
6A

Information

Fiscal Policy and Planning Committee

Update on the Proposed 2012-13 Governor's Budget

AGENDA INSERT

Executive Summary: Staff will provide an update on the Commission's Budget and discussions with Department Finance after the November 2011 Commission meeting.

Recommended Action: For information only

Presenter: Crista Hill, Director, Administrative Services Division - 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

December 2011

Update on the Proposed 2012-13 Governor's Budget

Introduction

At the November 2011 Commission meeting, the Commission articulated several principles to guide budget development and authorized staff to work with the Department of Finance to establish a fee structure that would provide for the fiscal stability of the Commission. Subsequently, Commission staff developed several revenue generating scenarios based on the Commission's principles and presented a "Fiscal Stability" package to the Department of Finance (Finance). During a meeting with Finance on November 10, 2011 it was requested that the Commission also provide expenditure reduction options for consideration. The Commission's Executive Director requested that each Division Director review their operations and identify areas where possible reductions could be realized. The package shared with Finance for consideration is included in Appendix A. Finance is finalizing the Commission's 2012-13 budget for the release on January 10, 2012. It is uncertain which option (s) or combination of options will be adopted by the Administration. Once the budget is released on January 10, 2012 this will be the basis for the spring budget subcommittee hearings.

On FPPC 6A-2 is an updated Fund Condition statement for the Teacher Credentials Fund and the Test Development and Administration Account.

FUND CONDITION SUMMARY
(As of December 6, 2011)

TEACHER CREDENTIALS FUND

	2010-11 (Actual)	2011-12 ^{2/} (Estimated)	2012-13 ^{2/} (Proposed)	2013-14 ^{2/} (Proposed)
Beginning Balance	\$3,380,000	\$1,347,000	\$273,000	-3,755,000
Revenues	12,344,000	11,616,000	11,606,000	11,606,000
TDAA Transfer	0	2,400,000	0	0
Expenditures/ Appropriation	-14,377,000	-15,090,000	-15,634,000	-15,634,000
Ending Balance	<u>\$1,347,000</u>	<u>\$273,000</u>	<u>\$-3,755,000</u>	<u>\$-7,783,000</u> ^{1/}
Reserve %	9.4%	1.8%	-24.0%	-49.8%

^{1/} This assumes the Commission fully expends all resources each fiscal year. Historically, this has not occurred.

^{2/} Assumes a 6% decrease in credential revenue from FY 2010-11, based on 1st quarter data from Certification, Assignment and Waivers Division. FY 2012-13 assumes a 3% decrease in credential revenue from FY 2011-12.

TEST DEVELOPMENT AND ADMINISTRATION ACCOUNT

	2010-11 (Actual)	2011-12 (Estimated)	2012-13 (Proposed)	2013-14 (Proposed)
Beginning Balance	\$5,270,000	\$4,705,000	\$1,748,000	706,000
Revenues	4,245,000	4,118,000	3,707,000	3,707,000
TCF Transfer	0	-2,400,000	0	0
Expenditures/ Appropriation	-4,810,000	-4,675,000	-4,749,000	-4,749,000
Ending Balance	<u>\$4,705,000</u>	<u>\$1,742,000</u>	<u>\$706,000</u>	<u>\$-336,000</u>
Reserve %	97.8%	37.4%	14.9%	-7.1%

Appendix A



Commission on Teacher Credentialing Fiscal Stability Options

The purpose of the Commission is to ensure integrity and high quality in the preparation, conduct and professional growth of the educators who serve California’s public schools. Its work shall reflect both statutory mandates that govern the Commission and research on professional practices.

Current Fiscal Status:

- Since FY 2007-08 the Commission has seen a decline in TCF revenues of approximately 20%.
 - Due in part to declines in the number of credential applications and a reduction in the number of emergency permit documents issued. Enrollment declines in teacher preparation programs suggest the declining revenue trend could continue for the planning horizon.
- Based on past-year trends and first quarter data for FY 2011-12 the decline in revenues is projected to be 6% from FY 2010-11.
- While it is difficult to project with accuracy what the revenues could be for 2012-13, current trends suggest that it is reasonable to project a continued decrease of 3%.
- Despite the implementation of a number of operational efficiencies over the past several years, the cost of doing business has increased significantly for the Commission over the past 11 years and includes:
 - Central administrative services costs, data processing services, general price increases, costs associated with Department of Justice discipline reviews, facility operations, employee compensation, retirements (leave payouts upon retirement), and health benefit adjustments.
 - These “non-discretionary” costs constitute 23% of the total operating budget and have risen 63% since 2007-08.

