
7B

Information/Action

Fiscal Policy and Planning Committee of the Whole

FY 2005-06 Fee Structure for Both the Teacher Credentials Fund and Test Development Administration Account

Executive Summary: Staff will present an update of the current revenue projections for both the Teacher Credentials Fund and Test Development Administration Account, both administered by the Commission on Teacher Credentialing, for the Budget Year 2005-06. Given the current projections, in both funds, it appears that there will not be sufficient revenues to support the proposed level of expenditures.

Recommended Action: Staff is seeking direction from the Commission to set fees for FY 2005-06 to ensure solvency for both fund sources.

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

FY 2005-06 Fee Structure for Both the Teacher Credentials Fund and Test Development Administration Account

Introduction

As requested at the April Commission meeting this item is being brought back for discussion/action. Staff will present an update of the current revenue projections for both the Teacher Credentials Fund (TCF 0407) and Test Development Administration Account (TDAA 0408), both administered by the Commission on Teacher Credentialing (Commission), for the Budget Year 2005-06. Given the current projections, in both funds, it appears that there will not be sufficient revenues to support the proposed level of expenditures. The Commission will need to take action to establish an appropriate fee structure that will ensure that both funds are solvent in the Budget Year 2005-06.

Background

It is projected that in FY 2005-06 both funds, the TCF 0407 and TDAA 0408, administered by the Commission, will not have sufficient revenue to support the projected level of expenditures. Provided below is a summary by fund source of the current problem.

Test Development and Administration Account (TDAA 0408)

	2004-05		2005-06
Revenues			
Teacher Exam Fees	9,481		3,646
Other Revenue	60		60
Transfers to TCF	(650)		
Subtotal (not including beginning balance)	8,891		3,706
Expenditures			
Subtotal	9,734		4,478
Fund Balance (not including beginning balance)	(843)		(772)
Beginning balance	2,512		1,669
Subtotal, all revenues	11,403		5,375
Subtotal, expenditures	9,734		4,478
Fund Balance	1,669		897

Teacher Credentials Fund (TCF 0407)

	2004-05		2005-06
Revenues			
Teacher Credential Fees	12,751		12,166
Other Revenue	140		142
Transfers from TDAA	650		
Subtotal (not including beginning balance)	13,541		12,308
Expenditures			
Subtotal	14,766		14,981
Fund Balance (not including beginning balance)	(1,225)		(2,673)
Beginning balance	1,268		43
Subtotal, all revenues	14,809		12,351
Subtotal, expenditures	14,766		14,981
Fund Balance	43		(2,630)

At the April Meeting the Commission took action to reduce expenditures by approximately \$1,658,000 (TCF \$1,450,811, TDAA \$207,993) and increase revenues by approximately \$2,393,250 (TCF \$2,303,250, TDAA \$90,000).

Summary of Commission's April Adoptions		
	TCF	TDAA
Total Revenue Enhancements	\$2,303,250	\$90,000
Total Expenditure Savings	-\$1,450,811	-\$207,993
Difference	\$852,439	-\$117,993

The Administration included in the May Revision several of the options adopted by the Commission. In addition, provides a one-time General Fund augmentation of \$2.7 million to address the projected shortfall in Budget Year 2005-06. Although this solves the Budget Year issue, this delays the discussion on how to deal with the structural imbalance until Fiscal Year 2006-07.

Summary of the FY 2005-06 Projected Shortfall by Fund Source		
	TCF	TDAA
Projected Shortfall	-\$2,673,000	-\$772,000
May Revision Expenditure Reductions	-\$580,000	-\$165,000
Structural Imbalance	-\$2,093,000	-\$607,000

Includes the May Revision Expenditure Reductions

Test Development and Administration Account (TDAA 0408)

	2004-05		2005-06
Revenues			
Teacher Exam Fees	9,481		3,646
Other Revenue	60		60
Transfers to TCF	(650)		
Subtotal (not including beginning balance)	8,891		3,706
Expenditures			
Subtotal	9,734		4,313
Fund Balance (not including beginning balance)	(843)		(607)
Beginning balance	2,512		1,669
Subtotal, all revenues	11,403		5,375
Subtotal, expenditures	9,734		4,313
Fund Balance	1,669		1,062

