EAST • WEST MANAGEMENT INSTITUTE

BUDGET FORMULATION & EXECUTION UNITED STATES FEDERAL COURTS

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FEDERAL JUDICIARY

- Judicial Conference of the United States
  - Policy Body of the Federal Courts
  - Approves Budget Formulation & Execution Approach
  - Receives Funds Directly from US Congress
- Administrative Office of the US Courts
  - Management Office for the Federal Courts
  - Reports to the Judicial Conference
  - Develops & Executes National Budget
- No Financial Relationship with State Courts
  - Governed by the Various State Constitutions
  - But Many State Courts follow Federal Model

COURT GOVERNANCE

- Individual District & Circuit Courts
  - Autonomous Judges
  - Professional Court Managers

- Judges as Board of Directors
  - Establish Policy & Approve Annual Budgets
  - Chief Judge as Chairperson & Public Representative

- Court Manager
  - Develop & Executes Budget
  - Appoints & Directs Staff

BUDGET FORMULATION

- Historic Baseline
  - What Did We Spend Last Year?
- Fixed Formulas
  - Required Spending by Law
  - Spend to Create Minimum Capability
- Variable Formulas
  - How Many Cases are We Processing?
  - How Much Resource per Defined Action?
- Capital Accounts
  - Multi-Year Assets & Special Projects

HISTORIC BASELINES

- Least Complex
  - Minimizes Political Controversy
  - Simple Formula: Last Year +/- 5%
- Least Responsive
  - Does Not Track Dynamic Conditions or Actual Work
  - Discourages Innovation or Accountability
- Has Useful Applications
  - Facilities Rent
  - Utilities

FIXED FORMULAS

- Judges Salaries
  - Constitutionally Required in the USA
  - By Reference, So is Direct Judicial Staff
    - Law Clerks and Secretaries
    - Other Support Staff Assigned to Court Manager
- Minimum Location Capability
  - Support Staff to Operate a Courthouse
  - “Open the Doors”
- More Complex Than Baseline, But Simple

VARIABLE FORMULAS

- The "Gold" Standard of Budgeting
  - How Many Cases?
  - How Much Work per Defined Action?
  - Most Complex Formula
  - Requires Accurate Data & Activity Analysis

- Examples
  - One Courtroom Clerk per Authorized Judgeship
  - One Clerk per 1,500 filings
  - Consumables Supplies: $10 USD per 100 filings
  - Positions Converted into Funds

