
4A

Information

Fiscal Policy and Planning Committee

Commission on Teacher Credentialing Budget

Executive Summary: This agenda item provides a review of the Commission's current year budget and policy issues, and presents the Commission's budget for the coming fiscal year, including projected proposals for 2015-16.

Recommended Action: For information only

Presenter: Philip Chen, Director, Fiscal and Business Services

Strategic Plan Goal

IV: Operational Effectiveness

- ◆ Align human and financial resources with Commission priorities and offer staff opportunities for development to maximize professional engagement and performance.

Commission on Teacher Credentialing Budget

Introduction

This agenda item provides a review of the current year's budget and policy issues, and an overview of the Commission's budget for the fiscal year including an estimate of projected revenues.

Background

The state's annual budget act is arguably the most important state legislation enacted each year. The budgetary and policy decisions contained in the state's annual budget act establish the state's spending priorities and impact a range of public services from the construction, maintenance, and operation of state highways and prisons, to provision of social services, the safeguarding of our health and well-being, environmental protections, and the delivery of educational services, including the licensure of educators who work in public schools.

The Commission is a special-fund agency within state government; supported entirely by fees. Historically, the Commission's revenue has come from two sources: credential application fees, which are the primary source of revenue for the Teacher Credential Fund (TCF) and educator exam fees, which fund the Teacher Development and Assessment Account (TDAA). The Commission receives no General Fund monies to support its operating budget. In any given year, the Budget Act provides the *statutory* expenditure authority for the Commission to spend what is appropriated to both funds by the Act. However the *actual* expenditure authority depends on whether or not the Commission generates enough *revenue* to support the budgeted authority. In other words, if the revenues are not sufficient to support the Budget Act authority, the Commission would only be able to spend up to the revenues generated.

In recent years, these revenue sources have proven insufficient to fully support the agency due in large part to declines in credential applications from 2007-08 through 2012-13 and rising nondiscretionary costs. Even with the increase in the credential fee from \$55 to \$70 in 2012, revenues, and new authority to collect fees for accreditation related costs, the Commission's budget has continued to have a structural imbalance. Over the past five years, the number of candidates enrolled in and completing educator preparation programs and applying for credentials has declined, resulting in a decrease in the Commission's revenue base, while non-discretionary operating costs have continued to increase.

The Governor's Budget for 2015-16, published in January 2015, proposed \$28.8 million for the Commission's 2015-16 budget, which included an additional \$7.5 million in General Fund and \$600,000 in Test Development and Administration Account to: 1) Improve/Streamline the Accreditation Process through use of a Data Dashboard, 2) Update the state's Teaching Performance Assessments and create an Administrator Performance Assessment, and 3) update the Next Generation Science Standards within the State's Educator Preparation Programs, and Examinations.

The May Revision includes a revenue proposal and corresponding budgetary authority to address the pressures created by increases in nondiscretionary costs rising at a faster pace than revenue. As part of the May Revision, the Administration proposes to increase the Teacher Credentialing Fee from \$70 to \$100 for a five-year credential. The proposal corresponds to a proposed increase in the Commission’s budgetary authority of \$4.5 million from the Teacher Credentials Fund to support increased costs associated with educator misconduct cases referred for administrative hearings, and other core mission activities. Additionally, the May Revision includes statutory language to improve the quality of case information provided by employers and make educator misconduct investigations more efficient and accountable.

Table 1 - Change in Budget Year Authority

	General Fund	Teacher Credentials Fund	Test Development and Administration Account	Reimbursements	Total
Budget Act of 2014 (June, 2014)	\$0	\$15,919,000	\$4,218,000	\$483,000	\$20,620,000
Governor’s Budget for 2015-16 (Jan, 2015)	\$7,467,000	\$16,136,000	\$4,871,000	\$308,000	\$28,782,000
May Revision for 2015-16 (May, 2015)	\$7,467,000	\$20,636,000	\$4,871,000	\$388,000	\$33,362,000
Difference (BA v. MR)	+\$7,467,000	+\$4,717,000	+\$653,000	-\$95,000	+\$12,742,000

Status of Current Year 2014-15 Budget

The Budget Act of 2014 established the Commission’s budgeted authority at \$20.6 million in total, consisting primarily of \$15.9 million in the Teacher Credentialing Fund (TCF) and \$4.2 million in the Test Development and Administration Account (TDAA). The Commission also received \$483,000 in additional reimbursement authority, to reimburse work associated with teacher assignment monitoring and with participation in the Collaboration for Effective Educator Development Accountability and Reform (CEEDAR) project.

