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Information

Fiscal Policy and Planning Committee

Update on the 2012-13 Commission's Budget

Executive Summary: This agenda item provides the salient points of the Commission's portion of the proposed FY 2012-13 Governor's Budget, as well as an analysis of the impact for the Commission's operations moving forward for FY 2012-13.

Policy Question: What are the policy and workload implications of the Commission's proposed FY 2012-13 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 2012-13 Commission's Budget

Introduction

The budget process is multi-faceted and takes over a year to enact. Over the past several months, Commission on Teacher Credentialing (Commission) staff have brought forward a series of agenda items to the Commission outlining the budget picture for both the current year and budget year. This agenda item is intended to inform the Commission of the status of the agency's overall budget for Fiscal Year (FY) 2012-13 (budget year). This agenda item is separated into two parts: (1) an overview of the budget process and update on the Governor's proposed budget for the Commission; and (2) an overview of current operations and analysis of the short and long-term projected impact of the proposed reduction in revenues, positions and expenditure authority.

On January 5, 2012, Governor Brown submitted to the Legislature his proposed budget for FY 2012-13. At the January 2012 Commission meeting, staff provided an update on the salient points of the Commission's portion of the proposed FY 2012-13 Governor's Budget. Since the March 2012 Commission meeting, both houses have discussed the Commission's budget as part of the budget subcommittee hearing process. This agenda item provides the important points from both of these hearings.

If the budget is enacted as proposed, there will be limited resources available in the next fiscal year in both staffing and funding to support the core functions of the Commission. This item provides an update on the proposed staffing and fiscal resources available in FY 2012-13, so the Commission has an opportunity to provide guidance on how best to prioritize the 2012-13 work.

Part 1: Overview of the Budget Process and Current Budget Proposal

In September of each year, departments, including the Commission, must submit a budget to the Department of Finance for the upcoming FY to start the budget development process. Each department starts with its base budget, which can be adjusted by approved budget change proposals, legislation, employee compensation adjustments, retirement adjustments, and/or expiring programs, etc. In January the Governor releases the proposed budget for the upcoming FY. This starts the discussion with the Legislature leading to a May Revision of the proposed budget issued by the Governor, and a final budget approved by the Legislature by June 15 and presented to the Governor for approval. By statute, an approved budget should be signed by the Governor by June 30 with an effective date of July 1, though this deadline is not always met.

The Commission is referred to as a "special fund" agency because the daily operations of the agency are supported by two special funds (1) the Teacher Credentials Fund (TCF) and (2) the Test Development and Administration Account (TDAA). The revenue comes from the fees collected as the result of issuing credentials and administering the various educator preparation examinations for candidates. The credentials and examination fees are deposited into the TCF (0407) and the TDAA (0408). The Commission receives General Fund Proposition 98 (local

assistance) dollars that is 'pass through' monies for Local Districts and Local Education Agencies which support the Paraprofessional Teacher Training and Alternative Certification programs. The Commission receives no General Fund support to administer the programs.

For FY 2012-13 the Commission's operating budget is proposed to be reduced from \$20.2 million to \$19.1 million, 76% of which is supported by credentials fees and 24% by educator exam fees. There is no proposed change in the funding level (\$26.2 million) for the General Fund Proposition 98 funds.

Annually, Commission staff review the projected revenues in both funds to determine if a credential or examinations fee change is necessary. In March 2012 (FPPC 3A <http://www.ctc.ca.gov/commission/agendas/2012-03/2012-03-3A.pdf>), the Commission reviewed and approved a fee change for the TDAA account that will be implemented for the FY 2012-13 testing year.

