of court	1,4
Change of plea	4
Dismissal of criminal proceedings	4
Civil assessment	4
Alcoholism programs	1,4

continued on next page

Fee Description	Category
Alcohol abuse program fund	1,4
Assessment (disabled-parking violation)	4
Issuance of handbook for conservators	4
Investigation (conservators)	4
Conservator annual filing	4
Petition for summary probate	4
Affidavit	4
Vehicle forfeiture hearing	4

Source: Joint Court-County Working Group, 1999.

Category 1: Nondiscretionary revenue specified for a particular program or fund.

Category 2: Revenue directed for court use that may be discretionary (the revenue was recommended to go to the State).

Category 3: Revenue directed for county use that may be discretionary (the revenue was recommended to go to the county).

Category 4: Statute does not specify the use or disposition of this revenue.

Agency's comments provided as text only.

Judicial Council of California
Administrative Office of the Courts
455 Golden Gate Avenue
San Francisco, CA 94102

February 8, 2002

Ms. Elaine M. Howle
State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

I am responding on behalf of Chief Justice Ronald M. George to the audit report prepared by your office which examines issues related to certain trial court fees and issues related to the transition to state funding of the trial courts. We appreciate the time and effort expended by your staff in preparing this report that will contribute to the continued improvement of the California courts.

The discussion below responds to the two areas where operations were reviewed in the audit report:

Undesignated Fees

The audit report recommends:

“To make sure that category-four undesignated fees are properly identified and distributed, the AOC should review and correct the list of these fees prepared by the working group. Once this list is complete and accurate, the AOC should direct each superior court to identify the entity in its jurisdiction that incurs the cost of providing the service related to each fee on the list. It should also direct the superior courts to ensure that in their agreements with their respective counties these

fees are distributed to the entity incurring this cost. Finally, for charges other than fees, such as penalties and fines, the AOC should seek legislation designating their contribution.”

The AOC intends to pursue a variety of actions such as the following:

- Review the list of undesignated fees prepared by the 1999 internal working group to verify that they are categorized properly and that there is no specific statutory direction regarding their distribution and use.
- In consultation with each superior court and county, document whether the court or the county incurs the cost of providing the service related to the fees.
- Review Memorandums of Understanding (MOUs) between the courts and counties and, where appropriate, encourage the courts to work closely with the counties in revising their MOUs (or agreements) to ensure that each specific fee is distributed to the entity that incurred the cost of providing the specific service.
- Propose legislation to clarify the disposition of fees, fines, and penalties where currently no statutory reference provides for its distribution and use.

Transition to State Funding

We appreciate your comments supporting the Judicial Council's efforts to build a reliable and comprehensive administrative infrastructure that would include features such as a uniform financial system.

The Superior Courts are in the midst of a major transition that began in 1998. The transition was, and continues to be, expected to involve efforts over the next decade encompassing the unification of the trial courts and the change to state funding.

State funding legislation was initiated to: provide adequate and stable funding; enhance equal access to courts across the state; and establish a system that would provide for appropriate accountability in the judicial branch. To accomplish the goals encompassed in state funding legislation, building a comprehensive administrative and financial infrastructure at the local court and state level is essential.

Elaine M. Howle
February 8, 2002
Page 3

We are committed to taking the necessary steps to fully realize the goals of state trial court funding and unification. These steps include actions such as those outlined below:

- Implementation of a statewide trial court financial system;
- Expansion and enhancement of financial and fiscal guidelines for the trial courts;
- Implementation of an internal and external audit program with a financial opinion audit of the trial courts taken as a whole being the ultimate goal;
- Implementation of the recommendations of the Facilities Task Force; and
- Implementation of the Trial Court Employment Protection and Governance Act.

We recognize the challenges ahead and will keep you informed of significant milestone achievements. Your support is greatly appreciated.

Sincerely,

(Signed by: William C. Vickrey)

William C. Vickrey
Administrative Director of the Courts

cc: Chief Justice Ronald M. George

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press