Fiscal Year 2014-15 Revenue Projection

In any given year, the Commission’s appropriation authority is partially based on estimates of projected revenue for both funds. Projected credential revenues for 2014-15 in the TCF remain stable from 2013-14 at \$15.3 million in teacher credential fees, with some potential to exceed projections, and \$850,000 in program review fees of which \$650,000 is from accreditation fees. Projections for the TDAA also remain stable with some potential to exceed projections, at \$4.1 million. Including the reimbursements from CDE, revenues are projected at \$20.8 million.

Table 2 - Projected Revenues, 2014-15

2014-15	TCF	TDAA	Reimbursement	Total
Revenue	\$16.2 million	\$4.1 million	\$483,000	\$20.8 million
Percentage	78.6%	19.9%	1.5%	

Fiscal Year 2014-15 Expenditure Authority

Table 3 - Budget Act of 2014 Appropriation

2014-15	TCF	TDAA	Reimbursement	Total
Appropriation	\$15,919,000	\$4,218,000	\$483,000	\$20,620,000
Percentage	77.9%	20.6%	1.5%	

In total, the Budget Act of 2014 provides the Commission \$20.6 million and 150.9 positions in budgetary authority. Approximately 77.9% of the Commission’s total budget is supported by the TCF, 20.6% by the TDAA, and 1.5% by reimbursements. Subsequent adjustments for employee compensation and benefits will increase the appropriation to approximately \$21 million.

Fiscal Year 2014-15 Expenditure Projection

Approximately \$14 million (69%) of the Commission’s total expenses are projected to be for Salaries and Benefits for the employees of the Commission. Salaries and Benefits costs are projected to result in a modest salary savings. The remaining expenses (\$6.3 million, 31%) are expected to support normal operating expenses and equipment costs, and are expected to be fully expended.

Of the \$6.3 million in operating expenses, approximately 84% (\$5.4 million) was allocated to support various fixed or “non-discretionary” costs. These fixed costs are costs that are largely outside the Commission’s control such as “ProRata” costs for the state’s centralized administrative services (Governor’s Office, State Controller, Auditor, Treasurer, Department of Finance, CalHR, and Health/Dental for Annuitants) and other costs such as rent, information technology, and interagency agreements with other state agencies also contribute to these expenses.

While interagency agreements with other agencies span many different agencies, a significant portion of these “non-discretionary” operating costs involve discipline cases that go to the Office of Administrative Hearings, where the Office of the Attorney General represents the Commission. Current estimates suggest that these discipline case costs will exceed budgeted amounts. The overages in these non-discretionary costs will have to be offset with reduced expenditures for some “discretionary” activities (the agency’s travel and external consulting budget) and salary savings, among others.

Table 4 – 2014-15 Projected Expenditures by Category

2014-15	Total Authority	Salaries & Benefits	Operating Expenses – Non Discretionary	Operating Expenses - Discretionary
Total	\$21 million	\$14 million	\$6.3 million	\$0.7 million
Percentage	100%	67%	30%	3%

The remaining 3% of the operating budget is allocated to “discretionary” costs. However, it should be noted that this funding is not truly “discretionary” as it is most commonly defined.

While the Commission has some discretion or control over some costs such as office supplies or how often a panel might meet, many of the activities funded from this portion of the Commission's budget are not discretionary, but part of the Commission's normal responsibilities. These include accreditation, workload associated with educator misconduct reviews, and Commission, Committee on Credentials and Committee on Accreditation meetings.

Even with the overages, with careful and disciplined fiscal management, the Commission projects a nominal contribution to the reserve at the end of the 2014-15 fiscal year.

Proposed 2015-16 Fiscal Year Budget

Referring back to Table 1, the Commission's 2015-16 proposed budget totals \$33.4 million, a significant \$12.8 million increase over the Budget Act of 2014. A large portion of that, \$7.5 million represents one-time General Fund money, and will support important efforts to improve the accreditation system, educator performance assessments, and update programs and examinations for the next generation science standards.

However, the proposed budget is significant in that for the May Revision, it also proposes an ongoing increase of \$4.5 million for the Commission, to help fund increases in the non-discretionary costs associated with the discipline workload, as well as other cost increases agency wide. To fund this increase in authority, the proposal also includes an increase of \$30 to the Teacher Credentialing Fee cap (\$6 annually), and corresponding increase to the fee itself. This would bring the fee to \$100 for a five-year credential, should the proposal be adopted.