Teacher Credentials Fund (TCF 0407)

	2004-05		2005-06
Revenues			
Teacher Credential Fees	12,751		12,166
Other Revenue	140		142
Transfers from TDAA	650		
Subtotal (not including beginning balance)	13,541		12,308
Expenditures			
Subtotal	14,766		14,401
Fund Balance (not including beginning balance)	(1,225)		(2,093)
Beginning balance	1,268		43
Subtotal, all revenues	14,809		12,351
Subtotal, expenditures	14,766		14,401
Fund Balance	43		(2,050)

The other option to address the shortfall is an adjustment to the fee structure for both funds.

Teacher Credentials Fee (TCF 0407):

With regards to the recommendation regarding the credential application fee, in the Legislative Analyst’s Analysis of the 2005-06 Governor’s Budget, it is important to understand that the fee has been as high as \$70 during the Wilson Administration, to the current level of \$55. Provided below is a historical perspective, over the last ten (10) years, for your reference.

In the Analysis, the LAO projected that for every \$5 increase in the credential application fee, the Commission would generate \$1.1 million in revenue.

Fiscal Year	Change From	Change To	Difference
1995-96	\$65	\$70	+\$5
1998-99	\$70	\$60	-\$10
2000-01	\$60	\$55	-\$5

Examination Fees (TDAA 0408):

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 take action to increase exam fees for candidates.

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 that will begin July 1, 2005.

In operating the various 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. On March 16, 2005 at the Pre-hearing for the Assembly Budget Committee with the Department of Finance, Legislative Analyst Office and various Assembly Subcommittee Staff Consultants, it was confirmed that the Commission has the authority to establish exam fees.

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. Each time an individual registers for an exam, the contractor retains its portion of this fee at an amount that is established in each contract and submits a portion of the fee to the Commission. Those fees are the primary revenue source for the TDAA 0408. 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 supporting other Commission responsibilities related to the exam programs.

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

1. California Subject Examinations for Teachers (CSET)
2. Reading Instruction Competence Assessment (RICA)
3. (Bilingual) Crosscultural, Language and Academic Development (CLAD/BCLAD)

4. California Teacher of English Learners (CTEL) Examination

National Evaluation Systems (NES) is the contractor working with Commission staff to develop and administer these four exam programs.

Current Fees Collected for the TDAA 0408:

Table 1 shows the fees that the contractor, NES, retains and the amount that the Commission collects as revenue in the TDAA 0408 for each of the current examination programs.

Fees charged 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. 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 cannot take all six of the CLAD/BCLAD examinations on a single exam date. 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. Under the provisions of the current contract with NES for the CLAD/BCLAD exams, the Commission collects revenue each time a candidate registers for an exam, regardless of the number of exam sections for which they register.

Table 1

Current Commission Examination Program Fees

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

An additional revenue source for the TDAA 0408 account is an annual \$50,000 royalty that the Commission receives from Educational Testing Service (ETS) for its use of the Multiple Subjects Assessment for Teachers (MSAT), a test developed by the Commission and California Educators. The Commission will receive this royalty through 2015.

Examination Registration Volumes and Projected Examination Revenue for 2001-02 through 2005-06

Table 2 below represents the candidates who paid the Commission's program management fee for each registration. In addition, presents the number of paid exam registrations, including repeat exam takers, for each examination program for 2001 through 2004 and the projected revenue is based on the current fee structure. The projection for the 2005-06 examination cycle is based on reviewing past years exam volumes, analysis of California State University teacher enrollment data, trend analysis of Commission data on credentials awarded, student enrollment

¹ The total amount of revenue generated is a function of the per test fee that goes to the Commission and the volume of the registrants.

data, and known policy and state budget environment. The actual total program revenue will vary based upon final examinee volumes at the end of the year.