Statutory Guidance

Current law requires the Commission to levy fees for the issuance and renewal of teaching and service credentials and specifies that in no case shall a fee exceed seventy dollars (\$70) without express legislative approval. (Education Code §44235)

Under current law, the Commission may establish and collect fees to recover its costs for the development and administration of any subject matter examination adopted by the Commission, unless the costs are recovered by appropriations from another source of funds. (EC §44235.3)

Current law also requires, as part of the annual budget review process, the Department of Finance to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the Commission plus a prudent reserve of not less than 10%. Current law specifies that reserve shall not exceed 10%, as determined by the Department of Finance pursuant to subdivision (b) of Section 44234. (EC §44234 and §44235)

It is important to note that these code sections reflect a historical evolution of the Commission's fees and mirror public policy priorities and pressures in any given budget year. For example, in the Budget Act of 2000 Provisional Language was added to the annual budget that set the Credential Fee at \$55 which supersedes Education Code section 44235, which allows the Commission to set the credential fee as high as \$70 without legislative approval. This Provisional Language in the Budget Act has been included in every subsequent Budget Act, thus the Credential Fee has remained at \$55. The Governor's proposed budget for FY 2012-13 restores the credential fee to \$70 for renewals and \$35 for Certificate of Clearance and subsequent first-time credentials.

Provided on the next page is the most current Fund Condition (as of April 10, 2012) for the TCF and the TDAA. The Fund Conditions reflect updated projections and include the policy proposals as presented in the FY 2012-13 Governor's Budget. Based on the second quarter data for the TCF the current year projection has been updated from a 6% decrease to a 5% decrease in credential revenues.

FUND CONDITION SUMMARY
(As of April 10, 2012)

Table 1: Teacher Credentials Fund				
	2010-11 (Actual)	2011-12^{2/3/} (Estimated)	2012-13^{2/3/4/} (Proposed)	2013-14^{2/3/} (Proposed)
Beginning Balance	\$3,380,000	\$1,347,000	\$31,000	\$15,000
Revenues	12,344,000	11,724,000	14,404,000	14,404,000
TDAA Transfer	0	1,500,000	250,000	0
Expenditures/ Appropriation	-14,377,000	-15,090,000	-14,670,000	-14,670,000
Ending Balance	<u>\$1,347,000</u>	<u>\$31,000</u>	<u>\$15,000</u>	<u>-\$251,000^{1/}</u>
Reserve %	9.4%	0.2%	0.1%	-1.7%

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

^{2/} Assumes a 5% decrease in credential revenue from FY 2010-11, based on 2nd quarter data from Certification, Assignment and Waivers Division. FY 2012-13 assumes a 3% decrease in credential revenue from FY 2011-12.

^{3/} FY 2011-12 reflects a Credential Fee (Renewals) of \$55 and Certificate of Clearance and subsequent First Time Credential at \$27.50. FY 2012-13 reflects a Credential Fee of \$70 and Certificate of Clearance and subsequent First Time Credential at \$35.00.

^{4/} Both Legislative houses approved a loan in FY 2012-13 in the amount of \$250,000 from the TDAA to the TCF.

Table 2: Test Development and Administration Account				
	2010-11 (Actual)	2011-12 (Estimated)	2012-13^{1/2/} (Proposed)	2013-14^{1/} (Proposed)
Beginning Balance	\$5,270,000	\$4,705,000	\$2,741,000	\$2,489,000
Revenues	4,245,000	4,211,000	4,211,000	4,211,000
TCF Transfer	0	-1,500,000	-250,000	0
Expenditures/ Appropriation	-4,810,000	-4,675,000	-4,213,000	-4,213,000
Ending Balance	<u>\$4,705,000</u>	<u>\$2,741,000</u>	<u>\$2,489,000</u>	<u>\$2,487,000</u>
Reserve %	97.8%	58.6%	59.1%	59.0%

^{1/} This reflects an increase of \$500,000 in TDAA examination revenues that is proposed in the 2012-13 Governor's Budget.

^{2/} Both Legislative houses approved a loan in FY 2012-13 in the amount of \$250,000 from the TDAA to the TCF.

On November 3, 2011 the Commission adopted the following principles to guide 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.
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.

The proposed Governor's Budget (FY 2012-13) includes adjustments to both the FY 2011-12 (current year) and FY 2012-13 (budget year). Provided below are the policy proposals included in the Governor's Budget that align with some of the Commission's adopted guiding budget development principles.

