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# 3B

## Information

### *Fiscal Policy and Planning Committee of the Whole*

### Update on the Proposed 2005-06 Governor's Budget

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**Executive Summary:** This agenda item is intended to inform the Members of the Commission on the salient points of the Commission's portion of the proposed 2005-06 Governor's Budget. In addition, continue the discussion from the January/February Commission Meeting regarding the status of the Teacher Credentials Fund and the Test Development Administration Account, both of which are administered by the Commission.

**Recommended Action:** None

**Presenters:** Crista Hill, Manager, Fiscal and Business Services Section and Amy Jackson, Administrator, Professional Services Division

**Strategic Plan Goal:**

Continue to refine the coordination between Commissioners and staff in carrying out the Commission's duties, roles and responsibilities.

- ◆ Conduct periodic review of the efficiency of the day-to-day operations and financial accountability of the Commission



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## Update on the Proposed 2005-06 Governor's Budget

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### Introduction

On January 10, 2005, Governor Arnold Schwarzenegger submitted to the Legislature his proposed budget for Fiscal Year (FY) 2005-06. This agenda item is intended to inform the Members of the Commission on the salient points of the Commission's portion of the 2005-06 Governor's Proposed Budget as new developments occur. In addition continue the discussion from the January/February Commission meeting regarding the status of the Teacher Credentials Fund and the Test Development Administration Account, both of which are administered by the Commission.

This item explains the 2004-05 fee structure for Commission exams programs. In addition, the item projects revenue for the 2005-06 examination cycle. Annually the Commission takes action to establish exam fees for each examination program. For the past three years, given the prudent reserve at the time, the Commission did not taken action to increase exam fees for candidates.

Information is presented in this item to guide a discussion of exam fees for the 2005-06 fiscal year. A follow up item will be presented at the April, 2005 commission meeting and will request the Commission to take action and determine exam fees for the 2005-06 fiscal year. Fees are determined each spring in order for exam bulletins and website registration materials to be appropriately updated by the contractor. This information must be made available to examinees in a timely manner prior to the new exam cycle starting July 1, 2005.

### Background

At the January/February Meeting staff informed the Members of the Commission that a letter would be sent over to the Department of Finance later that week requesting an additional loan for the Teacher Credentials Fund. It appears based on the current projections what even the \$315,000 loan already included in the Governor's Budget for the current year (FY 2004-05) that an additional loan in the amount of \$336,000 will be needed to cover the shortfall projected for year-end. Commission staff are currently working with the Department of Finance to provide the necessary documentation to evaluate the request.

In light of looking at the current Fund Conditions Statements for the both the Teacher Credentials Fund and the Test Development Administration Account, it is apparent that new developments have occurred that Commission staff wanted to bring to your attention in order to get the proper direction on how to proceed.

In operating the programs for examinations required for California certification, the Commission bears costs related to development and administration of these examinations. Education Code Sections 44252.5, 44253.8, and 44298 require that the Commission charge fees that are sufficient

to recover the costs of developing and administering examinations, including periodic studies of examinations.

Examination fees cover the contractor's costs of developing and administering the exams, and the Commission's non-contracted costs related to development and administration of the examination programs. For each registrant, the contractor retains its portion of this fee at an amount that is established in each contract and submits a portion of the fees to the Commission. The contractor's fee is specified in the proposal that they submit in response to a competitive bidding process. The Commission's non-contracted costs include staff time for exam development, managing the programs, monitoring the contracts, and completing other Commission responsibilities related to the exam programs. The Commission has not increased examination fees for the past three years.

For the 2005-06 examination cycle, the exam programs for which fees must be established include:

- California Subject Examinations for Teachers (CSET)
- Reading Instruction Competence Assessment (RICA)
- (Bilingual) Crosscultural, Language and Academic Development (CLAD/BCLAD)
- California Teacher of English Learners (CTEL) Examination

It is important to note that the fees for the California Basic Educational Skills Test (CBEST) are set at a maximum of \$41, the current fee, in Title 5 Regulations, Section 80487. The fee for the CBEST exam can not be changed unless the Title 5 regulation is revised.