In essence, the Commission has been barely treading water over the past five years, keeping up with rising costs by reducing discretionary expenditures. Although some additional operational efficiencies could be achieved, the trend lines of reduced revenues and rising nondiscretionary costs suggest that efficiencies alone cannot continue to offset rising nondiscretionary costs without severely impeding the Commission’s ability to carry out its core functions.



Commission on Teacher Credentialing Fiscal Stability Options

On November 3, the Commission adopted the following principles to guide the budget development for FY 2012-13:

1. Maintain the core essential functions of the agency with no additional reductions.
2. Establish a credential fee that ensures the fiscal solvency of the agency, not to exceed \$100 every five years.
3. Minimize the fiscal impact to first time teachers.
4. Assess the viability of charging late fees for expired credential documents and charging teacher preparation programs sponsors for accreditation responsibilities above the traditional accreditation system activities.
5. Minimize the fiscal impact to new educators, taking required exams, by having the credential fees subsidize partially the examination system expenses.

Reductions to State Footprint for the Commission Effective FY 2011-12

- \$112,000 Unallocated Reduction
- \$534,000 Workforce Cap
- \$ 84,000 CALTIDES Project Elimination (1 Position)
- \$ 13,900 Cellular Phone Reduction
- \$743,900 Reductions Effective FY 2011-12
- \$ 233,000 Additional Operational Reductions (Pages 9-12)
- \$-976,900 Overall 5% Reduction to the Footprint**

In FY 2011-12 the Commission redirected 2 positions from the Certification, Assignment, and Waivers Division to address workload demands in the Division of Professional Practices and Enterprise Technology Support Services Section.



**Commission on Teacher Credentialing
Fiscal Stability Options**

Option 1 – Continue to offer a subsidy for first time credential applicants and increase the Credential Fee

<ul style="list-style-type: none"> Assumes Credential Fee is Subsidizing the Exam Expenses Credential Fee of \$95 1/2 Fee for COC No Fee for First Time Credentials or Change in Exam Fees for FY 2012-13 				
Dollars in Thousands	2012-13 As Projected with a 3% Reduction in Credentials from FY 2010-11	Priority 1 Impact - Reduction of \$213,000	Priority 2 Impact - Reduction of \$20,000	All Priorities Impact - \$233,000
Total Revenues <small>(Assumes Increase for Late Fee and Accreditation Revisits)</small>	15,313	21,316	21,316	21,316
Total Expenditures	20,383	20,170	20,363	20,150
Revenue/Expenditure Difference Between the 2 Funds	-5,070	1,146	953	1,166
Overall Funds Reserve	-25%	6%	5%	6%



**Commission on Teacher Credentialing
Fiscal Stability Options**

Option 2 – Eliminate all subsidies for first time credential applicants and restore the Credential fee to \$70 statutory maximum for all applicants

<ul style="list-style-type: none"> • A Credential Document Fee of \$70 (COC, 1st Time, Renewal) • Full Cost Recovery for Exams • Assumes a Shift of Expenditures Per Cost Allocation Adjustment 				
Dollars in Thousands	2012-13 As Projected with a 3% Reduction in Credentials from FY 2010-11	Priority 1 Impact - Reduction of \$213,000	Priority 2 Impact - Reduction of \$20,000	All Priorities Impact - \$233,000
Total Revenues <small>(Assumes Increase for Late Fee and Accreditation Revisits)</small>	15,313	20,605	20,605	20,605
Total Expenditures	20,383	20,170	20,363	20,150
Revenue/Expenditure Difference Between the 2 Funds	-5,070	435	242	455
Overall Funds Reserve	-25%	2%	1%	2%



Commission on Teacher Credentialing Fiscal Stability Options

Based on the principles above and taking no reductions in expenditures, provided below are several options to consider.

