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## Information

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

### Overview of the Legislative Analyst's Review of the Proposed 2005-06 Governor's Budget

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## AGENDA INSERT

**Executive Summary:** On February 24, 2005, the Legislative Analyst's Office released the *Analysis of the 2005-06 Budget Bill*. This agenda item outlines the major programmatic recommendations included in the LAO Analysis as it pertains to the Commission on Teacher Credentialing.

**Recommended Action:** None

**Presenters:** Crista Hill, Manager, Fiscal and Business Services Section

**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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# Overview of the Legislative Analyst's Review of the Proposed 2005-06 Governor's Budget

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## Introduction

On February 24, 2005, the Legislative Analyst's Office (LAO) released their *Analysis of the 2005-06 Budget Bill* (LAO Analysis). This agenda item outlines the major programmatic recommendations included in the LAO Analysis as it pertains to the Commission on Teacher Credentialing (Commission).

## Background

The Legislative Analyst's Office (LAO) has been providing fiscal and policy advice to the Legislature for more than 55 years. It is known for its fiscal and programmatic expertise and nonpartisan analyses of the state's budget.

The LAO is overseen by the Joint Legislative Budget Committee (JLBC), a 16-member, bipartisan committee. The office currently has a staff of 49 people. The analytical staff is divided into seven subject area groups of fiscal and policy experts.

## Office Functions

The office serves as "eyes and ears" for the Legislature to ensure that the executive branch is implementing legislative policy in a cost efficient and effective manner. The office carries out this legislative oversight function by reviewing and analyzing the operations and finances of state government.

Historically, one of the most important responsibilities of the LAO has been to analyze the annual Governor's budget and publish a detailed review at the end of February. This document, the *Analysis of the Budget Bill*, includes individual department reviews and recommendations for legislative action. A companion document, the *Perspectives and Issues*, provides an overview of the state's fiscal picture and identifies some of the major policy issues confronting the Legislature. These documents help set the agenda for the work of the Legislature's fiscal committees in developing a state budget. Staff of the office work with these committees throughout the budget process and provide public testimony on the office's recommendations. More generally, the office is a staff resource to all legislators. The LAO also performs the following functions:

**Budget "Control."** The LAO reviews requests by the administration to make changes to the budget *after* it is enacted. These reviews are used primarily by members of the JLBC and the fiscal committees.

**Special Reports.** Throughout the year, the office prepares special reports on the state budget and topics of interest to the Legislature.

**Initiatives and Ballot Measures.** The office also prepares fiscal analyses of all proposed initiatives (prior to circulation) and analyses of all measures that qualify for the statewide ballot.

Provided below is the complete summary from the 2005-06 LAO Analysis as it pertains to the Commission on Teacher Credentialing.



## **Analysis of the 2005-06 Budget Bill**

*Legislative Analyst's Office  
February 2005*

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# Commission on Teacher Credentialing (6360)

The Commission on Teacher Credentialing (CTC) was created in 1970 to establish and maintain high standards for the preparation and licensing of public school teachers and administrators. The CTC issues permits and credentials to classroom teachers, student services specialists, school administrators, and child care instructors and administrators. In total, it issues almost 200 different types of documents. In addition to setting teaching standards and processing credentials, the commission (1) performs accreditation reviews of teacher preparation programs; (2) develops, monitors, and administers licensure exams; and (3) investigates allegations of wrongdoing made against credential holders. The CTC also administers two local assistance activities—the Internship and Paraprofessional Teacher Training programs.

The CTC receives revenue from two primary sources—credential application fees and teacher examination fees. Application fee revenue is deposited into the Teacher Credential Fund (TCF) and examination fee revenue is deposited into a subaccount within the TCF, the Test Development and Administration Account (TDAA). These revenues support CTC's operations. The General Fund supports CTC's two local assistance programs.

Below, we discuss concerns we have with CTC's TCF and TDAA fund conditions for 2004-05 and 2005-06. We first discuss discrepancies in the current-year TDAA fund condition. We then discuss the Governor's budget proposal, under which both the TCF and TDAA would end 2005-06 without a prudent reserve.

### **Revised TDAA Fund Condition Requires Additional Explanation**

*We recommend the Legislature direct the Commission on Teacher Credentialing to explain during budget hearings why its 2004-05 beginning balance and revenue assumptions have changed so significantly within such a short amount of time.*

Figure 1 compares the 2004-05 TDAA fund condition as estimated in January 2004 and November 2004. The January fund statement is critical because it was presented to the Legislature as part of the 2004-05 proposed budget, and its revenue and expenditure estimates form the basis of the *2004-05 Budget Act*. The November fund statement revises the 2004-05 budget and establishes a base for the Governor's 2005-06 budget proposal.

| <b>Figure 1</b>  |                         |                          |
|--|-------------------------|--------------------------|
| <b>Large Current-Year Fund Changes Require Additional Explanation</b>                    |                         |                          |
| <i>Test Development and Administration Account<br/>(In Millions)</i>                     |                         |                          |
|  | <b>2004-05</b>          |                          |
|  | <b>January<br/>2004</b> | <b>November<br/>2004</b> |
| <b>Revenues</b>  |                         |                          |
| Beginning balances   | \$5.1                   | \$2.5                    |
| Revenues   | 13.9                    | 9.8                      |
| Subtotals  | (\$19.0)                | (\$12.3)                 |
| <b>Expenditures/<br/>Transfers</b>   |                         |                          |
| Expenditures   | \$9.7                   | \$9.7 <sup>a</sup>       |
| Transfers to TCF <sup>b</sup>  | —                       | 0.3                      |
| Subtotals  | (\$9.7)                 | (\$10.0)                 |
| <b>Ending Balances</b>   | <b>\$9.3</b>            | <b>\$2.3</b>             |
| <small>a Expenditures have increased by \$56,000.<br/>b Teacher Credential Fund.</small> |                         |                          |

As Figure 1 shows, there are large differences between the original and revised TDAA fund condition for 2004-05. In every respect, the revised fund condition is troubling. The CTC now expects to have a 2004-05 beginning balance only one-half of what it had originally estimated. In addition, its revenue estimate is down by \$4.1 million. This represents a substantial decline (41 percent) even though the TDAA revenue stream tends to be rather stable. Whereas revenues are now expected to be much lower than originally anticipated, expenditures have increased slightly. The result of all these revisions is that CTC now expects to end the current year with a reserve of \$2.3 million rather than the \$9.3 million assumed in the *2004-05 Budget Act*.