Current Year (FY 2011-12)

- The Budget proposal released in January provided for a \$2.3 million loan in FY 2011-12 from the Test Development and Administration Account to the Teacher Credentials Fund to address the Commission's state operations shortfall in the current year and the budget year. The loan from the TDAA was necessary to address unexpected costs in the current year related to retirements with significant buy-outs and unexpected costs for litigation. Management anticipated being able to absorb these extraordinary costs through operational efficiencies and salary savings based on the full loan amount of \$2.3 million.
- **Update:** In February 2012, the Commission submitted the loan request to the Department of Finance for consideration. On March 15, 2012, the Department of Finance notified the Joint Legislative Budget Committee that they approved a loan amount of \$1.5 million for the current year. This is a reduction of \$800,000 from the original loan request. The Joint Legislative Budget Committee had thirty (30) days to review the request and either approve or deny the request. At this point, the loan amount of \$1.5 has been approved.
 - **Immediate Impact:** To accommodate the reduced loan, the agency will need to halt the following activities for the remainder of the current year:
 - Postpone filling vacancies until July 1, 2012
 - Eliminate all overtime not related to completion of the CWIP project
 - Postpone the work of all advisory panels working on credential review, streamlining or policy implementation until after July 1, 2012
 - Postpone all program review activities until after July 1, 2012
 - Reduce training opportunities and expenses for accreditation team members
 - Suspend work on teaching performance assessments
 - Cancel meetings with stakeholder groups involving unfunded staff travel
 - Eliminate telephone service and redirect all callers to email communication
 - Suspend several contracts that support various agency-wide services (copier service, shredding, legal research subscription, training for staff, etc.)

Budget Year (2012-13)

- The Budget proposal to increase the teacher credentialing fee in 2012-13 by \$15 from \$55 to \$70 will generate \$3 million in additional revenue for the Teacher Credentials Fund. The additional revenue is necessary to partially address the Commission's FY 2012-13 operating deficit of \$5 million.
 - **Impact:** The Administration's proposal would retain the existing funding model of 1/2 fee for a Certificate of Clearance and subsequent first time credentials and full fee for renewals. Based on current revenue projections of expected applications next year, this funding model requires a reduction of \$1.5 million in operations in order to balance the Commission's budget.
- If application volume continues to decrease at a rate of 3% per year, the current proposed fee of \$70 will lead to a new deficit in FY 2013-14, which will re-open the discussion about revenue sources (fees for applications and other services) and expenditure reductions during the next budget development cycle.
- If application volume stabilizes at its current level and fees remain at \$70, then the Commission will not have sufficient revenues under current conditions to fully implement all of its statutory mandates.
- The Budget proposes to increase testing fees in FY 2012-13 by five (5) percent to generate \$500,000 of additional revenue for the Test Development and Administration Account. The additional revenue is necessary to partially address the Commission's 2012-13 operating deficit of \$5 million.
 - **Impact:** This proposal ensures that revenues and expenditures are aligned and allows for a healthy fund reserve. It is important to note that fees paid to the contractor for administering educator examinations are currently set as part of a multi-year competitively-bid contract and are not impacted by this fee adjustment.
- The Budget proposes to decrease the Commission's operations by \$1.5 million in 2012-13 by eliminating 13 vacant positions and eliminating four additional positions to reflect operational efficiencies generated by streamlining the teacher preparation and credentialing processes, and achieving operational savings from reduced information technology costs. The proposed budget language directs the Commission to work with the State Board of Education to identify ways to streamline the teacher preparation and credentialing processes. These staffing changes reflect a proposed reduction of 7 Positions in the Certification, Assignment, and Waivers Division, 9 positions in the Professional Services Division, and 1 position in the Administration Division.
 - **Impact:** The impact of a 10% reduction in workforce will impact the Commission's ability to sustain all core functions or take on new work. As part of the March 2012 Commission agenda (http://www.ctc.ca.gov/commission/agendas/2012-03/3B_Insert.pdf), Commission staff outlined the range of possible impacts that could unfold due to this reduction, which include decreased service levels (processing time, interface with the public); limited ability to audit automated credentialing system; challenged ability to support and troubleshoot next generation technology project (CWIP); insufficient staff to manage new discipline workload; inability to staff or

fund all accreditation activities; inability to meet public information demands; and significant impact in the area of policy and program development and implementation.

Update on Budget Subcommittee Hearings

The Commission staff developed a briefing document to share with members at the hearings which is provided in Appendix A.