		Scenario 1	Scenario 2	Scenario 3
Dollars in Thousands	2012-13 As Projected with a 3% Reduction in Credentials from FY 2010-11 ^{1/}	<ul style="list-style-type: none"> • Assumes Full Cost Recovery for Exams • A Credential Fee of \$85 • 1/2 Fee For COC • No Application Fee for First Time Credentials 	<ul style="list-style-type: none"> • Assumes credential fee is subsidizing the Exam costs • A Credential Fee of \$95 • 1/2 fee for COC • No fee for first time credentials or increases in exam fees 	<ul style="list-style-type: none"> • A Credential Document Fee of \$70 (COC, 1st Time, Renewal) • Full Cost Recovery for Exams • No Fee Credit • Assumes an Expenditure Shift per Cost Allocation Adjustment
TCF - Revenues	11,606	15,695	17,534	14,992
TCF - Late Fees	--	60	60	60
TCF - Accreditation Revisits	--	15	15	15
TDAA - Revenues	3,707	5,538	3,707	5,538
Total Revenues	15,313	21,308	21,316	20,605
Total Expenditures	20,383	20,383	20,383	20,383
Revenue/Expenditure Difference Between the 2 Funds	-5,070	925	933	222
Overall Funds Reserve	-25%	5%	5%	1%

^{1/} This is assuming a projected 3% decrease in credentials, however it is uncertain at this time to what level the revenues will continue to decline. However based on current trends these projections could decline to as much as 6% which equates to an additional reduction of \$9,000 in anticipated credential revenue.



**Commission on Teacher Credentialing
Fiscal Stability Options**

Based on the Commission’s adopted budget development principles, provided below are revenue options to consider in ensuring the fiscal stability of the Commission.

<i>This Option Reflects the Existing Fee Structure, Assuming the Principles Above</i>											
		Volume	Credential Fee of								
			\$70.00	\$80.00	\$85.00	\$90.00	\$92.00	\$95.00	\$96.00	\$97.50	\$100.00
First Time Applicant	COC	15,901	\$35.00	\$40.00	\$42.50	\$45.00	\$46.00	\$47.50	\$48.00	\$48.75	\$50.00
	First Credential	18,924	\$35.00	\$40.00	\$42.50	\$45.00	\$46.00	\$47.50	\$48.00	\$48.75	\$50.00
Renewing educator-every 5 years/Additional Authorizations		178,395	\$70.00	\$80.00	\$85.00	\$90.00	\$92.00	\$95.00	\$96.00	\$97.50	\$100.00
Total TCF Projected Revenue (Dollars in Millions)			\$13.7	\$15.6	\$16.6	\$17.6	\$18.0	\$18.6	\$18.8	\$19.1	\$19.6
Late Fees (@\$100) Process Approximately 600 a year		600	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06
Accreditation Revisits - Approximately 5 per year		5	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02
Total Projected Revenue			\$13.78	\$15.68	\$16.68	\$17.68	\$18.08	\$18.68	\$18.88	\$19.18	\$19.68



**Commission on Teacher Credentialing
Fiscal Stability Options**

Based on the Commission’s adopted budget development principles, provided below are revenue options to consider in ensuring the fiscal stability of the Commission.

<i>This Option Reflects 1/2 the Cost of the COC and Does Not Charge for the First Time Credential, Assuming the Principles Above</i>											
		<i>Volume</i>	<i>Credential Fee of</i>								
			<i>\$70.00</i>	<i>\$80.00</i>	<i>\$85.00</i>	<i>\$90.00</i>	<i>\$92.00</i>	<i>\$95.00</i>	<i>\$96.00</i>	<i>\$97.50</i>	<i>\$100.00</i>
First Time Applicant	COC	15,901	\$35.00	\$40.00	\$42.50	\$45.00	\$46.00	\$47.50	\$48.00	\$48.75	\$50.00
	First Credential	18,924	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Renewing educator-every 5 years/Additional Authorizations		178,395	\$70.00	\$80.00	\$85.00	\$90.00	\$92.00	\$95.00	\$96.00	\$97.50	\$100.00
Total TCF Projected Revenue (Dollars in Millions)			\$13.7	\$14.9	\$15.8	\$16.8	\$17.1	\$17.7	\$17.9	\$18.2	\$18.6
Late Fees (@\$100) Process Approximately 600 a year		600	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06
Accreditation Revisits - Approximately 5 per year		5	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02
Total Projected Revenue			\$13.78	\$14.98	\$15.88	\$16.88	\$17.18	\$17.78	\$17.98	\$18.28	\$18.68