In response to our inquiries, CTC was not able to provide clear answers as to why its current-year budget had experienced such unforeseen changes. It asserts that the changes are due to a transition it currently is undergoing with its test contractors. Rather than test fees being funneled through CTC, test fees are now to flow directly from test takers to test contractors. Changing its relationship with its test contractors in this way would reduce the amount of test revenue it reflects in its fund condition, but it also would reduce, dollar-for-dollar, its expenditures. Thus, it seems very unlikely that this transition is explaining the large discrepancies noted above in the TDAA fund balance.

The Legislature needs an accurate current-year fund statement both to ensure CTC has proper fiscal management and to make well-informed budget-year decisions. One of the reasons the Legislature did not raise the credential application fee in 2004-05 was because the TDAA was projected to end the year with a substantial reserve. Without confidence in the fund statements, the Legislature is likely to have difficulty deciding how to proceed in the budget year, and it might be placed in the awkward position of increasing the credential application fee unnecessarily or having CTC run a deficit without a reserve to cover it. For these reasons, we

recommend the Legislature direct CTC to explain (1) why such large changes to its TDAA fund statement have occurred in such a short amount of time and (2) if other revisions are expected.

***The Commission's Response to the LAO Analysis:***

**Revised TDAA Fund Condition Requires Additional Explanation**

*The LAO addresses several concerns with the current data as reflected in the 2005-06 Governor's Budget regarding the Test Development Administration Account (TDAA) Fund Condition Statement. Commission staff has acknowledged that the manner in which the information has been displayed is misleading. In fact, for the past several years Commission staff has advised both the Department of Finance and the Legislature during budget development and budget hearings that the Fund Condition Statement was overstated by the anticipated Provisional request, however there was no request to change the process or displayed information.*

*There are several factors that have resulted in the historical/current display of information. The Commission is authorized by Provisional Language in the Annual Budget Act "Item 6360-001-0408 (1)...to increase the expenditure authority for unanticipated cost for increase the number of examinees, with approval by the Department of Finance and not sooner than 30 days after notification in writing to the chairpersons of the fiscal committees of each house and the Chairperson of the Joint Legislative Budget Committee."*

*During the budget development cycle, historically the Fund Condition Statements were developed to include all anticipated revenues for the past, current, and budget years. All anticipated revenue encompasses revenues that support the current authority, as well as those increases anticipated as a result of the increase in projected examinees. On the flip side, the expenditures in the current and budget years were not updated to include the Provisional request as that occurs on a different approval cycle. It is important to keep in mind that the expenditure authority can only be increased through a Budget Change Proposal (BCP)/Spring Finance Letter (SFL), Provisional Request, or Legislation. Because there are limitations to the traditional BCP/SFL process, the Administration included language in the Annual Budget Act that authorized the Commission to increase the expenditure authority as referenced above, via the Provisional process. It is not until the Past Year actuals are available that the display of both the revenues and expenditures aligned.*

*In 2004-05, the Commission transitioned all of its exam contracts to a "Revenue Only" structure. This will alleviate the need for the annual Provisional requests, as well as more accurately reflect the true Fund Balance for planning purposes. The concerns raised by the LAO should be addressed with the latest Fund Condition Statements that coincides with the transition to the "Revenue Only" structure. The full impact of this transition will be reflective in the 2005 Budget Act, assuming the SFL is approved by the Department of Finance and the Legislature during Budget Subcommittee hearings.*

*For informational purposes, on the next two pages are the Fund Condition Statements, for the 2005-06 Proposed Governor's Budget and the proposed transition to the "Revenue Only" structure for your reference.*

Comission on Teacher Credentialing  
Fund Condition - Fund 0408  
Fiscal Year 2003-04 through 2006-07  
(Dollars in Thousands)

Traditional "Expenditure" Structure

|   | <b>2003-04 <sup>1/</sup></b><br><b>(Actual)</b> | <b>2004-05</b><br><b>(Estimated)</b> | <b>2005-06</b><br><b>(Proposed)</b> |
|---|---|--------------------------------------|-------------------------------------|
| <b>0408 Test Development and Administration Account,<br/>Teacher Credentials Fund</b> |   |                                      |                                     |
| <b>BEGINNING BALANCE</b>  | \$4,327   | \$2,512                              | \$2,287                             |
| Prior Year Adjustments  | \$535   | --                                   | --                                  |
| Balance, Adjusted   | <u>\$4,862</u>                                  | <u>\$2,512</u>                       | <u>\$2,287</u>                      |
| <b>REVENUES AND TRANSFERS</b>   |   |                                      |                                     |
| Revenues:   |   |                                      |                                     |
| 123000 Teacher examination fees   | 11,414 <sup>3/</sup>                            | 9,764                                | 9,713                               |
| 150300 Income from surplus money investments  | 55  | 60                                   | 60                                  |
| Totals, Revenues  | <u>\$11,469</u>                                 | <u>\$9,824</u>                       | <u>\$9,773</u>                      |
| Transfers To Other Funds:   |   |                                      |                                     |
| T000407 Loan To Teacher Credentials Fund (Per Education Code                          | -2,950  | -315                                 | -1,900                              |
| Totals, Transfers To Other Funds  | <u>-2,950</u>                                   | <u>-315</u>                          | <u>-1,900</u>                       |
| Totals, Revenues and Transfers  | <u>\$13,381</u>                                 | <u>\$12,021</u>                      | <u>\$10,160</u>                     |
| <b>EXPENDITURES</b>   |   |                                      |                                     |
| Disbursements:  |   |                                      |                                     |
| 0840 State Controllers (State Operations)   | --  | --                                   | 4                                   |
| 6360 Commission on Teacher Credentialing (State Operations)                           | 10,869 <sup>4/</sup>                            | 9,734 <sup>2/</sup>                  | 10,147 <sup>2/</sup>                |
| Total Expenditures and Expenditure Adjustments  | <u>10,869</u>                                   | <u>9,734</u>                         | <u>10,151</u>                       |
| <b>FUND BALANCE</b>   | \$2,512   | \$2,287                              | \$9                                 |
| Reserve as percent of expenditures  | 23.1%   | 23.5%                                | 0.1%                                |