Senate Budget Subcommittee on Education

On March 22, 2012, the Senate Budget Subcommittee on Education met to hear the Commission's budget. In Appendix B of this agenda is a copy of the Senate agenda and final outcome from the hearing. At the hearing, Executive Director Sandy provided an update on the current status of the Commission's budget, expressed the Commission's support for the Governor's Budget and intent to do what is necessary to live within its means, including restructuring and possibly putting areas of work on hiatus until the revenue picture improves.

At the hearing the Senate took action to approve-as-budgeted the Governor's Budget proposal, as well as proposed some additional provisional reporting language in an effort to stay informed of the Commission's workload and determine long-term fiscal solutions to address the fiscal pressures facing the Commission.

The Senate Budget Subcommittee on Education took the following action:

Approve the Governor's budget proposals for the CTC with the following modifications:

1. Adopt placeholder budget bill language to provide for the transfer of up to \$250,000 from the Test Development and Administration Account to the Teacher Credentials Fund in FY 2012-13. Budget bill language will require this transfer, as necessary, to address any FY 2012-13 shortfall in the Teacher Credentials Fund. This transfer will require approval by the Department of Finance, with notification to the Joint Legislative Budget Committee.
2. Adopt placeholder budget bill language to streamline existing quarterly reports to the Legislature on the status of educator credential applications (and any backlog); and to add periodic reports to the Legislature on the status of educator misconduct reports (and any backlogs).
3. Adopt placeholder budget bill language to require CTC to report to the Department of Finance by October 1, 2012, on the implementation of budget reductions and the elimination of positions, and its use of administrative flexibility.
4. Amend budget bill language (6360-001-0407 --Provision 8) to add a provision requiring CTC to work with Legislative Analyst's Office on cost-recovery options related to accreditation services for teacher preparation programs.

Assembly Budget Subcommittee on Education Finance

On April 10, 2012, the Assembly Budget Subcommittee on Education Finance met to hear the Commissions' budget. In Appendix C of this agenda is a copy of the agenda and final outcome from the hearing. Similar to the Senate hearing on March 22, 2012, Executive Director Sandy provided an overview of the Commission's budget, expressed the Commission's support for the Governor's Budget and outlined areas of impact related to reduce revenues and staffing.

The Assembly Budget Subcommittee on Education Finance took the following actions:

ACTION 1: Approve the Governor's proposal with the following modifications:

1. Adopt placeholder budget bill language to allow for the transfer of an additional \$250,000 from the TDAA to the TCF for the budget year.
2. Adopt placeholder budget bill language to direct CTC to explore additional options for raising revenue from alternative fund sources and achieving greater efficiencies.

ACTION 2: Defund rather than eliminate the 17 positions for a savings of \$1.5 million. This would allow the CTC to retain position authority while allowing the state to achieve one-time savings.

Next Steps in the Budget Process

Both houses have approved-as-budgeted each of the Governor's Budget proposals, with some modifications. As a result of each house taking a different action on the issue of the position reduction, the issue will be taken up by the Conference Committee for final determination and action. Those items that were approved-as-budgeted in both houses are deemed in the budget as "closed."

The next opportunity for adjustments in the Commission's budget could come as part of one or more of following: the May Revision, Conference Committee, and Governor's Veto's. The Commission did not submit a Spring Finance Letter for any additional budget changes, so the Commission staff does not anticipate any additional changes at this time. Commission staff will continue to follow the budget process and provide updates to the Commission as changes occur.

Part 2: Overview of Current Operations and Impact of Reductions

When a department budget is established it is divided into three types of budget: State Operations, Local Assistance, and Capital Outlay. The Commission has no capital outlay, only State Operations and Local Assistance. Funding authorized in the budget by type can only be expended in the budget type for which it was authorized. For example, the Commission receives Local Assistance dollars to support the teacher development programs (Alternative Certification and the Paraprofessional Teacher Training Programs). These dollars may not be used to purchase a new copier or reclassify a position to a higher level. These types of expenditures are instead budgeted within the State Operations budget.

The Commission's State Operations budget includes Personnel Services (salaries and benefits) and Operating Expenses and Equipment (OE&E). Personnel Services budgets are constrained to the total number of positions authorized in the budget. For the Budget Year 2012-13, the Commission is proposed to have 148.4 positions. The agency is expecting several staff retirements in the FY 2012-13 and must therefore budget for expenses associated with leave buy-outs.

