BEFORE THE JUDICIAL FINANCE COMMISSION
STATE OF MISSOURI

IN RE: Circuit Court Budget of the 2nd Judicial Circuit of the State of Missouri	)	
ADAIR COUNTY MISSOURI, LEWIS COUNTY MISSOURI	)	
Petitioners,	)	
vs.	)	**Case No. 14-0074**
	)	**and**
CIRCUIT COURT OF THE 2ND JUDICIAL CIRCUIT OF MISSOURI,	)	**Case No. 14-0075**
Respondents,	)	

STATEMENT OF THE CASE, FINDINGS OF FACT, CONCLUSIONS OF LAW AND DECISION

This matter comes before the Judicial Finance Commission ("Commission") upon a petition for review filed on February 12, 2014, by the County Commissions of Adair and Lewis Counties[1] against the Circuit Court of the 2nd Judicial Circuit of Missouri. The parties dispute the reasonableness of 2014 budget requests by the circuit for operation

[1]Knox County, the third county in the 2nd Judicial Circuit, did not join in this petition and is not a party. The other counties and the circuit court agreed to consolidation of the petitions for mediation, hearing, and decision.

of the drug court, the juvenile justice center, court administration, the circuit clerk's budget, and the budget for the circuit's court reporter.

On March 28, 2014, the Commission held an extended settlement conference pursuant to Commission Rule 11.03 and section, 50.640, RSMo 2000. The parties did not settle the dispute, but continued efforts at settlement through their counsel. After those efforts failed, the Commission held a hearing in Jefferson City on July 17, 2014. At the hearing, the parties adduced evidence and submitted the matter on the record and memoranda of the parties. After the hearing, the Commission requested the parties return to mediation in an attempt to resolve the dispute. The Commission concluded that the dispute had been exacerbated by poor relationships and lack of trust between the parties, but that it would be best for all concerned to resolve this protracted and expensive litigation through settlement. The second settlement conference, which occurred on July 21, 2014, appeared to be successful, but further disputes and disagreements about the wording of the settlement agreement led to the ultimate failure of that process. This effort failed on approximately August, 20, 2014. The parties finally submitted their post-hearing filings with the Commission on September 10, 2014.

Review by the Commission is governed by section 50.640, RSMo 2000, which provides:

> If a petition for review is filed, the circuit court shall have the burden of convincing the judicial finance commission that the amount estimated by it and included in the budget is reasonable. In determining if the circuit court estimate is reasonable, the judicial finance commission shall consider the

> expenditures necessary to support the circuit court in relation to the expenditures necessary for the administration of all other county functions, the actual or estimated operating deficit or surplus from prior years, all interest and debt redemption charges, all capital projects expenditures, and the total estimated available revenues from all sources available for financing proposed expenditures. In determining the reasonableness of any budget estimate involving compensation, the judicial finance commission shall also consider compensation for county employees with similar duties, length of service and educational qualifications.

As can be seen, the function of the Commission is to consider the reasonableness of the budget request. Many of the matters asserted by the counties are beyond the scope of the Commission. For example, the petitioners have asked that the Commission determine that the counties have no responsibility for the funding of drug courts and that certain employees are state employees rather than county employees. These are matters of law rather than questions about the reasonableness of the budget request. In each case, the counties argue the State is legally obligated to pay for these expenses. As to the funding of drug courts, the counties' assertion that they can choose which judicial functions are their responsibility implicates the separation-of-powers doctrine. In any event, the counties have never sought to join the State of Missouri as a party to this proceeding despite having been alerted that questions about the State's responsibility for budget obligations could never be decided without the State being joined in the proceedings, assuming such joinder is permitted. The commission declines to consider matters outside its jurisdiction or that implicate the rights of parties that have not been joined to this proceeding.

Section 477.600, RSMo 2000, which sets out this Commission's authority, provides that the Commission shall examine the budget request of the circuit court upon the petition of the county governing body and issue a written opinion stating the conclusions of the Commission as to the reasonableness of the circuit budget request. The total proposed budget of the circuit court was $1,435,122.92. The circuit requested a total of $337,002.00 for 2014 from all three counties in the circuit, apportioned among the counties as follows: from Adair, $211.586.95; from Knox $50,358.90; and from Lewis $75,056.15. The parties all agree that the maintenance-of-effort amount to be paid for support of the juvenile court is $134,200.00. That amount has already been paid and is not in dispute.