Comission on Teacher Credentialing  
Fund Condition - Fund 0408  
Fiscal Year 2003-04 through 2006-07  
(Dollars in Thousands)

|  | <b>2003-04 <sup>1/</sup></b><br><b>(Actual)</b> | <b>2004-05</b><br><b>(Estimated)</b> | <b>2005-06</b><br><b>(Proposed)</b> |
|--|---|--------------------------------------|-------------------------------------|
| <b>0408 Test Development and Administration Account,</b>                 |   |                                      |                                     |
| <b>Teacher Credentials Fund</b>  |   |                                      |                                     |
| <b>BEGINNING BALANCE</b>   |   |                                      |                                     |
| Prior Year Adjustments   | \$4,327   | \$2,512                              | \$1,643                             |
| Balance, Adjusted  | <u>\$535</u>                                    | <u>--</u>                            | <u>--</u>                           |
|  | <u>\$4,862</u>                                  | <u>\$2,512</u>                       | <u>\$1,643</u>                      |
| <br><b>REVENUES AND TRANSFERS</b>  |   |                                      |                                     |
| Revenues:  |   |                                      |                                     |
| 123000 Teacher examination fees  | 11,414 <sup>3/</sup>                            | 9,455                                | 3,700                               |
| 150300 Income from surplus money investments                             | <u>55</u>                                       | <u>60</u>                            | <u>60</u>                           |
| Totals, Revenues   | <u>\$11,469</u>                                 | <u>\$9,515</u>                       | <u>\$3,760</u>                      |
| Transfers To Other Funds:  |   |                                      |                                     |
| T000407 Loan To Teacher Credentials Fund (Per Education Code 44235.1(e)) | -2,950  | -650                                 | -2,650                              |
| Totals, Transfers To Other Funds   | <u>-2,950</u>                                   | <u>-650</u>                          | <u>-2,650</u>                       |
| Totals, Revenues and Transfers   | <u>\$13,381</u>                                 | <u>\$11,377</u>                      | <u>\$2,753</u>                      |
| <br><b>EXPENDITURES</b>  |   |                                      |                                     |
| Disbursements:   |   |                                      |                                     |
| 0840 State Controllers (State Operations)                                | --  | --                                   | 4                                   |
| 6360 Commission on Teacher Credentialing (State Operations)              | <u>10,869</u> <sup>4/</sup>                     | <u>9,734</u> <sup>2/</sup>           | <u>4,474</u> <sup>2/</sup>          |
| Total Expenditures and Expenditure Adjustments                           | <u>10,869</u>                                   | <u>9,734</u>                         | <u>4,478</u>                        |
| <b>FUND BALANCE</b>  | <u>\$2,512</u>                                  | <u>\$1,643</u>                       | <u>(\$1,725)</u>                    |
| <br>Reserve as percent of expenditures                                   | <br>23.1%                                       | <br>16.9%                            | <br>-38.6%                          |

## If Fund Statements Reliable, Action Should Be Taken to Keep CTC Solvent

*If the Commission on Teacher Credentialing (CTC) can show that it will not have a prudent reserve at the end of 2005-06, then we recommend the Legislature consider various options for maintaining CTC's solvency.*

One of the reasons the current-year TDAA fund balance is so critical is because, under the Governor's budget proposal, both the TCF and TDAA would end 2005-06 with no reserve. Figure 2 shows the TCF and TDAA fund balances for the prior year, current year, and budget year.

| <b>Figure 2</b>   |                           |                              |                             |
|---|---------------------------|------------------------------|-----------------------------|
| <b>If Fund Statements Reliable,<br/>CTC Would End 2005-06 With No Reserve</b> |                           |                              |                             |
| <i>(Dollars in Millions)</i>  |                           |                              |                             |
|   | <b>2003-04<br/>Actual</b> | <b>2004-05<br/>Estimated</b> | <b>2005-06<br/>Budgeted</b> |
| <b>Teacher Credential Fund (TCF)</b>  |                           |                              |                             |
| <b>Revenues/Transfers</b>   |                           |                              |                             |
| Beginning balances  | \$0.4                     | \$1.3                        | —                           |
| Revenues  | 13.2                      | 13.2                         | \$13.2                      |
| Transfers from TDAA   | 3.0                       | 0.3                          | 1.9                         |
| Subtotals   | (\$16.6)                  | (\$14.8)                     | (\$15.1)                    |
| <b>Expenditures</b>   | <b>\$15.4</b>             | <b>\$14.8</b>                | <b>\$15.1</b>               |
| <b>Ending Balances:</b>   |                           |                              |                             |
| Amount  | \$1.3                     | —                            | —                           |
| Percent of expenditures   | 8%                        | —                            | —                           |
| <b>Test Development and<br/>Administration Account (TDAA)</b>                 |                           |                              |                             |
| <b>Revenues</b>   |                           |                              |                             |
| Beginning balances  | \$4.9                     | \$2.5                        | \$2.3                       |
| Revenues  | 11.5                      | 9.8                          | 9.8                         |
| Subtotals   | (\$16.3)                  | (\$12.3)                     | (\$12.1)                    |
| <b>Expenditures/Transfers</b>   |                           |                              |                             |
| Expenditures  | \$10.9                    | \$9.7                        | \$10.2                      |
| Transfers to TCF  | 3.0                       | 0.3                          | 1.9                         |
| Subtotals   | (\$13.8)                  | (\$10.0)                     | (\$12.1)                    |
| <b>Ending Balances:</b>   |                           |                              |                             |
| Amount  | \$2.5                     | \$2.3                        | —                           |
| Percent of expenditures   | 23%                       | 23%                          | —                           |

If CTC can provide clear and accurate fund statements that show it would end 2005-06 without a prudent reserve, then we recommend the Legislature consider the following options for maintaining CTC's solvency.

