

**Compensation Board
Circuit Court Clerks Overview
(for Senate Joint Resolution 336)**

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Executive Summary

Key Summary Points from this Overview:

- The FY06 General Fund appropriation for Circuit Court Clerks totals \$34,519,621.
- The FY06 NGF (Technology Trust Fund) appropriation for Circuit Court Clerks totals \$11,725,965.
- Budget reductions in FY's 01-04 totaled \$4.5M GF and \$1.5M NGF.
- The Compensation Board provides funding for 117 Circuit Court Clerks and 963 Deputy Clerks.
- Court Services positions are funded through the local Sheriffs' offices. Current staffing standards call for 164 new positions, statewide. However, the actual number of deputies fixed for courtroom and courthouse security is based upon no more than two deputies in Circuit Court for criminal cases (Chapter 951, Appropriations Act, Item 64.C.).
- All Circuit Court Clerks collect fees. In FY05, Circuit Court Clerks collected over \$56M in Excess Fees (as defined on Page 5). All Fees are deposited into the GF, with 2/3 of Excess Fees returned to the respective locality. The amount of Fees collected, however, has no bearing on the funding of the office or positions provided by the Compensation Board.

General Fund/Services Overview

The Compensation Board, as required in Chapter 951 (2005 Appropriations Act), Item 66., and supported by the Code of Virginia, §'s 15.2-1603, 15.2-1636.8, 15.2-1636.11, 15.2-1636.13, 15.2-2507, 17.1-283, 17.1-285, 17.1-287, 17.1-288 and 17.1-290, administers the distribution of General Fund dollars to support Circuit Court Clerks and their respective operations. Such support is primarily in the form of salary reimbursements. Staffing standards for Circuit Court Clerks' Operations have been established in cooperation with the Clerks. The implementation of staffing standards provides a consistent and streamlined approach to developing budgets for Constitutional Officers and staff salaries. The staffing standards have provided a more efficient process for everyone involved in budget development. However, the General Assembly has not approved full staffing standard funding for Circuit Court Clerks. The Compensation Board continues its efforts to seek full staffing standard funding for the Circuit Court Clerks.

The FY06 General Fund appropriation for Circuit Court Clerks totals \$34,519,621 (excluding FY05 & FY06 salary regrades and Technology Trust Fund (NGF) transfers). These funds will be distributed to support 100% of approved Circuit Court Clerks' and respective staff salaries. Current staffing standards for Circuit Court Clerks reflect a shortfall of over 400 funded positions throughout the Commonwealth. However, the Circuit Court Clerks report that many of the localities provide supplemental dollars for salaries and positions. For example, the Compensation Board provides 98 positions for the Fairfax Clerk, while the Clerk reported in his most recent budget submission (January 2005) that Fairfax County provides an additional 52 positions, totally at the locality's expense.

In FY06, the Compensation Board approved the following allocation for 117* Clerks' Offices:

\$ 10,836,305	Salaries & Benefits for 117 Clerks
\$ 25,981,101	Clerk staff Salaries & Benefits
\$ 242,721	Temporary staff
\$ 84,949	Office Expenses/Other
\$ 37,145,076	Total Allocation to Circuit Court Clerks for FY06

* Note: 3 Clerks – Richmond, Roanoke and Newport News, retain all fees collected and pay all expenses. The Compensation Board does not reimburse these localities for Circuit Court Clerks' expenses.

It should also be noted that during FY's 01-04, Circuit Court Clerks' took substantial budget cuts as its share of statewide reductions. General Fund budget reductions for Circuit Court Clerks amounted to over \$4.5M, to include salary/wage/leave payout reductions of \$3M and office/meetings expense reductions of \$1.5M. In addition, the Technology Trust Fund (NGF) had to absorb a \$1.5M transfer to the General Fund to offset GF shortfalls. As communicated through the Clerks, the resulting impact of budget reductions has affected the level of services the Clerks provide to our citizens and/or local government subsidies to offset shortfalls.

Security for the Circuit Courts also generates on-going discussion. The Compensation Board provides Court Services positions through the local Sheriffs' offices. The total need for Court Services positions as identified through the most recent staffing standards is 164 new positions, statewide. However, the actual number of deputies fixed for courtroom and courthouse security is based upon no more than two deputies in Circuit Court for criminal cases (Chapter 951, Appropriations Act, Item 64.C.).