Table 2

Examination Volume from 2001-02 Projected thru 2005-06 ^{1/}

Exam Program	2001-02 Candidates	Revenue	2002-03 Candidates	Revenue	2003-04 Candidates	Revenue	2004-05 Candidates	Revenue	2005-06 Candidates	Revenue
CBEST	140,432	\$1,150,875	120,669	\$1,012,617	91,999	\$585,056	75,072	\$639,227	75,072	\$639,227
RICA Written	22,954	574,817	26,251	978,614	27,888	1,036,068	18,026	739,723	18,026	739,723
RICA Video	88	1,635	95	3,240	111	4,010	201	3,668	201	3,668
CSET	N/A	N/A	52,396	605,364	168,970	1,969,029	88,503	1,965,078	88,503	1,965,078
MSAT	38,396	806,315	25,773	541,000	N/A	N/A	N/A	N/A	N/A	N/A
CLAD/ BCLAD	4,247	291,997	4,999	526,708	4,261	499,676	6,278	248,136	6,278	248,136
SSAT ^{1/}	--	--	--	--	--	--	2,292	88,704	--	--
MSAT royalty	--	50,000	--	50,000	--	50,000	--	50,000	--	50,000
Total	206,117	\$2,875,639	230,183	\$3,717,543	293,229	\$4,143,839	190,372	\$3,734,536	188,080	\$3,645,832

^{1/} 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.

^{2/} This exam is being phased out.

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 the change in business practices, the Commission must pay increasing costs that are outside of its control that impact the fund balance itself. These costs include Workers Compensation, ProRata², 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 offset the increased costs of developing and administering the Commission's examination programs.

² ProRata is the portion of the State's indirect costs incurred by central service agencies that are charged to Special Fund agencies such as the Commission.

Options and Considerations

The following strategies offer a series of fee options for the Members of the Commission to consider.

CBEST Test Fees

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, however Title 5 changes cannot be completed in time to effect the 2005-06 exam fee schedule. In addition, the Commission does not 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 on-going development of the California Teaching Performance Assessment (this performance assessment system was developed with Title II federal funds and is owned by the Commission).

A. No Change In Exam Fees:

As shown in Table 2, if no adjustment is made to the Fees for 2005-06, this would leave a shortfall of \$668,133.

	Revenue	Expenditure	Difference
No change	\$3,645,832	\$ 4,313,965	\$(668,133)

B. Increase The Fee For Each Examination by \$5:

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:

2005-06 REVENUE IF FEES INCREASED BY \$5 PER REGISTRATION/SECTION (EXCEPT CBEST)

	EXAMINEES	ABSENTEES	REVENUE PER EXAMINEE*	REVENUE PER ABSENTEE	TOTAL EXAMINEE REVENUE	TOTAL ABSENTEE REVENUE	TOTAL REVENUE
CBEST	74,803	7,165	\$6.84	\$10.26	\$ 511,653	73,513	\$585,166
RICA WE	21,348	992	\$41.00	\$50.80	\$875,268	\$50,394	\$925,662
RICA VPA	128	N/A	\$36.00	N/A	\$4,608	N/A	\$4,608
CSET							
2 SECTIONS (Art & PET)	1,718	N/A	\$20.50	N/A	\$35,219	N/A	\$35,219
3 SECTIONS (All others)	156,313	N/A	\$13.67	N/A	\$2,136,799	N/A	\$2,136,799
4 SECTIONS (English)	13,839	N/A	\$10.25	N/A	\$141,850	N/A	\$141,850
CLAD/BCLAD	4,571	N/A	\$43.00	N/A	\$196,553	N/A	\$196,553.
CTEL	1,100	N/A	\$43.00	N/A	\$47,300	N/A	\$47,300
MSAT Royalty							\$50,000
TOTAL REVENUE							\$4,123,157

* CSET revenue per examinee represents an average because the proposed fee change cannot be divided evenly for each number of test sections (and maintain an even dollar amount). Therefore, fees for some test sections will be \$1 more than other sections. However, the amount to take the total test will be the same for all subject areas.