The OE&E budget is developed from funding associated with each position authorized in the budget, as well as approved Budget Change Proposals for specific projects or responsibilities and statute changes. The OE&E expenses are the costs associated with completing the various tasks

and include travel, external contracts, general expenses, interagency agreements, printing, communications, data processing, etc.

When positions are established the budget includes authorized funding for such things as new computers, software, telecommunications, travel, facility, etc. The amount authorized in the budget has ranged from \$7,000-\$13,000 per position. The budget for the accreditation system is also reflected within the OE&E budget. This includes staff and volunteer travel (i.e., air travel, per diem, mileage) contracts with institutions scheduled for visits, etc. Once funding is authorized in the budget these dollars become part of the base budget, unless a project has a planned expiration in which case this funding is removed during the appropriate budget development cycle once the project is complete.

Historically, in May/June of each year the Executive Director meets with the Division Directors to build the internal OE&E budget plan for the upcoming fiscal year. Given the significant proposed reductions in the Commission's budget and the need for the Commission to identify priority areas of work, the internal budget development process began earlier this year. The fiscal year runs from July 1 to June 30. The internal budget includes the real-time, day-to-day activities of the agency through which the staff execute the strategic priorities set by the Commission. The Executive Director and Division Directors receive monthly updates on actual expenditures compared to the state budget authorizations as well as the projected expenditures based on the current expenditure pattern. This is then used to make adjustments throughout the year at an agency level if changes are needed due to unanticipated costs during the year.

Commission on Teacher Credentialing FY 2012-13 Budget Details

The Commission is comprised of four (4) distinct program areas that in combination provide the framework for educator licensure in California. Specifically these are the Certification, Assignment and Waivers (CAW) Division, Professional Services Division (PSD), Division of Professional Practices (DPP), and Administration Division which includes the Executive Office (Commissioners), Office of Governmental Relations, Enterprise Technology and Support Services Section and the Administrative Services Division (Fiscal and Business Services Section and the Office of Human Resources).

Certification, Assignment and Waivers Division:

The CAW Division is responsible for evaluating and processing over 215,000 applications annually for credentials, permits, certificates, and waivers for authorization to serve in California's public schools. The Division provides 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.

Professional Services Division:

PSD is responsible for the development of program 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 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.

Division of Professional Practices:

DPP 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 and other divisions within the Commission.

Administration Division:

Administration is responsible for providing the necessary support for the program divisions to fulfill their statutory responsibilities.

Proposed FY 2012-13 Appropriation by Fund

Table 3 reflects the proposed Budget Year (2012-13) appropriation level, by fund source, that supports the Commission’s programs.

Table 3: FY 2012-13 Proposed Appropriation by Fund		
Fund Code	Fund Name	Appropriation
0001	General Fund, Proposition 98 ^{1/}	26,191,000
0407	Teacher Credentials Fund	14,650,000
0408	Test Development and Administration Account, Teacher Credentials Fund	4,207,000
0995	Reimbursement ^{2/}	308,000
	Total	\$45,356,000

^{1/} This reflects the funding that is granted to local districts and local education agencies for the Local Assistance programs administered by the Commission, (i.e., Alternative Certification and Paraprofessional Teacher Training Programs).

^{2/} This reflects the reimbursement received from the California Department of Education to pay for the Credential Assignment Monitoring program administered by the Commission. Previously, this program was funded with General Fund Proposition 98 dollars and due to fiscal pressures the funding source was changed.

FY 2012-13 Proposed Budgeted Positions and Expenditures by Category:

The following table reflects the positions and main categories of expenditure budgeted for each Division for FY 2012-13. This includes the budgeted support for daily operations of the agency, as well as the budgeted local assistance dollars provided to local entities for the teacher development programs administered by the Commission.