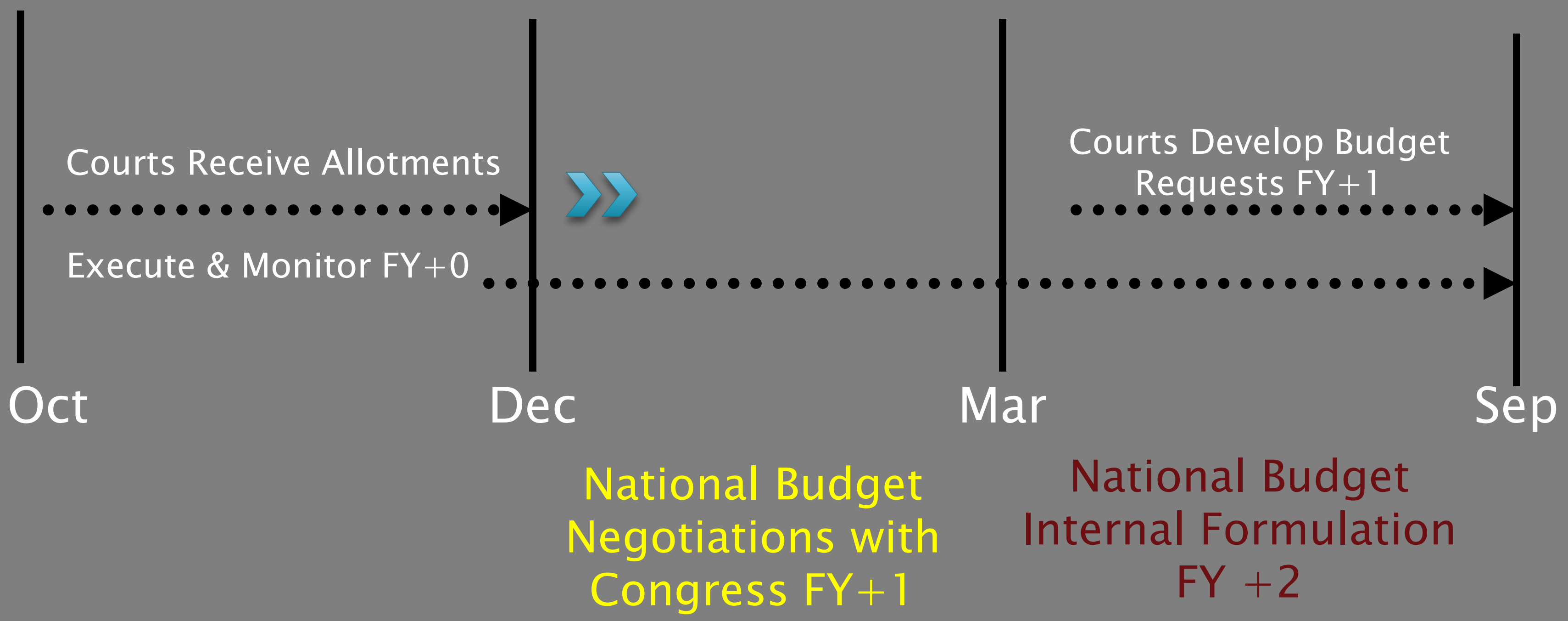
CAPITAL ACCOUNTS

- Cyclical Replacements
  - 1.2 PCs per Authorized Staff Position
  - 5 Year Replacement Cycle
  - 20% of Funds Allocated each Year
- Requested As Required
  - Replace Phone or Case Management System
  - A New Courthouse
- Most “Deferrable” Spending

WHAT APPROACH USED?

- All Four Budget Models
  - Depends On Law, Data Quality & Formula Sophistication
  - Courts Allowed Limited Reallocation During Execution
  - Encourages Innovations and Savings
- Variable Allocation Formulas Build Credibility
  - In Budget Negotiations with Congress
  - Between Courts in Approving Formulas
- Judges May Argue Particulars, But…
  - Uniform Formulas Are Perceived as Fair
  - Minimizes "May I have another cookie from your big jar?"

BUDGET TIMELINE



CONSIDERATIONS

- More Up Front Analysis Effort
  - But Less Recurring Budget Formulation Work
  - Requires Commitment to Regular Formulate Updates

- Does Not Alter Budget Realities
  - Budgets Cycles Are Still Two Years in Development
  - Executing (FY), Negotiating or Formulating Budgets
  - Does Not Prevent Shortfalls
  - Allows Uniform or Selected Category Reductions

- Financial Reserves Are Essential
  - Do Not Disburse All Funds
  - Risk Management

FINANCIAL RESERVES

- KNOWN KNOWNS
  - Predictable Costs & Predictable Events
  - Personnel, Facilities, Etc.
- KNOWN UNKNOWNS
  - Predictable Cost, but Unpredictable Events
  - Economic Downturn Increases Filings
- UNKNOWN KNOWNS
  - Predictable Event , but Variable Cost
  - Hurricane Katrina hits New Orleans, USA
- UNKNOWN UNKNOWN
  - Unimaginable Events & Costs
  - The Berlin Wall Crumbles and Germany Unifies

KEY LESSON POINTS

- Practice
  - Don’t Wait Until an Improve Financial Environment
  - Teach Attitude: Budget Managers, Not Budget Victims
  - Good Budget Formula Requires Experience
  - Journey of a Thousand Miles Begins with a Single Step
- Court Spending Plans
  - Require Formal Budget Execution Tracking
  - Compare Planning to Reality
- A Marathon, not a Sprint
  - Budget Formulation Particulars will Change with Experience

SUMMARY

- Transparent
  - Everybody Knows the Budget
- Predictability
  - Court Managers Can Plan in Advance
- Collegial and Fair
  - Accepted by the Judges
- Supports Good Management
  - Rewards Innovation & Accountability

SPEAKER'S BACKGROUND

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