***Increase the Credential Application Fee.*** Every \$5 increase in the application fee generates an estimated \$1.1 million. This amount equates to a TCF reserve of 7 percent, which typically

would be deemed a modest reserve for a small state agency. (Given the TDAA also is to end the budget year without a prudent reserve, the Legislature might want to consider a slightly larger fee increase in 2005-06 or 2006-07.)

***The Commission's Response to the LAO Analysis:***

***Increase the Credential Application Fee.***

*The Commission is supported through the fees for licensure which are deposited to the Teacher Credential Fund (TCF) (0407) and fees for examinations related to licensure which are deposited to the Test Development Administration Account (TDAA) (0408). The credential fee is designed to fund all of the Commission's operating expenses. In the 1980's the Legislative Analyst recommended that credential renewal fees be equalized (reducing the initial fee) and established the policy that all teachers support, through initial and renewal applications, the licensing, discipline, preparation standards setting and institutional accreditation functions of the profession. The current revenue structure reflects this policy as adopted by the Legislature and the Administration and is consistent with that of all regulatory departments in the state: those who receive the benefit of their services pay to provide those services.*

*The inherent problem with this revenue structure is its volatility relative to the number of credential applications. Applications can vary dramatically as a result of new policies such as Class Size Reduction (CSR), which increased applications in the late 1990s, and current State and Federal efforts to increase the number of fully credentialed teachers (5 year renewal fee) and reduce the number of individuals serving on emergency permits and waivers (annual fee), which ultimately decreases the number of annual applications and therefore, revenue.*

*As a result of this volatility relative to application volume, annual revenues are decreasing as the number of individuals needing to apply annually decreases. It is important to note that from 1998-99 through 2003-04 the Commission was operating within a budget structure whereby expenditures exceeded revenues. Further, at the time the credential fee was reduced from \$60 to \$55, the TCF had a fund balance of approximately \$5.7 million. General Fund revenues were plentiful and the Commission's new Teacher Credential Service Improvement Project (TCSIP) was funded from the General Fund. Unfortunately, decreasing availability of General Fund dollars resulted in the shift of TCSIP expenditures to the TCF in FY 2002-03.*

*In 2003-04 and 2004-05 this structural deficit was addressed through a combination of loans from the TDAA, cuts in staffing and unallocated reductions to operating expenses and equipment to reach a point where operating costs matched revenue. Unfortunately, this strategy did not address current year-to-date revenues, which are down approximately an additional two and a half percent from what is reflected in the 2005-06 Governor's Budget, which equates to approximately \$336,000, and will require an additional loan from the TDAA to cover this shortfall absent a reserve in the TCF. This is problematic as the budget proposal for the 2005-06 Governor's Budget includes additional staffing reductions as well as loans, for both the current and budget years, from the TDAA to address the ongoing shortfall of TCF revenues. The proposed 2005-06 loan leaves only a \$9,000 balance in the TDAA, not enough to cover the current year shortfall of \$650,000 and the loan proposed to support the TCF in the budget year \$2,650,000 and increase of \$750,000 from the 2005-06 proposed Governor's Budget given current projections. Finally, there remains a very large structural deficit in the TCF in 2006-07 as additional loans from the TDAA will not be an option as the TDAA fund balance will have*

*been completely depleted.*

*Education Code Section 44235(d) specifies that the credential fee should be “sufficient to generate revenues necessary to support the operating budget of the commission plus a prudent reserve....” Given the past history of adjusting the credential fee to ensure that the TCF does not have too large of a reserve, consideration should be given to alignment of the credential fee to a level appropriate to support the ongoing costs of the Commission and provide for the long-term stability of the TCF by developing a prudent reserve to protect against further swings in revenue.*

*To further reduce Commission operations, rather than address the underlying problem of the current fee level, is inconsistent with the Education Code and will ultimately result in the loss of the capacity of the Commission to give appropriate attention to the issues of teacher credentialing and fitness and program standards and accreditation. The Commission has already taken significant steps to modify its business practices and reassigned its workload to reflect the reality of addressing ever increasing workload with less staff resources to assure that strategic priorities are addressed first. Provided below is a summary of those efficiencies already implemented:*

***Certification, Assignment and Waivers (CAW) Division – Implemented to Respond to Staffing Reductions***

*Modified Phone and Office Hours*

*Call center hours were reduced by four hours each day and the front office service was reduced from 5 days a week, 9 hours a day to noon to 5 pm Monday, Wednesday and Friday. (2003)*

*Credential Assembly by Credential Automation System (CAS)*

*CAS prints leaflets that accompany the credentials eliminating the need for the Document Mail Preparation staff to insert these leaflets at the time they are mailed. (2000)*

*Online Credential Access*

*Web access to the Commission’s credential system allowing teachers to access credentials and the status of an application. This access also allows the public to view teacher’s credentials. This has reduced phone calls from applicants and districts as well as eliminated status lookups from employers. (2001)*

*Credential Academy*

*Credential analysts from institutions of higher education (IHE) who participated in the Academy no longer submit supporting documentation with applications when they are recommending an individual for a credential. Twenty-four institutions completed this training and now only submit an application for processing. (2001)*