Table 4: FY 2012-13 Proposed Positions and Expenditures					
CATEGORY	CAW	PSD	DPP	ADMIN	TOTAL
Authorized Positions	59.4	26.0	31.0	32.0	148.4
Support Budget - Personnel Services	\$3,887,000	\$2,912,000	\$3,167,000	\$3,010,000	\$12,976,000
Support Budget- OE&E	1,545,000	1,555,000	1,741,000	1,348,000	6,189,000
Total Support Budget (Daily Operations)	\$5,432,000	\$4,467,000	\$4,908,000	\$4,358,000	\$19,165,000
Local Assistance ^{1/}	0	26,191,000	0	0	26,191,000
Total Program Costs	\$5,432,000	\$30,658,000	\$4,908,000	\$4,358,000	\$45,356,000

^{1/} This reflects the funding that is granted to local districts and local education agencies for the Local Assistance programs administered by the Commission, (i.e., Alternative Certification and Paraprofessional Teacher Training Programs). None of the funds are available for Commission use.

Provided in the table below are the budgeted and actual positions, personnel services (salaries and wages and benefit) costs from 2007-08 through projected 2012-13.

Table 5: Budgeted And Actual Positions 2007-2013						
<i>Italics indicate projections</i>						
Personnel Expenses (Non-Discretionary)						
	2007-08	2008-09	2009-10^{1/}	2010-11^{1/}	2011-12	2012-13
Budgeted Positions	170.9	167.9	167.1	166.4	<i>165.4</i>	<i>148.4</i>
Actual Positions	163.7	157.7	165.1	152.2	--	--
Total - Personnel Services	12,825,365	12,492,026	11,952,072	13,048,897	<i>13,196,248</i>	<i>\$12,976,000</i>

^{1/} State employees were furloughed one, two or three days a month depending on bargaining unit. The final furloughs ended in April 2011.

The proposed elimination of 17 positions (\$1.0 million) as of July 1, represents a 10% reduction in the agency's workforce in one year, and a 28% reduction in the last decade. (Note: This is a 26% reduction in the PSD and a 10% reduction in the CAW.) According to the FY 2012-13 proposed Governor's Budget this reflects anticipated operational efficiencies generated by streamlining the teacher preparation and credentialing processes. The proposed Budget directs the Commission to work with the State Board of Education to identify ways to streamline the teacher preparation and credentialing processes. The manner in which the Commission's current mandated activities related to preparation and credentialing can be streamlined and made more effective and efficient and operational within available resources, is being evaluated by senior management of the agency in consultation with other state agencies.

The Commission has been working with a workforce reduction of more than 10 percent for most of the FY 2011-12 (current year) due to a state hiring freeze, medical leaves, and retirements. During the hiring freeze very few exemptions were being approved. The Commission was

relieved from the hiring freeze process in September 2011, however because of declining revenues there were insufficient funds to fill positions. With the current year (FY 2011-12) budget forecast, the Interim Director and newly hired Executive Director decided, with the exception of DPP positions, to postpone filling positions until there was more information about the agency's fiscal status. Commission staff has been working overtime or have been redirected to new assignments to maintain core functions. This is not a long-term solution for staff or the agency.

Provided below is a summary of the staffing by division from 2005-06 through projected 2012-13.

POSITIONS	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 ^{1/}	2012-13 ^{2/}
Certification, Assignment and Waivers Division	58.8	66.8	69.6	65.1	68.3	63.4	<i>68.4</i>	<i>59.4</i>
Professional Services Division	25.1	28.1	29.2	31.8	31.0	31.2	<i>35.0</i>	<i>26.0</i>
Professional Practices Division	27.0	29.9	30.1	29.4	31.1	30.3	<i>29.0</i>	<i>31.0</i>
Administration Division	29.5	37.4	34.8	31.4	34.7	34.0	<i>33.0</i>	<i>32.0</i>
Actual Filled Positions	140.4	162.2	163.7	157.7	165.1	158.9	<i>165.4</i>	<i>148.4</i>
Authorized/Budgeted Positions	160.5	165.9	170.9	167.9	167.1	166.4	<i>165.4</i>	<i>148.4</i>
Salary Savings	-20.1	--3.7	-7.2	-10.2	-2.0	-7.5	--	--

^{1/} This reflects the total budgeted positions for FY 2011-12. The actual positions filled will not be available until June 30, 2012.

However as of April 2012, the Commission does have 22.5 vacancies or approx. 14 percent reduction in the workforce.

^{2/} This reflects the proposed budgeted positions for FY 2012-13.

