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February 10, 2025

Mr. Joe Stephenshaw, Director
Department of Finance
1021 O Street, Suite 3110
Sacramento, California 95814

Dear Mr. Stephenshaw:

In a letter dated February 4, 2025, you notified the Joint Legislative Budget Committee pursuant to Item 0250-101-0932, Provision 4 in the *2024 Budget Act*, of a request from the Judicial Council to increase expenditure authority from the Trial Court Trust Fund by \$41,340,000. The letter indicates that the additional funding will allow the trial courts to avoid some planned reductions in court operations.

Last year, the Governor proposed, and the final budget included, Control Section 4.05 to cut General Fund state operations expenditures by up to 7.95 percent. The Administration was tasked with identifying how to distribute the reductions. The budget assumed this control section would lower state General Fund expenditures by \$2.2 billion in 2024-25 and \$2.8 billion in 2025-26, and ongoing. These reductions were unallocated and applied only to the General Fund—other funds were not included.

The Governor's proposed 2025-26 budget assumes significantly lower reductions in General Fund state operations expenditures than was assumed in the 2024-25 budget package. In addition, it includes reductions to unspecified "other funds" other than the General Fund. The Governor's proposal assumes that the Administration is able to achieve less than one-half of the General Fund savings assumed in 2024-25. Specifically, the January budget assumes that the Administration will reduce state operations expenditures by \$820 million General Fund (\$1.5 billion all funds) in 2024-25 and \$1.2 billion General Fund (\$2 billion all funds) beginning in 2025-26, and ongoing.

Trial courts were excluded from Control Section 4.05 because trial court operations funding is a local assistance item. However, the *2024 Budget Act* did separately reduce \$97 million in funding for trial court operations. This was intended to constitute a 7.95 percent reduction, similar to what was assumed for other state departments. To fully operationalize this reduction, trial courts have taken various actions, such as furloughs and reduced service hours. These actions have resulted in delays, backlogs, and

reductions in court services. The Governor's January budget recognizes the challenges the courts face in achieving all of the savings and proposes a restoration of \$41 million for 2024-25. Approving the Judicial Council's request will authorize the restoration of funding prior to legislative action on the Governor's budget.

While I find it reasonable to use unspent Trial Court Trust Fund monies to help mitigate the impacts to the courts, your approval of this request highlights some of the problems and inconsistencies with the proposed reductions to operational expenditures and Control Section 4.05.

First, the application of the reductions and Control Section 4.05 in the Governor's January budget is not equitable. Of the \$1.2 billion in General Fund savings proposed for 2025-26, about 64 percent, or \$774 million, of the reductions will come from the University of California (UC) and the California State University (CSU). A cut this significant will undoubtedly result in cuts to direct services for students and possible layoffs or furloughs. Further, the application of the reduction to state operations is inconsistent across departments. It appears that the percentage of cuts vary dramatically from one department to another. For example, while UC, CSU, and other state departments (for example, the Department of Fish and Wildlife) are assumed to reduce state operations expenditures by more than 7 percent in 2025-26, others, like the California Department of Corrections and Rehabilitation are assumed to reduce state operations expenditures by less than 2 percent.

Second, the Governor's January budget includes reductions of special funds that support state operations expenditures—something not articulated in Control Section 4.05. The Control Section states, "The Director of Finance shall allocate the necessary adjustment to each item of appropriation or other spending authority to reduce total *General Fund state operations expenditures* [emphasis added] by up to 7.95 percent in the 2024-25 fiscal year." It did not include specific authority to reduce activities supported by special funds. As proposed, the cuts may impact the ability of departments to implement important programs ranging from consumer protection, pollution prevention to climate change. Reductions to programs supported by user fees may result in less monitoring and enforcement of important health and safety standards.

Third, I am concerned that the proposed cuts will impact the ability of state agencies to implement state statute and legislative priorities approved through the budget. I am aware of at least one legislative priority included in the *2024 Budget Act* that will go unfunded if the proposed reductions are adopted. Staff has asked the Department of Finance for what changes in statute or regulations will be necessary to achieve all of the identified reductions and have been told that the information is not available.

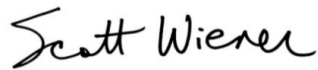
Finally, the Administration has been unable or unwilling to provide backup material that supports the Governor's estimates. Responses to multiple requests from budget staff and the Legislative Analysts' Office for additional details have included very little useful information. In order to properly evaluate the impact of the proposed reductions, the Department of Finance must provide the Legislature with more detailed information immediately.

While I support efforts to implement cost savings measures and efficiencies, they must be done pragmatically and thoughtfully with defensible criteria. I appreciate the Administration's recognition that flexibility is sometimes needed as reflected by your approval of the increased expenditure authority

from the Trial Court Trust Fund. The Legislature will seriously consider mitigating the impacts of the across the board cuts to UC and CSU, just as the Governor has proposed to reduce the cuts to the courts. I urge the Administration to reevaluate the proposed reductions and provide the Legislature with a more reasoned and defensible plan to implement efficiencies with all of the necessary backup information available for review.

Acknowledging the need to adopt appropriate cost saving measures while ensuring the availability of services are not negatively impacted, I believe the restoration of \$41 million in expenditure authority is sensible and it will allow the trial courts to reverse or avoid some of the actions taken to operationalize the full \$97 million reduction. To further minimize the impacts on court users, I also find it prudent to make these additional funds available as soon as possible. Accordingly, I concur with the request for additional expenditure authority and waive the remainder of the 30-day review period.

Sincerely,

A handwritten signature in black ink that reads "Scott Wiener". The signature is written in a cursive, flowing style.

Scott Wiener
Chair

cc: Members of the Joint Legislative Budget Committee