The Commission may change its Title 5 regulations if necessary. Title 5 changes cannot be completed in time to effect the 2005-06 exam fee schedule. In addition, the Commission does not at this time collect a program management fee for the Teaching Foundations Examination (TFE) or the School Leadership Licensure Assessment (SLLA). These examinations were developed and licensed by Educational Testing Service (ETS) and the Commission does not own these exams. In addition, no fees are collected for the management and ongoing development of the California Teaching Performance Assessment (this assessment system was developed with Title II federal funds and is owned by the Commission).

### **Current Fees Collected for the Test Development and Administration Account**

Table 1 shows the amount of each examination fee that the contractor, National Evaluation Systems (NES), retains and the amount that the Commission retains for each of the current examination programs.

Fees for each section of the CSET depend upon the number of exam sections required for each subject area. However, the total fee to take all sections for any CSET subject area is \$216.

Candidates taking the CLAD/BCLAD Examinations pay one management fee each time they register, regardless of the number of exam sections for which they register. However, candidates cannot take all six of the CLAD/BCLAD Examinations on a single exam date. The total fees shown on the chart for the CLAD represent the fee for CLAD Tests 1-3 plus the Commission's portion of the fee. The total fees for the BCLAD represent the fee to take Tests 4 and 5, all four

sections of Test 6, and the Commission's portion of the fee. Candidates who register to take all four sections of Test 6 on the same date pay one fee for all four sections, while candidates who register to take separate sections of Test 6 pay exam section fees.

**Table 1  
Current Commission Examination Program Fees**

<b>Examination</b>	<b>Contractor</b>	<b>Total Examinee Fee/Per Exam</b>	<b>Revenue to Contractor</b>	<b>Revenue to Commission</b>
<b>CBEST (also used by Oregon)</b>	NES	\$41	\$34.16	\$6.84
<b>CSET (total exam)</b>	NES	\$216	\$180	\$36
<b>Fee per section</b>				
<b>2 section exam</b>	NES	\$216	\$90	\$18
<b>3 section exam</b>	NES	\$216	\$60	\$12
<b>4 section exam</b>	NES	\$216	\$45	\$9
<b>RICA</b>	NES			
<b>Written Examination (WE)</b>	NES	\$134	\$98	\$36
<b>Video Performance Assessment (VPA)</b>	NES	\$226	\$195	\$31
<b>CLAD/BCLAD</b>	NES			
<b>Fee per registration (for any number of exams)</b>				\$38
<b>CLAD Test 1</b>			\$45	
<b>CLAD Test 2</b>			\$75	
<b>CLAD Test 3</b>			\$75	
<b>CLAD Total</b>		\$233		
<b>BCLAD Test 4</b>			\$45	
<b>BCLAD Test 5</b>			\$55	
<b>BCLAD Test 6 (all four sections)</b>			\$145	
<b>Test 6: Listening</b>			\$45	
<b>Test 6: Reading</b>			\$45	
<b>Test 6: Speaking</b>			\$50	
<b>Test 6: Writing</b>			\$55	
<b>BCLAD Total</b>		\$283		
<b>CLAD and BCLAD Total</b>		\$516		

An additional revenue source for the 408 Exams account is an annual \$50,000 royalty that the Commission receives from ETS for its use of the Multiple Subjects Assessment for Teachers (MSAT). The Commission will receive this royalty through 2015.

**Examination Registration Volumes for 2001-02 through 2003-04**

Table 2 below displays the number of paid exam registrations, including repeat exam takers, for each examination program for 2001 through 2004. These numbers represent the candidates who paid the Commission's program management fee for each registration.