*Department of Justice(DOJ)Electronic Interface*

*The Commission receives DOJ fingerprint clearance and rap sheets via an electronic interface with DOJ. This process has allowed CAW to reassign two of the four PY’s in the fingerprint unit to help with other areas in the support area. (2002)*

*Renew Credentials on the Web*

*Professional clear and 30-day substitute permit holders can review their documents online. Approximately 3000 credential holders renew their documents on line each month. The online process reduces the Cashiering Unit's workload because the applicant information and payment is entered into CAS electronically. Cashiering still must reconcile the credit card payments received from the web with the payments in CAS. (2002)*

#### *Credential Information Guide*

*The CAW Division annually published a 200 page Credential Handbook for the state's credential analysts. This Handbook provides policies and procedures as they relate to the issuance of credentials and permits. In 2002 the CAW Division stopped publishing the Handbook and developed the Credential Information Guide (CIG), which is web based. The CIG has reduced phone calls from credential analysts and allowed the CAW Division to provide up-to-date information to its stakeholders. (2002)*

#### *Cross Training of Staff*

*The Support Section is divided into four units, Cashiering, Support, Fingerprinting and Microfilming and Document Mail Preparation. In 2002, the CAW Division embarked on cross training all Support Section staff to be able to perform the duties of all of the Units. This has allowed us to assign staff based on varying workload demands in each Unit. (Ongoing)*

#### *Implementation of Teacher Credentialing Service Improvement Project (TCSIP)*

*TCSIP became operational on February 28, 2005. While it is too early to know the specific efficiencies to be derived from TCSIP, however, we do expect efficiencies when the Virtual Credentialing Officer is fully functioning. The VCO will fully automate the online renewal process by automating the cashiering and certification function. The only manual process will be the mailing of the documents. Currently we process 3,000 renewal applications per month for the web. The VCO is not scheduled for completion until mid March since it was an add-on to the TCSIP contract. TCSIP also includes an electronic submission by IHEs, which will also reduce the workload in cashiering since all of these submissions will be paid by credit card. It is important to remember that these efficiencies will not be realized until three to six months after the project is implemented. TCSIP is going from our current "green screen" environment to a "windows" based environment which will require a complete retraining of all CAW staff members. (2004)*

#### ***Division of Professional Practices (DPP) – Implemented to Respond to Increasing Workload with Insufficient Staff***

*In order to deal with the increased workload in DPP and to make the best use of the Committee's and the Commission's time in Sacramento while still complying with statutory requirements, the following changes have been implemented since February 1999:*

- Reorganized the program technician workflow for quicker processing;*
- Cases "not under" the jurisdiction of the Committee are finalized by staff rather than the Committee, thus eliminating both staff time and need for additional Committee meeting dates;*
- Eliminated multiple extensions of time for documents before the case is rejected;*
- Installed DMV terminals to check vehicle code violations, resulting in reduced paperwork and quicker turn around time;*
- At Commission direction, delegated the mandatory revocation and suspension process to the Executive Director for immediate processing, thereby eliminating both time lag and*

*workload of placing items on the Commission agenda and ensuring that most serious offenders are restricted from the classroom sooner;*

- *Reduced telephone hours to four hours a day to allow increased time for program technicians to process cases;*
- *Utilized staff counsels for preparation of case summaries for the Committee of Credentials to decrease the amount of Committee meeting dates;*
- *Proposed the addition of an expiration date on Certificates of Clearance to eliminate necessity of taking action on “old” certificates;*
- *Instituted electronic mailing of the All Points Bulletin to eliminate mailing and processing costs and provide districts with quicker access to information about disciplinary actions.*
- *Instituted an early settlement procedure to contain the rising Attorney General litigation costs (33% increase in 4 years) and workload and speed resolution of cases.*

### ***Professional Services Division (PSD) – Implemented as Cost Cutting Measures***

- *Reduced the number of meetings required for program review panels and initiated electronic program reviews reducing travel costs associated with bringing field experts to Sacramento to participate in review panel meetings.*
- *Reduced on-site technical assistance and technical assistance meetings, saving on travel costs for staff.*
- *Incorporated development of program standards into exam development contracts, reducing travel costs associated with bringing experts to Sacramento to participate in advisory panel meetings.*
- *Suspended accreditation visits except for visits coordinated with the National Council for Accreditation of Teacher Education.*
- *Moved to “no cost” contracts for test administration, saving on administrative costs associated with making budgetary adjustments to expenditure authority.*
- *Initiated procurement reform, including a new photocopier agreement that saves approximately \$7,500 over the maintenance agreement cost of 2002-03 of \$12,705.*
- *Reduced publication and mailing costs for reports, standards, handbooks, and notices to stakeholders by posting documents and information on the Commission’s website.*

*During FY 2004-05 the division will implement the following cost cutting measures:*

- *Require electronic submission of program documents and supporting evidence for all program reviews. This will reduce mailing costs that result from sending hard copies to reviewers.*
- *Eliminate the use of hotel contracts for meetings and require field experts who serve on Commission review panels or design teams to submit reimbursement requests on travel expense claims.*

### ***Administrative Division***

*Department-wide redirected administrative staff to program units to address resource deficiencies. Specifically, the following positions have been redirected:*

- *Two staff from the Office of Governmental Relations (OGR), have been redirected to the Division of Professional Practices (DPP) and the Professional Services Division.*
- *One staff has been redirected from the Executive Office to DPP.*
- *Currently, one staff member from OGR and the Office of Human Resources assists with DPP workload.*

