
4B

Information

Fiscal Policy and Planning Committee

Update on the 2009-10 Budget

Executive Summary: This agenda item provides the salient points of the Commission's portion of the proposed 2009-10 budget.

Recommended Action: For information only

Presenter: Crista Hill, Director, Administrative Services Division - Fiscal and Business Services Section

Strategic Plan Goal: 6

Maximize the effectiveness of the agency and its staff through the optimal use of technology, ongoing staff development and maintenance of a positive work environment.

- ◆ Communicate effectively to share information and increase productivity
- ◆ Conduct periodic review of the efficiency of the day-to-day operation and financial accountability of the Commission
- ◆ Implement, monitor and report on the outcomes of new program initiatives

Update on the 2009-10 Budget

Introduction

As required by the State Constitution, on January 9, 2009, Governor Arnold Schwarzenegger submitted to the Legislature his proposed budget for Fiscal Year (FY) 2009-10. This agenda item provides an update on the status of the 2009 Budget. By July 1st of each year a new budget is supposed to be approved so the state can continue to operate.

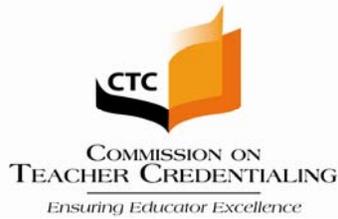
Background

On February 20, 2009, the Commission's budget was approved as budgeted as reflected in the 2009-10 Governor's Budget (January 9, 2009). The budget does include adjustments for the approved Budget Change Proposals and miscellaneous administrative adjustments. There are no reductions in staffing or functions of the Commission. The budget does however include various reductions in General Fund supported programs in order to address the General Fund crisis. This includes reductions to the Intern and Paraprofessional Teacher Training Program (PTTP) administered by the Commission.

Since the budget was signed in February 2009 the General Fund shortfall has grown to an amount that could not be supported with the budget as approved. This opened the door to uncharted territory and the 2009 budget was quickly re-opened to examine where adjustments/reductions could be taken to address the shortfall. The Commission staff have been impacted with the various Executive Orders, most notably the Furlough program.

On July 1, 2009 the Governor issued a new Executive Order that announced that he has ordered a third furlough day for state employees and that the furloughs will no longer be self directed. The state will be closed the first three Fridays of every month. The Executive Order states that this may happen through June 2010. July is an exception for which days the state will be closed; for July the state will be closed on the 10th, 17th and 24th. The Governor's Order, as staff understands it, will apply to the Commission. As it stands right now, the Commission Office will be closed on the first, second and third Fridays of each month starting July 10. Commission staff anticipates the latest round of the furlough program will have a significant effect on the operations of the Commission and as a result staff are doing everything possible to inform stakeholders.

On the next pages a summary of the various changes to the Commission's budget are provided for reference.



2009-10 Budget Changes

2009-10 Commission's Base Budget:

- ◆ Daily Operations: \$21,752,000 (\$15,765,000 Teacher Credentials Fund, \$5,794,000 Test Development and Administration Account, and \$193,000 Federal Funds)
- ◆ Pass-thru Grants to Local Entities \$26,188,000 (General Fund)
- ◆ Total Authorized Positions: 167.9

Approved Adjustments

1. CALTIDES Budget Change Proposal - 2.5 positions and \$248,000 (Teacher Credentials Fund)
2. Formative Assessment For California Teachers (FACT) Budget Change Proposal – Continued Development, Research, And Revalidation - \$515,000 (Test Development and Administration Account)
3. Credentialing Web Interface Project (CWIP) Budget Change Proposal – 1.0 position and \$413,000 (Test Development and Administration Account)
4. Initiative of Model Professional Activities and Capacity Building for Teachers of Foreign Languages (IMPACTFL) Budget Change Proposal – \$172,000 (FY 2008-09) and \$193,000 (FY 2009-10) (Federal Funds)
5. Various other administrative related adjustments for both FY 2008-09 and FY 2009-10.

General Fund Reduction

The February 2009 Budget included a mid-year General Fund Proposition 98 reduction of \$6,025,000 for FY 2008-09, and an additional \$1,458,000 for FY 2009-10 for a total reduction in FY 2009-10 of \$7,483,000.

How has this impacted the programs funded by the Commission? Programs were funded as of FY 2008-09 with an 8.09 percent reduction for Intern and a 12.75 percent reduction for PTTP. As of the day this agenda was printed, for FY 2009-10 it is anticipated that Intern will be funded with a 12.93 percent reduction and 16.93 percent reduction for PTTP.

In addition to reducing the program funding additional provisions were added that provides for a local flexibility funding model. The intent of the local flexibility model is to allow programs to accept funds for a particular program such as Intern or PTTP, however the funds can be used to support those programs or transferred to support another program at the local level. The authority for the program (Intern/PTTP) still exists within law and if a Local Education Agency (LEA) wants to continue the program they must continue to comply with the requirements of the

program. If the LEA decides to abandon the Intern or PTTP program and transfer the monies to another program, they have that option, with some reporting requirements. The flexibility funding model is intended to be in place until 2013.

May Revision Update

As part of the May Revise package the Commission staff was notified that due to the General Fund crisis the Commission would need to pay back a portion of the General Fund backfill provided in FY 2005-06. The Administration reviewed the current fund balances in each of the funds administered by the Commission and determined the repayment of \$1.35 million as a possible option to help fill the gap in the General Fund. During the pre-hearings with Legislative staff, the Commission staff proposed a slightly different plan that took the repayment one step further and proposed to repay the entire General Fund back-fill of \$2.7 million. This proposal was accepted with wide support by both Legislative staff, Department of Finance and the Conference Committee. This is pending the final actions of the Legislature and the Governor as part of the July 2009 budget process. Provided below is the most current Fund Condition Statement (July 2009) reflecting the various adjustments referenced above.

TEACHER CREDENTIALS FUND

	2007-08 (Actual)	2008-09 (Estimated)	2009-10 (Proposed)	2010-11 (Proposed)
Beginning Balance	\$5,462,000	\$6,141,000	\$5,294,000	\$3,193,000
Revenues	15,375,000	14,373,000	13,719,000	13,719,000
GF Repayment	0	0	-540,000	0
Expenditures	-14,696,000	-15,220,000	-15,280,000	-15,280,000
Ending Balance	<u>\$6,141,000</u>	<u>\$5,294,000</u>	<u>\$3,193,000</u>	<u>\$1,632,000</u>
<i>Reserve %</i>	41.8%	34.8%	20.9%	10.7%

TEST DEVELOPMENT AND ADMINISTRATION ACCOUNT

	2007-08 (Actual)	2008-09 (Estimated)	2009-10 (Proposed)	2010-11 (Proposed)
Beginning Balance	\$3,207,000	\$4,344,000	\$4,540,000	\$1,725,000
Revenues	5,116,000	5,238,000	5,080,000	5,080,000
GF Repayment	0	0	-2,160,000	0
Expenditures	-3,979,000	-5,042,000	-5,735,000	-5,322,000
Ending Balance	<u>\$4,344,000</u>	<u>\$4,540,000</u>	<u>\$1,725,000</u>	<u>\$1,483,000</u>
<i>Reserve %</i>	109.2%	90.0%	30.1%	27.9%