**Table 2  
Examination Registrations 2001-02 to 2003-04 <sup>1/</sup>**

<b>Exam Program</b>	<b>2001-02 Candidates</b>	<b>Revenue</b>	<b>2002-03 Candidates</b>	<b>Revenue</b>	<b>2003-04 Candidates</b>	<b>Revenue</b>
<b>CBEST</b>	140,432	\$1,150,875	120,669	\$1,012,617	91,999	\$585,056
<b>RICA WE</b>	22,954	574,817	26,251	978,614	27,888	1,036,068
<b>RICA VPA</b>	88	1,635	95	3,240	111	4,010
<b>CSET</b>	N/A	N/A	52,396	605,364	168,970	1,969,029
<b>MSAT</b>	38,396	806,315	25,773	541,000	N/A	N/A
<b>CLAD/ BCLAD</b>	4,247	291,997	4,999	526,708	4,261	499,676
<b>MSAT royalty</b>		50,000		50,000		50,000
<b>Total</b>	<b>206,117</b>	<b>\$2,875,639</b>	<b>230,183</b>	<b>\$3,717,543</b>	<b>293,229</b>	<b>\$4,143,839</b>

<sup>1/</sup> The revenue for each examination program does not directly represent the number of candidates multiplied by the examination fee. This is due to examinee withdrawals, differing revenue for absentees, a small amount of interest to the Commission, and other factors.

**Projected Commission Examination Revenue for 2004-05 and 2005-06 Based Upon Current Fees**

Table 3 below presents the projected exam revenue for 2004-05 based upon current registration data. The projection for the 2005-06 examination cycle is based on reviewing past years exam volumes, studying the California State University enrollment data, checking Commission data on credentials awarded, student enrollment data and attempting to factor in the current policy and state budget environment. The actual total program revenue will vary from the projections shown in Table 3 based upon final examinee volumes at the end of the year.

**Table 3  
Projected Revenue 2004-05 and 2005-06**

	<b>2004-05</b>	<b>2005-06</b>
<b>CBEST</b>	\$585,168	\$585,168
<b>RICA WE</b>	813,962	813,962
<b>RICA VPA</b>	3,968	3,968
<b>CSET</b>	1,955,235	2,031,231
<b>CLAD/BCLAD</b>	300,504	173,698
<b>CTEL</b>	N/A	41,800
<b>MSAT Royalty</b>	50,000	50,000
<b>Total</b>	<b>\$3,708,837</b>	<b>\$3,699,827</b>

**Projected Commission Expenditures for 2004-05 and 2005-06**

Table 4 below reflects the anticipated expenditures associated with the administration and development of the exams program administered by the Commission. The projection is based on the projected Personal Services and Operating Expenses and Equipment dollars included in the 2005-06 Governor's Budget for the exams program.

**Table 4  
Estimated Expenditures 2004-05 and 2005-06**

<b>Commission Program</b>	<b>2004-05</b>	<b>2005-06</b>
Certification Assignment And Waivers Division	\$362,422	\$307,373
Professional Services Division	3,369,030	3,907,323
Division of Professional Practices	256,755	254,269
<b>Total</b>	<b>\$3,988,207</b>	<b>\$4,468,965</b>

In light of the current fiscal crisis in the State of California the Commission has reviewed the current operations and has made some significant improvements on how we do business in order to reduce costs to the State of California and exam candidates. However, even with this approach the Commission is hit with costs that are outside of our control that impact the fund balance itself. This would include costs for such things as Workers Compensation, PRORATA, Retirement, Employee Compensation, etc.

**Resource Efficiency**

Over the past three years, the commission has managed to avoid raising fees for examinations by creating efficiencies in its business practice. The Exams Unit, under Dr. Swofford's direction has worked to gain efficiencies in how it conducts the business of overseeing exam development

and administration. However, at the same time that efficiencies were being made, workload for the Exam Unit increased extensively, and the efficiencies gained are no longer sufficient to recover the costs of developing and administering the Commission's examination programs.

### **Exam Unit Efficiencies Gained**

The Exams Unit of the Professional Services Division has worked over the past several years to gain efficiencies by revising business practices, including modifying exam contract structures, utilizing technology, and using, when appropriate, existing examinations and/or exams customized for use in California.