General Fund/Services Overview (continued)

In addition to the distribution of funds to Circuit Court Clerks, a key component of the Compensation Board's mission is to assist Constitutional Officers and their staff through automation, training and other means, to improve efficiencies and to enhance the level of services provided to the citizens of Virginia. Through this investment the Compensation Board has implemented the following:

- Development and implementation of the Constitutional Officers Information Network (COIN) System to replace the outdated and less efficient SNIP System. Implementation of COIN will increase efficiencies at both the Constitutional Officer/staff and Compensation Board levels.
- Implementation and maintenance of Career Development Programs for Constitutional Officers and staff. These programs provide incentives, which serve to promote a higher level of individual office performance, by providing salary increases to those offices and employees who meet specific educational and office performance objectives. Due to the success of these programs for other Constitutional Officers, the General Assembly has directed the Compensation Board, in cooperation with Clerks, to develop a similar program for Circuit Court Clerks and Deputy Clerks by November 15, 2005.
- Implementation and maintenance of a comprehensive training program for Constitutional Officers and staff. For Circuit Court Clerks this program includes courses in: New Deputies and Office Administrators, COIN (Constitutional Officer Information Network), New Constitutional Officers and Lawful Employment Practices. These courses provide Constitutional Officers and staff with information and tools necessary to more effectively manage their day-to-day operations and to develop an understanding of the Compensation Board's role and services offered/available.

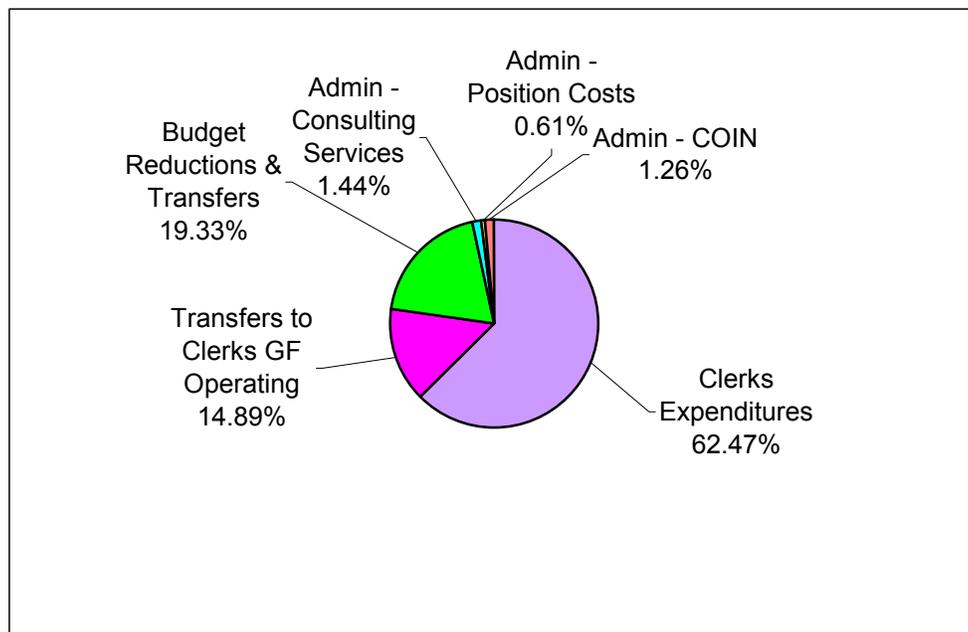
Technology Trust Fund Overview

The Compensation Board, as required in Chapter 951 (2005 Appropriations Act), Item 66., administers the distribution of non-general fund revenue collected pursuant to §17.1-279, Code of Virginia, which established the collection of a Technology Trust Fund fee on all law and chancery actions, on each instrument recorded in the deed book, and on all judgments docketed in the judgment lien docket book. Collection of the fund began in fiscal year 1997 as a \$3 fee and was increased to \$5 in fiscal year 2005. Funding from this fee is to provide automated access to land records, and in 2004 language was included in the Code that it is the intent of the General Assembly that all circuit court clerks provide secure remote access to land records on or before July 1, 2006.

Technology Trust Fund collections over nine years have totaled \$60.4 million dollars. Four dollars of every fee collected is allocated directly to the Clerk in the locality where the fee was collected (unless otherwise directed by the General Assembly). The remaining dollar of the fee is allocated to support the administration of the fund and to assisting Clerks in meeting their automation goals by providing additional funds to accelerate their automation efforts.