	Revenue	Expenditure	Difference
\$5 per reg/section	\$4,123,157	\$4,313,965	\$(190,808)

C. Increase The Fee For Each Examination by \$6:

Under this option, the total Program Management Fee for each examination program would be increased \$6 with the exception of the CBEST. This would increase the Program Management Fees to the following:

2005-06 REVENUE IF FEES INCREASED BY \$6 PER REGISTRATION/SECTION (EXCEPT CBEST)

	EXAMINEES	ABSENTEES	REVENUE PER EXAMINEE*	REVENUE PER ABSENTEE	TOTAL EXAMINEE REVENUE	TOTAL ABSENTEE REVENUE	TOTAL REVENUE
CBEST	74,803	7,165	\$6.84	\$10.26	\$511,653	\$73,513	\$585,166
RICA WE	21,348	992	\$42.00	\$51.80	\$896,616	\$51,386	\$948,002
RICA VPA	128	N/A	\$37.00	N/A	\$4,736	N/A	\$4,736
CSET*							
2 SECTIONS (Art & PET)	1,718	N/A	\$21.00	N/A	\$36,078	N/A	\$36,078
3 SECTIONS (All others)	156,313	N/A	\$14.00	N/A	\$2,188,382	N/A	\$2,188,382
4 SECTIONS (English)	13,839	N/A	\$10.50	N/A	\$145,310	N/A	\$145,310
CLAD/BCLAD	4,571	N/A	\$44.00	N/A	\$201,124	N/A	\$201,124
CTEL	1,100	N/A	\$44.00	N/A	\$48,400	N/A	\$48,400
MSAT Royalty							\$50,000
TOTAL REVENUE							\$4,207,198

	Revenue	Expenditure	Difference
\$6 per reg/section	\$4,207,198	\$4,313,965	\$(106,767)

D. Increase The Fee For Each Examination by \$9:

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:

2005-06 REVENUE IF FEES INCREASED BY \$9 PER REGISTRATION/SECTION (EXCEPT CBEST)

	EXAMINEES	ABSENTEES	REVENUE PER EXAMINEE	REVENUE PER ABSENTEE	TOTAL EXAMINEE REVENUE	TOTAL ABSENTEE REVENUE	TOTAL REVENUE
CBEST	74,803	7,165	\$6.84	\$10.26	\$511,653	\$73,513.00	\$585,166
RICA WE	21,348	992	\$45.00	\$54.80	\$960,660	\$54,362.00	\$1,015,022
RICA VPA	128	N/A	\$40.00	N/A	\$5,120	N/A	\$5,120
CSET*							
2 SECTIONS (Art & PET)	1,718	N/A	\$22.50	N/A	\$38,655	N/A	\$38,655
3 SECTIONS (All others)	156,313	N/A	\$15.00	N/A	\$2,344,695	N/A	\$2,344,695
4 SECTIONS (English)	13,839	N/A	\$11.25	N/A	\$155,689	N/A	\$155,689
CLAD/BCLAD	4,571	N/A	\$47.00	N/A	\$214,837	N/A	\$214,837
CTEL	1,100	N/A	\$47.00	N/A	\$51,700	N/A	\$51,700
MSAT Royalty							\$50,000
TOTAL REVENUE							\$4,460,884

	Revenue	Expenditure	Difference
\$9 per reg/section	\$4,460,884	\$4,313,965	\$146,919

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.

E. Increase for each Exam registration/section by \$5:

Under this option, the total Fee for each section of the RICA and CSET exams would increase by \$5, the CLAD/BCLAD fee would be increased by \$15 per registration (regardless of the number of tests for which the candidate registers), and the CTCL fee would be set at an amount that matches the CLAD/BCLAD. The CBEST fee would not be increased. This would increase the fees to the following:

2005-06 REVENUE IF FEES ARE INCREASED BY \$5 PER SECTION FOR CSET AND RICA AND \$15 PER CLAD/BCLAD AND CTEL REGISTRATION (NO CHANGE TO CBEST)