An important shift has been to redevelop the structure of all exam contracts. Contracts, through new Requests for Proposals and amendments, now require the contractor to keep their fee portion and to send only the Commission fee back. Previously, the entire exam registration fee was sent to the Commission and the Commission fiscal office sent the contractor their portion of the overall exam fee. This practice created work for both fiscal and the exam unit staff. The change in contract structure has created a more efficient billing system that is simpler to document and check. New contract structures also require contractors to pay for design teams, their accommodations, and travel. This saves the Exam Unit and Fiscal staff work load in organizing these important events. It is important to clarify that these revised contracts will expire June 30, 2006. In 2005 staff will develop and release potentially four new RFPs and negotiate new contracts.

The new CSET program and contract provided an additional efficiency. The entire subject matter exam program for Multiple Subject and Single Subject candidates is with one contractor (NES) instead of two separate exams with two different contractors (NES and ETS). This streamlined the registration process and decreased customer service assistance.

To gain further efficiencies, staff have reduced travel and have developed procedures for working with contractors, IHEs, and K-12 districts via phone conferences, email and other on-line communication programs such as Sparrow (an IBM product that the Commission holds a license to use). All meetings that do need to occur to complete exam business, are held in Sacramento, and when possible at the Commission.

In addition, staff have implemented procedures to handle candidate questions by email instead of by phone. This approach has resulted in better customer service and has enabled staff to track candidates requests more efficiently and to respond quickly to questions about registration, administration, and exam results.

The last two new exam programs that have been offered to candidates have been "off-the-shelf" or existing exam programs. The TFE series and the SLLA are exams that candidates register directly with the exam developer, ETS. The exams are products that the exam developer owns and therefore maintains. Efficiencies gained by using these already developed exams leads to decreasing the development requirements for Commission staff by approximately two years. The development required for these types of exam programs is to conduct a standard setting study so that the Commission can set its own California passing standard requirement. Typically

exams of this type can be offered for administration in six to twelve months. Developing a new exam for California can take up to three or four years. Exams such as the TFE, an exam program that was created to meet California requirements (SB 571 Scott) was designed from existing items and required two years of development.

### **Exam Unit Workload Increase**

As efficiencies were gained during the past several years, overall workload has increased for the Exam Unit. The Exam Unit has managed an extensive agenda of exam validation studies, development of new examination programs, and absorbed requirements set forth in the No Child Left Behind federal legislation. In addition, exam staff was directed to assure that all exam programs are aligned with the K-12 student academic content standards and the California Frameworks. The total volume of examinees in all examination programs has increased from approximately 200,000 to 300,000 (See Table 2). In addition, the Commission has added the SLLA and TFE to its array of examination programs.

Examinee volume has grown for some examination programs. Staff has worked with our contractor (NES) to assure that an appropriate number of exam sites are available and that registration processes are efficient. An example is the dramatic increase of exam takers of the Multiple Subjects CSET exam (see Table 2). This exam is now a credential requirement for Multiple Subject candidates to prove that they are highly qualified teachers in order to meet the NCLB action taken by the State Board of Education.

In the past two years, both the TFE series and the SLLA have been administered in California. Staff worked with the contractor (ETS) to conduct standard setting studies and the Commission approved passing standards for both of these new exam programs. New state legislation (AB 2286, Mountjoy) requires the staff to identify for the Commission's approval, a special education exam. This will be a new exam program for staff to oversee, conduct a standard setting study, and administer. It is anticipated that an exam will be available to candidates within the fiscal year.

In addition to the workload increases noted above, the Commission's ongoing work relative to development and validation of existing exam programs has increased and (become more complex. For example, in developing a performance assessment system pursuant to SB 2042, staff worked with its contractor, ETS, to develop a model teaching performance assessment (SB 2042) during 2001-03. In the past two years, staff has continued to develop this system of assessment and train assessors. Approximately 350 assessors have been trained by Commission staff. This assessment program is offered to Institutions of Higher Education and District Intern programs at no cost. Additionally, the formative assessment system CFASST, used by the BTSA community is being reconceived and revised to more directly align with K-12 student academic content standards, teacher preparation teaching performance expectations (TPEs), and the California Standards for the Teaching Profession. Approximately 16,000 first and second year beginning teachers a year use this formative assessment system in California.