Impact of Proposed Staffing Reductions

At the Commission's March 2012 meeting (http://www.ctc.ca.gov/commission/agendas/2012-03/3B_Insert.pdf), staff identified potential budget impacts on the Commission's current work. Highlights are provided here:

Educator Discipline: When the state hiring freeze was lifted in September 2011, new agency and division leadership began hiring to fill seven (7) vacancies. As of March 1, 2012, all existing positions were filled. In addition, three (3) vacant positions were recently redirected within the agency and these have also been filled. Of the three (3) redirected positions, two (2) positions were filled with existing staff, as a result leaving two (2) new vacancies within the division. The recruitment for the two (2) new vacancies will begin as soon as possible. These positions are required to meet the BSA's recommendation for better oversight of data, cases and workload. In addition to dealing with the existing inventory of cases, DPP also faces challenges from the well-publicized issues of teacher misconduct in Los Angeles Unified School District (LAUSD). Between February 22 and April 15, the Commission received over 500 reports of educator misconduct from LAUSD. Based on an analysis completed on 174 of the reports, approximately 75% of the cases currently meet the jurisdictional requirement for investigation by the Committee of Credentials. In comparison, during FY 2010-11, DPP received 260 reports and opened 210 investigations based on reports from all school districts statewide. Table 7 reflects the current distribution of staff in DPP.

While no staff reductions were proposed in the Governor’s Budget for DPP, the recent unexpected increase in workload from reports files by LAUSD and actions within the agency to comply with the recommendations from the State Auditor’s report may necessitate additional DPP staff resources for the next 1-2 years. Every division of the agency is lending resources, either budgetary or personnel, to assist in DPP’s crucial workload.

	2009-10	2010-11	2011-12
Division Total FTE – Budgeted	29.0	29.0	29.0
Actual Staffing	31.1	30.3	31.0
Management	2.0	2.0	3.0
Intake Unit/Case Management	16.6	14.6	18.0
Investigation	5.0	6.0	5.0
Legal	5.0	5.0	5.0
Vacancies	0.0 ^{1/}	0.0 ^{1/}	2.0 ^{2/}

^{1/} This reflects vacancies as of July 1 of that FY.

^{2/} This reflects vacancies as of April 2012.

Certification: A permanent reduction of seven (7) positions or 10% in the CAW Division will impact application processing and information access. Increased automation has enabled the agency to shorten the time for credential processing from 75 days to 50 days (Assembly Bill 469 (Chap. 133, Stats. 2007), comply with Assignment Monitoring requirements, increase phone coverage and reinstate the employer liaison position that allowed county office of education credentialing staff to call in directly for high priority employment issues. The proposed cuts and staff redirection to assist DPP may increase application processing time, increase wait time on phones, weaken our ability to effectively monitor mis-assignments and eliminate the employer liaison service. Table 8 below provides a summary of the staffing changes in the CAW Division:

	2009-10	2010-11	2011-12
Division Total FTE – Budgeted	68.9	68.4	68.4
Actual Staffing	68.3	63.4	56.9 ^{3/}
Administrative Unit: (Assignment, regulations, administrative support)	4.0	4.0	4.0
Certification Unit: (application processing, phones, email)	36.0	36.0	26.5
Technical and Operational Support Unit: (Cashiering, document preparation, tech support for external and internal users)	21.3	22.0	25.1
Retired Annuitants and Student Assistants	7.0	1.4	1.3
Vacancies	0.6 ^{1/}	5.0 ^{1/}	9.5 ^{2/}

^{1/} This reflects vacancies as of July 1 of that FY.

^{2/} This reflects vacancies as of April 2012.

^{3/} This reflects 2.0 positions redirected to DPP and ETSS for business needs.

Accreditation, Examinations and Standards: A permanent reduction of nine (9) positions or 26% in PSD will limit the work that can be completed in FY 2012-13. The current focus has been ensuring quality in educator preparation programs by implementing the accreditation system and monitoring the administration of the state’s educator preparation examinations. Standards development and policy work has been limited due to vacancies, the hiring freeze, and the focus on accreditation and examinations. The most recent policy work has focused on administrator preparation, school librarians, and the preparation of all educators to work with English learners.