Over the past two biennia, budget reductions and transfers to the general fund have diverted more than \$15.8 million, or 34%, of the total Technology Trust Fund collections. Language in the current Appropriation Act (Chapter 951) allows the transfer of \$1.49 million in fiscal year 2006 to offset a portion of the general fund budget reductions to the operating budget of Clerks' offices. Without this language, an additional reduction to Clerks' operating budgets would be necessary, which in most offices would result in further reduction to salaries.

The following chart depicts the distribution of expenditures since the implementation of the Technology Trust Fund:



Excess Fees Overview

Prior to July 1992, Circuit Court Clerks’ operated on a Fee-based system. The Fees collected were reported to the Compensation Board monthly on the Supreme Court Fee Report. The Fee Report listed each fee collected, the number of transactions, the amount collected and the total of all fees collected. The Fee Report also detailed the Compensation Board’s authorized and reimbursable office expenses. The expenses were subtracted from the Total Fees Collected, leaving either “Excess Fees” or a “Deficiency”. Any excess fees were distributed with one-third to the State and two-thirds to the Locality. When the fees collected were insufficient to pay salaries and expenses, the Clerk’s office reported a deficit and the Compensation Board would send the respective office a supplement to cover the salaries and expenses for the report month.

In July 1992 the Compensation Board began to budget Circuit Court Clerks in the same manner as the other Constitutional Officers. The Compensation Board began to reimburse the approved and budgeted salaries and expenses to the localities or the Circuit Court Clerks monthly. The Clerks were instructed to deposit all fees collected to the general fund. The ‘Total Fees Collected’ are retrieved from the Supreme Courts’ Financial Management System or entered in the Compensation Board’s SNIP/COIN System by the Circuit Court Clerks. The System calculates the excess fees based on the ‘Total Fees Collected’ less the Compensation Board’s authorized and reimbursable salaries and expenses (excluding benefits and Technology Trust Fund equipment). The Compensation Board returns two-thirds of the excess fees to the Treasurer of each locality. The Compensation Board staff annually determines (in June of each year) if the two-thirds excess fees should be remitted to the locality on a monthly or annual basis (for the new fiscal year). If a locality remained in “Excess” status for the entire previous calendar year, two-thirds of the excess fees are submitted monthly; if a locality had one or more deficit months within the calendar year, two-thirds of the excess fees will be submitted annually. The annual excess fees are submitted to the Treasurers in July each year. The Compensation Board no longer supplements Clerk deficits.

Example: Excess Fees

Total Fees Collected	\$ 70,000.00
Total Auth. Expenses *	- \$ 60,000.00
Excess Fees	= \$ 10,000.00
State’s Share	\$ 3,333.33
Locality’s Share	\$ 6,666.67

Example: Expenses Exceed Fees (Deficit)

Total Fees Collected	\$ 60,000.00
Total Auth. Expenses *	- \$ 70,000.00
Deficit **	= \$(10,000.00)

* Authorized Expenses = the Compensation Board approved budget amount.

** The Compensation Board does not supplement Clerk deficits.

Note: While all Circuit Court Clerks collect fees, the amount of fees collected does not drive or impact the staffing standards or total funding provided by the Compensation Board. See General Fund/Services Overview Section – Page 2.

5-Year Expenditure History

**Circuit Court Clerk Expenditures - 5 Year History
(as funded through the Compensation Board)**

	<u>GF</u>	<u>NGF</u>	<u>Total Expenditures</u>
FY01	\$ 38,614,609.12	\$ 4,757,461.75	\$ 43,372,070.87
FY02	\$ 39,004,346.59	\$ 6,800,199.60	\$ 45,804,546.19
FY03	\$ 34,390,714.60	\$ 3,661,213.59	\$ 38,051,928.19
FY04	\$ 33,642,195.03	\$ 5,028,387.64	\$ 38,670,582.67
FY05	\$ 35,381,845.58	\$ 5,790,779.93	\$ 41,172,625.51

5-Year Excess Fee History

**Circuit Court Clerk Excess Fee Collections - 5 Year History
(as reported by the Commonwealth)**

	<u>Total Excess Fees</u>	<u>Locality Share</u>	<u>Commonwealth Share</u>
FY01	\$ 17,709,803.66	\$ 11,806,535.78	\$ 5,903,267.88
FY02	\$ 29,688,653.49	\$ 19,792,435.65	\$ 9,896,217.84
FY03	\$ 45,892,588.92	\$ 30,595,059.29	\$ 15,297,529.63
FY04	\$ 51,957,430.74	\$ 34,638,287.16	\$ 17,319,143.58
FY05	\$ 56,269,359.04	\$ 37,512,906.02	\$ 18,756,453.02