### **Executive Office – Implemented as Cost Cutting Measure**

*Beginning in 2003-04 the Commission reduced the number of meetings to the bare minimum that is allowed by law. Education Code Section 44219 requires the Commission to meet at least once each month in no fewer than 10 months. In order to eliminate meetings but to also be in compliance with the statute, whenever possible, the Commission scheduled meetings to begin on the last day of the month and end on the first day of the following month, i.e., September 30-October 1 is one meeting. We are able to have one meeting and have it take place in two months. All other meetings that only take place in one month are scheduled to be one day only in endurance. When the schedule permits, we begin our one-day meetings later in the day so Members of the Commission can travel the morning of the meeting and return the evening of the meeting therefore reducing the travel costs associated with the meeting.*

### **Office of Governmental Relations – Implemented as Cost Cutting Measures and to Provide Efficiencies**

- *Communications such as the quarterly newsletter and upcoming reports will be posted on the Commission's List Serve and available on the Web Site instead of printed and mailed to subscribers.*
- *E-mail addresses for members of the press will be kept and up-dated by staff rather than purchased through a professional media service.*
- *Layout and limited print editions for publications will be done at the A. Warren McClaskey Adult Education Center for developmentally disabled students in the Sacramento Unified School District. The Commission recently used the services of the McClaskey Center for its fall 2002 newsletter at considerable savings and no reduction in quality.*
- *Communications with members of the Legislature regarding the Commission's position on bills are hand-delivered by staff to ensure timely delivery and to save postage.*

### **Fiscal and Business Services Section (FBS) – Implemented as Cost Cutting Measure and to Provide Efficiencies**

*Over the last 3 years FBS has experienced a twenty (20) percent reduction in staffing. In response, FBS has reengineered its business processes to meet the needs of the department to ensure the same level of service.*

- *In 2001-02, the Fiscal and Business Services Section had 2.5 full time staff working on budget related issues. This function has since been streamlined down to 1 full-time staff person working on budget related issues.*
- *Duties have been re-evaluated and re-organized to ensure minimal overlapping.*
- *In 2002-03 developed a Budget Expenditure Tracking System that records and tracks all obligations from the point of obligation to the actual recording in CALSTARS in order to ensure the Commission is monitoring expenditures in a real-time basis.*
- *In order to minimize costs and reduce excess supplies implemented a procurement schedule that only allows orders twice per month. This has reduced order volume from approx. 1,100 purchase orders to 200-300 purchase orders a year.*
- *Re-evaluated authorized users of pagers and cellular phones department-wide. As a result, the majority of the pagers have been eliminated and the list of authorized cellular phone users continues to decrease based on need.*

*Any further reductions will cause the Commission to revisit its priorities as they relate to the*

*core mission of the agency. It is critical that the Commission have the capacity to ensure that revenues are sufficient to support the operating budget of the Commission plus a prudent reserve; this is both fiscally prudent and consistent with the Education Code.*

***Automate or Devolve Credentialing Authority.*** The Governor's budget includes a proposal that would entrust accredited university-run teacher preparation programs with essentially preapproving the credential applications they submit to CTC, and CTC in turn would grant the official credential without further review. As CTC currently evaluates more than 50,000 applications submitted from universities, this would notably reduce CTC's workload. Given it represents a reasonable and feasible option for achieving greater efficiencies, the Legislature may want to approve this proposal.

The Legislature also may want to consider related options that might achieve even more substantial efficiencies. It could consider authorizing a similar preapproval process for district-run teacher preparation programs and community college child development programs. (In addition to the credential applications noted above, CTC currently reviews approximately 10,000 child development permits.)

Alternatively, the Legislature could consider establishing a pilot program that would devolve issuance authority to teacher preparation and child development programs. These programs already hire their own credential/permit analysts, already review their students' applications, and already recommend approved candidates to the CTC. A pilot program would entrust these campuses with actually issuing the credential/permit to the applicants, thereby eliminating CTC's cursory review process altogether. Participating campuses could be required to issue their credentials/permits prior to the beginning of the school year. This in turn would reduce county workload because county offices of education must issue temporary county certificates to credential applicants who, prior to the beginning of the school year, have not yet received their official CTC document.

***The Commission's Response to the LAO Analysis:***

***Automate or Devolve Credentialing Authority.***

***Background***

*The following details the State's attempt at allowing Institutions of Higher Education (IHE) to issue credentials documents. There are several factors that led to the end of this project in 1990. Of greatest concern in the consideration of institutional issuance of credentials is the potential for fraud and the risk associated with increasing the opportunity for the issuance of credentials to individuals who would not otherwise qualify for a credential. The lack of uniformity that would result from allowing issuance at the institutional level would significantly increase the potential for abuse of the system. The consistency and reliability provided by centralized credential issuance at the State level ensures that credentials are granted only to those who are qualified, both academically and pursuant to character fitness review, to hold a credential. We know from experience that institutional issuance results in the issuance of credentials that would never have been issued by the Commission and that very little efficiency can be generated by the process. The Commission maintains the official record of California teachers holding credentials, institutional issuance would still require that institutions provide a copy of the document to the Commission for record keeping.*

*Further, problems surround standards for issuance including formatting and secure paper as well as maintenance of this information in a statewide database, all of which will contribute to the opportunity for the issuance of fraudulent documents. The state just recently made a significant investment in providing the technology to allow IHEs to submit credential applications, including all of the information that must be maintained in the statewide database, to the Commission. It would seem to be regressive to decentralize the issuance of credentials given the current investment in the system as well as the risk inherent in decentralizing the process.*

### **Summary**

*In the spring of 1977, a pilot project was undertaken by the Commission which authorized teacher preparation institutions to type Multiple and Single Subject Teaching Credential documents, then send the application packet to the Commission and deliver the credential document to the applicant upon completion of the approved program requirements. There were over 30 institutions involved in the pilot project, and because of its success, the program was formally approved by the Commission in January of 1978. Each person at the university involved in issuing the documents was required to receive initial training to issue the documents and attend a yearly update training.*