**Commission on Teacher Credentialing
Fiscal Stability Options**

<i>This Option Reflects Full Fee Structure (COC, 1st Time and Renewal) for All Credential Documents Issued</i>									
		<i>Volume</i>	<i>Credential Fee of</i>						
			<i>\$70.00</i>	<i>\$75.00</i>	<i>\$80.00</i>	<i>\$85.00</i>	<i>\$90.00</i>	<i>\$95.00</i>	<i>\$100.00</i>
First Time Applicant	COC	15,901	\$70.00	\$75.00	\$80.00	\$85.00	\$90.00	\$95.00	\$100.00
	First Credential	18,924	\$70.00	\$75.00	\$80.00	\$85.00	\$90.00	\$95.00	\$100.00
Renewing educator-every 5 years/Additional Authorizations		178,395	\$70.00	\$75.00	\$80.00	\$85.00	\$90.00	\$95.00	\$100.00
Total TCF Projected Revenue (Dollars in Millions)			\$14.9	\$16.0	\$17.1	\$18.1	\$19.2	\$20.3	\$21.3
Late Fees (@\$100) Process Approximately 600 a year		600	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06
Accreditation Revisits - Approximately 5 per year		5	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02
Total Projected Revenue			\$14.98	\$16.08	\$17.18	\$18.18	\$19.28	\$20.38	\$21.38



**Commission on Teacher Credentialing
Fiscal Stability Options**

The following tables reflect expenditure reduction options by Division. Priority 1 items are considered by staff to be absorbable without having a significant impact on our ability to fulfill our core mission. Priority 2 items represent reductions in service levels and begin to erode our capacity to fulfill all aspects of our core mission.

Certification, Assignment and Waivers Division				
<p>The Certification, Assignment and Waivers Division is responsible for evaluating and processing over 250,000 applications annually for credentials, permits, certificates, and waivers for authorization to serve in California’s public schools. The Division serves as the Commission’s primary point of contact, providing information to credential applicants and holders and credential personnel at the college, university, county, and school district levels regarding specific requirements for the licenses issued. It is also responsible for monitoring certificated assignments in collaboration with county and district offices of education.</p>				
Priority	Efficiency/Revenue Generation	Description	Savings	Revenue
1	Eliminate the Commission’s 800 phone number.	Approximately 4 staff answer calls for 5 hours per day, 5 days per week. The Commission could reduce telephone services by eliminating its free 800 phone line and redirect prospective callers to a toll line. (Another option would be to eliminate phone service for an additional savings of \$121,000 and interact with customers through email only.)	\$72,000	
1	Assess Late Fees for expired documents.	The Commission processes approximately 600 expired documents per year. Assessing a late fee is a common practice within California licensing professions and other States across the country.		\$60,000



Commission on Teacher Credentialing Fiscal Stability Options

Professional Services Division				
<p>The Professional Services Division is responsible for the development of licensure standards for all credential areas, aligned with the adopted K-12 academic content standards; the development and implementation of licensing examinations, including the teaching performance assessment; and the administration of state-funded programs including the Paraprofessional Teacher Training Program, the Alternative Certification/Intern Program, and in conjunction with the Department of Education, the Beginning Teacher Support and Assessment Program. The Division supports the Committee on Accreditation, a statutory body that is charged with implementing the Commission's accreditation system to monitor the quality of all educator preparation programs. Related activities include data collection, reporting, and policy research.</p>				
Priority	Efficiency/Revenue Generation	Description	Savings	Revenue
1	Move Board of Institutional Reviewer (BIR) Training from a 4 day training to required webinars with a two day webinar training.	Cost savings realized in travel for BIR members and staff time.	\$40,000	
1	Move BIR Updates from optional attendance at CTC to required webinars.	It is optional for individuals to attend in person, all team members are expected to access the information prior to arriving at the site visit. Savings realized in BIR member travel.	\$20,000	
1	Replace in-person Pre-visits to institutions one year before their scheduled accreditation visits with webinars.	Savings in travel and per diem costs for team leaders and staff travel.	\$36,000	
1	Do NOT bring Team Leads to the COA meetings if the team recommendation is full Accreditation with no stipulations. Team Lead could join by video-conference or Skype.	Savings in travel and per diem costs for team leaders.	\$10,000	
1	Cost recovery for all revisits or other follow-up activities after the initial accreditation site visit.			\$15,000
1	When working with Advisory Panels, require the Big 8 stakeholder groups to fund appointees' participation.	The Big 8 Stakeholder groups (CSU, UC, AICCU, CTA, CFT, CSBA, ACSA, and CCSESA) appoint individuals to the Commission's advisory panels. The stakeholder groups have been asked to fund their own appointees' participation in the past during lean budget times.	\$30,000	