Staff has overseen several job analysis and validity studies for major exam programs. CSET development required validity studies, the development of exam specifications, and new exams

for Multiple Subject and all Single Subject matter areas (37 exam programs). The CLAD/BCLAD exam program is currently undergoing revision and recently completed validity work for appropriate exam specifications. The new exam program is now called the California Teacher of English Learner Exam (CTEL) and will be offered for the first time in 2005 (fall). This spring, staff is planning preliminary work to conduct a validity study of the RICA exam program which could result in a full redesign of the RICA exam program.

In August, 2004, the Commission directed staff to conduct a systemic review of its credentialing examinations to ensure that each exam program met the Education Code, was valid and reliable, and administered efficiently. The exam unit has conducted four stakeholder meetings since August to study four main questions about the overall condition of the existing exam programs. The first meeting focused on CBEST, the second on analyzing exam specifications for CBEST, CSET, RICA, and the third on electronic examination technology. The fourth and final meeting will address the teaching performance assessment requirement. Staff met several times with a technical advisory team (CSU, UC, and Independent institutions are represented) to discuss the issues and the stakeholder discussions. The summary and analysis of these stakeholder discussions and the technical advisory meetings will be brought to the Commission as an information item at the April, 2005 meeting.

Overall, given the increased size of examinees, the addition of two new exam programs, the teaching performance assessment, and the recent requirement to add a special education exam, clearly increases the workload for the Exam Unit staff.

#### **Discussion of Potential Commission Exam Fee Adjustment Strategies for 2005-06**

The following strategies offer a series of fee options for the Members of the Commission to consider and discuss. Fee adjustments will be determined by the Commission at its April, 2005 meeting.

##### **A. No Change To The Current Program Management Fees:**

As shown in Table 4, if no adjustment is made to the Program Management Fees for 2005-06, the projected revenue for the year would be \$3,699,827. The Commission's projected costs for development and administration of the exam programs for 2005-06 is projected at \$4,468,965. This would leave a shortfall of \$769,138.

##### **B. \$5 Increase In The Program Management Fee For Each Examination:**

Under this option, the total Program Management Fee for each examination program would be increased by \$5 with the exception of the CBEST. The CBEST fee cannot be changed due to Title 5 regulations that set the maximum fee at the current amount of \$41. This would increase the Program Management Fees to the following:

- RICA Written Exam: \$41
- RICA Video Performance Assessment: \$36
- CSET: \$41 (to be divided by the number of sections for each subject area)
- CLAD/BCLAD: \$43
- CTEL: \$43

These changes would generate projected revenue of \$4,117,715 leaving a projected deficit of \$351,250.

**C. \$9 Increase In The Program Management Fee For Each Examination:**

Under this option, the total Program Management Fee for each examination program would be increased \$9 with the exception of the CBEST. This would increase the Program Management Fees to the following:

- RICA Written Exam: \$45
- RICA Video Performance Assessment: \$40
- CSET: \$45 (to be divided by the number of sections for each subject area)
- CLAD/BCLAD: \$47
- CTEL: \$47

These changes would generate projected revenue of \$4,451,999 leaving a projected deficit of \$16,966 which may be overcome if examinee volumes are slightly higher than projected.

**D. \$7 Increase In The Program Management Fee For Each Of The Three Sections Of The CSET: Multiple Subjects Examination:**

It is projected that candidates will take a total of 109,825 sections of the CSET Multiple Subjects examination in 2005-06. Increasing the fee for each of the three sections of this examination by \$7 would generate \$768,775 leaving a shortfall of only \$330. While this would increase the total fee for the CSET Multiple Subjects examination from \$216 to \$237, it would nearly cover the projected expenses for the year.

**Staff Direction**

Commission staff is seeking further direction from the Members of the Commission in order to establish exam fees for the 2005-06 fiscal year. Exam fees will be determined by the Commission at the April, 2005 meeting in order to inform the examination agency of the appropriate fee schedule for the 2005-06 examination year.