*The institutional issuance program expanded from the pilot project to approximately 50 colleges and universities. The program was further expanded to allow institutions to issue any type of credential for which the college or university had an approved program. In the mid 1980's, due to the number of errors on documents and rejected applications not returned the Commission changed the requirements to be in the project. To continue in the program, institutions had to issue a minimum of 50 documents a year, have an error rate of 5% or less, and return all rejected applications within 60 days. The program was reduced to eighteen universities as a result of this change.*

*In 1989, the Commission automated the licensing function and as part of this conversion from the manual operation to a generic computer generated credential document on January 1, 1990. The new document has the authorization and renewal information specific to each applicant's credential printed on its face and is numbered sequentially by the computer. Due to these changes, the institutional issuance procedure ended on December 31, 1989. It was no longer possible for the institutions to create a look-alike document.*

*Even though the IHEs were typing the documents, there was considerable work to be done by various units of the Certification Division in order for the project to continue over the 13 years. The applications still had to go through most of the regular processing that current applications follow. For example:*

- ***Division of Professional Practices***  
*Complete character fitness review of credential applicants to ensure that those who should not be in the classroom are not issued a credential.*
- ***Mailroom (now Cashiering)***  
*Record fee, key information into computer and attach label.*
- ***Typing Unit (now Document Mail Preparation) –***  
*Keep log of documents including mailing batches of the documents to the IHEs and*

*logging each document as it was submitted with an application packet when it is issued.*

- ***Support***

*Pull microfilm jacket, create a file, keep applications separate from others to send to Certification for review, microfilm application and document following Certification review.*

- ***Certification***

*Review application and document for accuracy, complete a control cover sheet for microfilming purposes, reject if necessary and log information, process rejected application upon return, follow-up on any unreturned rejects.*

*The Commission currently processes 51,727 (includes first time and new type, certificates etc.) credentials from IHE programs. Not reviewing these applications, even if they are submitted electronically, is not an option given the current configuration of the system which requires the Commission to review the data that is submitted (if the data is incorrect, it cannot move through the system to the grant process), make corrections when necessary and actually grant the credential. This is not an automated process. The only savings that will result from the electronic submission of IHE credentials is in cashiering and certification (data entry) where we have lost positions over each of the last three years. This will allow staff to address current workload in a timelier manner. However, as noted in the Bureau of State Audit report, past reductions have affected the opportunity to take advantage of these efficiencies.*

*There were problem areas with the Institutional Issuance Program which included:*

- *Division of Professional Practices cases – candidates would not inform the IHE of a problem related to their professional fitness that Commission would need to investigate and one that CCTC would not have issued a document until character fitness had been completed.*
- *Fingerprint Clearance – being sure fingerprints were cleared and not in process or document had to be voided.*
- *Rejected applications returned to Commission– some IHEs did not return rejected applications in a timely manner so an individual would be in the schools serving on an erroneous document.*
- *Issuing documents not allowed – via Title 5 Section 80499, appeals, clear or life credentials, renewals, etc – the IHEs were limited in the type of documents they could issue but they would issue some they should did not have authority to issue.*
- *Issuing dependent credential – some documents require the candidate hold a valid basic credential and documents would be issued when the basic had expired or the dependent credential was issued to be valid beyond the expiration date of the basic credential.*
- *Authorization/Renewal Code Changes – large chore to keep the IHEs up to date on the changes needed for codes as new statute and regulation changes came about.*
  
- *Exams – CBEST, NTE/Praxis, etc – Commission must verify passage of the exams and in addition, ensure the word “examination” was listed on the document when necessary.*

- *Updated leaflets – constant updating on leaflets so they could give the candidate the document and the most current leaflets as appropriate.*

*While some of the processing procedures have changed at the Commission and could be updated with current word processing or spread sheet programs and CAS/TCSIP, the application still must be handled by many different units in CAW. For example, the application would still need to go through the Cashiering Unit and the information from the application keyed into CAS/TCSIP. A mechanism could be developed to log documents into our records through CAS/TCSIP. The applications would need to be kept separate from others as these have the documents already issued and we do not want to issue another one. The review for accuracy by Certification staff would continue but no control sheet would be necessary as information would be entered into CAS/TCSIP. Rejecting would be easier but Certification staff would still need to track the reject so it did not remain outstanding for over 60 days.*

*When the program was active, the Commission issued separate teaching and service documents (TC and SC documents) and the institutions were sent pre-numbered documents. One of the largest obstacles to resurrecting the program is that the document today is generic to all types and CAS/TCSIP sequentially numbers the documents as they are printed. Another obstacle is the number of statute and regulations changes that are happening today as compared to the 1980's. Each change requires new codes for the authorization and renewal of the documents. CAS/TCSIP is pre-programmed with some of the codes for the Certification staff but most must be determined by the staff analysts. The Commission also is the official agency required to maintain credentials for the life of the teacher. The Commission system to archive credentials is dependent upon a bar code being printed on the Commission's copy. IHEs would be required to develop a process that would add the bar code label, which would be very costly to the IHEs.*

*Finally, the Commission is the final authority in the issuance of documents. The proposal to have IHEs key in some information directly (on-line) to the Commission so the document can then be issued by the Commission would save time and still allow the Commission the oversight of the document issuance. Then if any problems such as fingerprints or Division of Professional Practices issues arise, the institution's recommendation information would be on file. The Commission would act as the gatekeeper and when the problem was cleared, the document would be issued. In the meantime, an erroneous document that was issued by an institution could not be used by an individual.*

***Pursue Additional Efficiencies.*** The 2004-05 Budget Act included budget bill language requiring CTC to submit a report to the Legislature and the Department of Finance that identified "at least three feasible options to further reduce processing time that could be implemented in 2005-06." The CTC submitted its report, which contains five efficiency options. (The commission is in the process of implementing some of these options.) Among the options is a proposal to conduct a public relations campaign to encourage more teachers to renew their credentials online and two proposals to eliminate hard copies of documents and instead provide only online access. Several of these proposals hold promise. The public relations campaign, for instance, could yield considerable long-term pay-off (as only 36 percent of eligible applicants currently renew online). The two online proposals also would reduce workload and postage costs. The Legislature may want CTC to provide periodic updates on its implementation of these efficiency initiatives.