If the individual components of the circuit's budget request are considered in isolation, the Commission would generally conclude that the circuit's budget requests are reasonable. The circuit, for example, budgeted reasonable amounts for drug court, travel, office expenses, and the like. The sole individual challenge that the Commission finds unreasonable, even when considered in isolation, is the circuit's attempt to hold a county liable for fringe benefits of a state employee.

However, the Commission does not consider the individual budget requests in isolation. To the contrary, section 50.640, RSMo 2000, specifically states that the Commission must have a broader view – it is to consider "the total estimated available revenues from all sources available for financing proposed expenditures." The circuit

court budget request asked that money be appropriated from the general revenue of the counties. But, in this case, the Commission finds that the circuit's request is unreasonable because of another source of available funding.

The 2nd Judicial Circuit operates the Normile Juvenile Justice Center, which can house up to 14 juvenile detainees and up to 16 children in the residential portion of the facility. The three counties in the 2nd Judicial Circuit had an unwritten agreement that their payments toward maintenance of effort would be used to discharge the indebtedness on the juvenile justice center. Title to the center, however, is held in the name of Adair County, where it is located. Many different entities outside the circuit have used the center for the housing of juveniles. Some of these juveniles are not being detained but, rather, are being housed due to their having been subjected to abuse or neglect. Surprisingly, the parties have not been able to provide the Commission with any agreement as to how the revenues and expenses of the juvenile justice center were to be handled by the three counties and the circuit. The juvenile center has historically generated revenue. These revenues have not been returned to general revenue. Thus, over the years, there have accumulated reserves, at times totaling over $500,000. These funds are held by the treasurer of Adair County, which provides administrative oversight of the juvenile justice center. The circuit has claimed that the funds are needed for two reasons: (1) to pay for repairs that the center may immediately require,

and (2) to provide a "float" or reserve because the paying users of the center often make payment on a delayed basis. Even if those circumstances are true, the circuit does not assert that the current balance (approximately $480,000.00) is needed for these purposes. Further, the right of the circuit to retain these funds from year-to-year is circumscribed.

In *Cape Girardeau County et al., vs. Circuit Court of the 32nd Judicial Circuit of Missouri,* Case No. 01-0061 (2002), the Commission held:

> "The MOE (maintenance of effort) is the starting point of each participating jurisdiction's juvenile budget and it is a minimum level of funding for the effected juvenile court for each new year. *Any unexpended balances, unless designated for some project or expense, should be returned to general revenue at the end of each fiscal year.*" (Emphasis added.)

Here the Commission finds no evidence that the counties and circuit have agreed that the excess revenues generated by the juvenile center may accumulate from year-to-year without limit.[2] If the circuit reasonably requires funds for its judicial activities, its request should be addressed to this fund and not to the general revenue of the counties.

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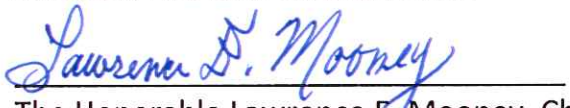
[2]The only document proffered by any party to address these reserves was offered by the circuit. This undated document does provide that certain expenses and reimbursements will flow through the account. It does not, however, allow the fund to retain these funds for some designated project or expense.

Based on the record and the memoranda of the parties and in light of the factors set out in section 50.640.2, the Commission finds the 2014 circuit court budget requests to Adair and Lewis Counties to be unreasonable.[3]

Dated this 8th day of October, 2014.

JUDICIAL FINANCE COMMISSION



The Honorable Lawrence E. Mooney, Chair
The Honorable Karen M. Miller
The Honorable Rachel Bringer Shepherd
The Honorable Paul Koeper
The Honorable Eva Danner
The Honorable David Evans
The Honorable John J. Riley

[3]The Commission overrules all pending motions, including the motion to dismiss, as moot. The Commission also orders attorney's fees incurred by the circuit to be paid by the counties.