**Commission on Teacher Credentialing
Fiscal Stability Options**

Professional Services Division (con't)				
Priority	Efficiency/Revenue Generation	Description	Savings	Revenue
1	Suspend monitoring or responding to Intern or PTPP funded program inquiries, and stop submitting reports to the Commission or legislature on these programs.	The funding is available for "any educational purpose" through 2015-16 so PSD staff cannot collect data, manage these programs, or respond to inquiries during this time.	\$5,000	
2	For one report cycle institutions in good standing, change frequency of biennial reports to every third year rather than every two years. * However, combining the options could prove to be problematic.	This would reduce staff time focused on Biennial Reports. Staff time would be redirected to other essential functions.	\$20,000	



Commission on Teacher Credentialing Fiscal Stability Options

Division of Professional Practices

The Division of Professional Practices is responsible for the discipline of credential applicants and holders and the legal activities of the Commission. The Division supports the Committee of Credentials, a statutory body that is responsible for conducting investigations of charges of misconduct against a credential holder or applicant upon initial application for a credential, when a credential is renewed, or when there are allegations against a credential holder relating to criminal activity, unprofessional conduct, or misconduct that would impact the status of a license. The Division's legal staff provides legal counsel and advice to the Commission, the Committee of Credentials (COC), and other divisions within the Commission.

Please note: This division was severely criticized in a report issued by the Bureau of State Audits in April 2011. As a direct result of the audit finding, the Commission hired a new Executive Director and Chief Counsel to correct the deficiencies identified. Among the deficiencies identified was a failure to handle discipline cases in a timely manner. As stated in the August 2011 Commission agenda item on DPP workload, "Given that the COC can hear an average of 55 cases a month for *Initial Review*, the cases currently ready for the COC to hear for *Initial Review* are sufficient for over two years of COC meetings." Any staff cuts would only exacerbate this workload.

Administration Division

The Administration Division provides the administrative support to the Commission's program areas and includes the Executive Office, Office of Governmental Relations, Administrative Services Division (includes Fiscal and Business Services Section and Office of Human Resources), and Enterprise Technology and Support Services Section.

Please note: The Commission contacted the Department of General Services (DGS) to determine the cost to shift some of the Administrative responsibilities to DGS. Unfortunately, DGS - Personnel is not taking on new clients at this time due to staffing issues. They did indicate that there is a cost per PY of approximately \$1,737 (\$286,778) if they were able to take on CTC as a client. The Commission currently contracts with DGS - Contracted Fiscal Services to provide accounting services (approximately \$200,000 a year). The Commission did inquire about adding additional services such as budgeting, and full aspects of accounting, however they are not adding additional functions at this time due to staffing issues. Currently, the Commission still needs someone on Commission staff to provide the various fiscal decisions to ensure that revenues and expenditures are recorded as approved by the Commission. In addition, there is also a need to have Commission staff to work with Finance and the Legislature on the Commission's budget.

Provided below is a summary of the projected savings by priority.

Summary of Priority 1 - \$213,000 (TCF \$161,880, TDAA \$51,120)

Summary of Priority 2 - \$20,000 (TCF \$15,200, TDAA \$4,800)

Summary of All Priorities \$233,000 (TCF \$177,080, TDAA \$55,920)