	EXAMINEES	ABSENTEES	REVENUE PER EXAMINEE	REVENUE PER ABSENTEE	TOTAL EXAMINEE REVENUE	TOTAL ABSENTEE REVENUE	TOTAL REVENUE
CBEST	74,803	7,165	\$6.84	\$10.26	\$511,653	\$73,513	\$585,166
RICA WE	21,348	992	\$41.00	\$50.80	\$875,268	\$50,394	\$925,662
RICA VPA	128	N/A	\$36.00	N/A	\$4,608	N/A	\$4,608
CSET1^{1/}							
2 SECTIONS (Art & PET)	1,718	N/A	\$23.00	N/A	\$39,514	N/A	\$39,514
3 SECTIONS (All others)	156,313	N/A	\$17.00	N/A	\$2,657,321	N/A	\$2,657,321
4 SECTIONS (English)	13,839	N/A	\$14.00	N/A	\$193,746	N/A	\$193,746
CLAD/BCLAD	4,571	N/A	\$53.00	N/A	\$242,263	N/A	\$242,263
CTEL	1,100	N/A	\$53.00	N/A	\$58,300	N/A	\$58,300
MSAT Royalty							\$50,000
TOTAL REVENUE							\$4,756,580

^{1/} The total amount to take all sections of the test would vary based on the number of sections: 2 sections equals \$46; 3 sections equals \$51; 4 sections equals \$56.

	Revenue	Expenditure	Difference
\$5 per section and \$15 for CLAD/CTEL	\$4,756,580	\$4,313,965	\$442,615

F. Increase The Fee For Each Examination by \$12:

Under this option, the total Program Management Fee for each examination program would be increased \$12 with the exception of the CBEST. This would increase the Program Management Fees to the following:

2005-06 REVENUE IF FEES INCREASE BY \$12 PER REGISTRATION/SECTION (EXCEPT CBEST)

	EXAMINEES	ABSENT EES	REVENUE PER EXAMINEE	REVENUE PER ABSENTEE	TOTAL EXAMINEE REVENUE	TOTAL ABSENTEE REVENUE	TOTAL REVENUE
CBEST	74,803	7,165	\$6.84	\$10.26	\$511,653	\$73,513	\$585,166
RICA WE	21,348	992	\$48.00	\$57.80	\$1,024,704	\$57,338	\$1,082,042
RICA VPA	128	N/A	\$43.00	N/A	\$5,504.00	N/A	\$5,504
CSET*							
2 SECTIONS (Art & PET)	1,718	N/A	\$24.00	N/A	\$41,232	N/A	\$41,232
3 SECTIONS (All others)	156,313	N/A	\$16.00	N/A	\$2,501,008	N/A	\$2,501,008
4 SECTIONS (English)	13,839	N/A	\$12.00	N/A	\$166,068	N/A	\$166,068
CLAD/BCLAD	4,571	N/A	\$50.00	N/A	\$228,550	N/A	\$ 228,550
CTEL	1,100	N/A	\$50.00	N/A	\$55,000	N/A	\$55,000
MSAT Royalty							\$50,000
TOTAL REVENUE							\$4,714,570

**The total amount to take all sections of the test would vary based on the number of sections. 2 sections = \$46; 3 sections = \$51; 4 sections = \$56.

	Revenue	Expenditure	Difference
\$12 per reg/section	\$ 4,714,570	\$ 4,313,965	\$ 400,605

Provided below is a summary of the various options compared to the projected level of expenditure.

Difference Between Revenue and Expenses for each of the Proposed Fee Changes for 2005-06

	Revenue	Expenditure	Difference
No change	\$3,645,832	\$4,313,965	\$(668,133)
\$5 per reg/section	\$4,123,157	\$4,313,965	\$(190,808)
\$6 per reg/section	\$4,207,198	\$4,313,965	\$(106,767)
\$9 per reg/section	\$4,460,884	\$4,313,965	\$146,919
\$12 per reg/section	\$4,714,570	\$4,313,965	\$400,605
\$5 per section and \$15 for CLAD/CTEL	\$4,756,580	\$4,313,965	\$442,615

Staff Direction

Commission staff is seeking direction from the Commission to determine if they wish to establish fees for the Fiscal Year 2005-06.