***The Commission's Response to the LAO Analysis:***

***Pursue Additional Efficiencies.***

*The Commission is in agreement with the need to provide updates to the Legislature on its attempt to implement the efficiencies as demonstrated by its correspondence to the Legislature in January 2005.*

*A copy of the notification is provided for your reference.*

In sum, the Legislature has a number of options for addressing a funding shortfall. Unless CTC can provide more reliable fund statements, it will however have difficulty knowing whether CTC is actually likely to experience a shortfall. If CTC can provide clear and accurate fund statements that show a likely budget-year shortfall, then it should offer the Legislature viable alternatives for addressing it. Ideally, CTC would submit a proposal that contains revenue options (for example, an increase in the credential application fee) and expenditure options (for example, an estimate of personnel savings under various efficiency options). We recommend the Legislature direct CTC both to provide more reliable fund statements and present various options for addressing a potential shortfall. (Source: 2005-05 Budget Analysis)

*Staff is available to address any questions or concern Members of the Commission may have.*

**CALIFORNIA COMMISSION ON TEACHER CREDENTIALING**

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OFFICE OF THE EXECUTIVE DIRECTOR

January 21, 2005

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Dear Interested Parties:

The 2004-2005 Budget Act requires the California Commission on Teacher Credentialing (Commission) to submit a short report to the Legislature, the Legislative Analyst's Office and the Department of Finance on three feasible options to reduce credential processing time that the Commission can implement during the 2005-2006 budget year.

In October 2004, the Bureau of State Audits (BSA) issued findings resulting from its audit of the Commission. The Bureau did not find any inefficiencies in Commission application processes. However, the BSA concluded that certification staff could better handle stakeholder inquiries and recommended that the Commission reduce time spent on customer service. The BSA also recommended that the Commission utilize automation resulting from full implementation of the Teacher Credentialing Service Improvement Project (TCSIP) to reduce processing time. The BSA confirmed that once TCSIP is fully implemented, online credential renewals will be automated and colleges and universities may submit credential applications online. (It is important to note that online submission of college and university applications will not eliminate the need for evaluation of the application. It will however reduce the need for those applications to move through the cashiering unit.)

Based on the BSA recommendations, the forthcoming implementation of the TCSIP, and other opportunities to refine business practices the Commission is proposing the following efficiency options:

1. The Commission unveiled a redesigned web site on January 3, 2005 to better respond to the needs of stakeholders. The redesigned site was developed to respond to questions asked in the call center and e-mails. The redesigned web page should reduce the number of phone calls and e-mails from teacher and other stakeholders. This efficiency has been included in the 2005-06 budget to provide for a phase in period and additional reviews and revisions of the site in relation to stakeholder responses.
2. The Commission proposes to conduct a public relations campaign to encourage teachers to renew their credentials online. Currently 36% of the teachers able to renew online are doing so. A public relations campaign could increase the number of teachers using the online system.
3. The Commission proposes developing a pre-approved system for Community Colleges interested in submitting applications verifying completion of child development permits. Child development permits are one of the most labor intensive applications for certification staff. Community colleges already review and advise students on the requirements for child development permits. A verification of completion process could potentially eliminate the 10,000 child development applications that are currently evaluated by Commission staff.
4. The Commission proposes to eliminate the issuance of paper copies of Certificates of Clearance. A Certificate of Clearance is a document that verifies that an applicant has completed the Commission's professional conduct review and is used by the applicant to enter student teaching. The document does not authorize service; consequently it would be more efficient for stakeholders to use the Commission's online credential lookup system rather than receive a paper document. During 2003-04 the Commission issued 19,416 Certificates of Clearance. If the Commission ceased issuing these as paper documents, it would save time in the Document Mail Preparation Unit and save the cost of postage. It would also reduce the use of altered or forged documents since verification would be through the Internet only.
5. The Commission also proposes to discontinue sending hard copies of credentials to county offices of education. It is important to note that some counties contend that Education Code Section 44330 requires a hard copy be presented to the county office for registration. If this section of the education code were amended to include the electronic registration of documents, the Commission would no longer issue county copies of credentials. Instead the Commission would provide electronic data for registration saving the time currently devoted to printing and mailing the documents, and saving counties the time currently necessary to enter data into their computers.

The Commission would like to note that even if all of the initiatives proposed above are implemented, the Certification Division is no longer staffed at an appropriate level to address current workload or to maintain the regulatory 75-day processing time. On page 50 of the BSA report it states:

*“... decreased staffing in the unit may also affect the efficiencies from TCSIP. As of July 2001, shortly after the commission proposed TCSIP, the unit had 40 positions. In September 2004 unit staffing had decreased to 33.8 positions. Having less staff to process applications will likely negate some of the efficiencies that may result from automation.”*

Be assured that the Commission is doing everything within its resources to process credential applications in a timely manner and is committed to continuing its efforts to modify its business practices to improve the efficiency of our credential processing. We are hopeful that the implementation of the TCSIP will reduce the processing time of specific types of applications and will allow certification staff to spend more time evaluating the more difficult applications. However, I cannot stress enough, with all of these efficiencies in place, it is still likely that there is insufficient staff to maintain the regulatory 75-day processing time.

Please feel free to contact Leyne Milstein at (916) 322-9989 or Dale Janssen at (916) 323-5065 should you have any questions or need any additional information.

Sincerely,

Dr. Sam W. Swofford  
Executive Director

SWS/dj

cc: Chair and Members of Senate Budget Subcommittee #1  
Chair and Members of Assembly Budget Subcommittee #2  
Members of the Commission  
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Kim Conner, Senate Subcommittee #1 Consultant  
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