Table 9 provides a summary of staffing levels in PSD.

Table 9: Professional Services Division – Staffing Levels			
<i>Italics indicate projections</i>			
	2009-10	2010-11	2011-12
Division Total FTE-Budgeted	34.0	34.0	35.0
Actual Staffing	31.0	30.0	26.0
Administrative Unit: (Director, Administrators, Office Manager)	6.0	5.0	4.0
Accreditation, Standards and Policy	10.0	11.0	<i>10.0</i>
Teacher Development	3.0	2.0	<i>1.0</i>
Examinations	6.0	6.0	<i>5.0</i>
Support Staff	6.0	6.0	<i>6.0</i>
Vacancies	3.0 ^{1/}	4.0 ^{1/}	<i>9.0</i> ^{2/}

^{1/} This reflects vacancies as of July 1st of that FY.

^{2/} This reflects vacancies as of April 2012.

In summary, the DPP is fully staffed, and staff from other divisions have been redirected to support the increased workload. Analysis of staff workload for CAW and PSD indicate that current staffing levels are insufficient to meet the current workload demands in these divisions, based on current expectations and assumptions about how the work is accomplished.

Impact of the Proposed Reductions in Operational Funds

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, particularly those costs over which the Commission has little control, including central administrative services costs (the Commission’s PRORATA share of the state’s overhead expenses); data processing services; general price increases related to items such as rent, telephones, and electricity; 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 depicted in Table 10, constitute 26% of the total operating budget and have risen 75% since 2007-08.

Table 10: Operating Expenses - Not Under Commission Control (Non-Discretionary)*Italics indicate projections*

	2007-08	2008-09	2009-10	2010-11	<i>2011-12</i>	<i>2012-13</i>
Department of Justice - OAH	1,161,254	908,458	1,274,998	1,255,529	<i>1,260,000</i>	<i>1,400,000</i>
Rent	566,754	588,031	599,575	649,823	<i>697,284</i>	<i>725,000</i>
DGS Contracted Fiscal Services	200,000	153,000	191,000	200,000	<i>197,000</i>	<i>197,000</i>
PRORATA	640,806	677,725	1,080,180	919,545	<i>1,232,388</i>	<i>1,691,211</i> ^{1/}
Consolidated Data Center	40,770	68,880	101,313	115,659	<i>110,000</i>	<i>117,000</i>
Department of General Services	160,442	426,422	358,663	396,963	<i>396,000</i>	<i>279,789</i>
Communications	129,970	100,700	122,029	151,508	<i>137,000</i>	<i>51,000</i>
Information Technology	853,109	1,718,052	743,809	1,174,242	<i>558,600</i>	<i>532,000</i>
Totals	3,753,105	4,641,268	4,471,567	4,863,269	4,588,272	4,993,000

^{1/} This amount reflects a -\$900,000 reduction in costs that will be shifted to a future year, pending resources.

Through efficiencies and streamlining the Commission has been able to reduce its discretionary costs since 2007-08 as demonstrated in the table below. However, FY 2012-13 will be a difficult year to manage, because the funds available have been significantly (-52%) reduced from FY 2011-12.

Table 11: Operating Expenses - Under Commission Control (Discretionary)*Italics indicate projections*

	2007-08	2008-09	2009-10	2010-11	<i>2011-12</i> ^{1/}	<i>2012-13</i>
General Expense ^{2/}	297,239	351,187	320,258	314,447	<i>311,550</i>	<i>150,000</i>
Printing	133,797	46,364	31,268	34,983	<i>32,850</i>	<i>20,000</i>
Postage	304,994	102,495	34,719	32,174	<i>32,000</i>	<i>20,000</i>
Travel-in-state	272,403	295,543	299,032	309,637	<i>305,150</i>	<i>200,000</i>
Travel-out-of-state	12,513	20,428	21,624	0	<i>0</i>	<i>0</i>
Training	78,461	79,137	88,120	54,988	<i>69,500</i>	<i>15,000</i>
Equipment	216,859	134,870	59,184	157,255	<i>0</i>	<i>0</i>
External Contracts ^{3/}	1,004,040	1,549,680	997,026	380,950	<i>1,518,050</i>	<i>791,000</i>
Totals	2,320,306	2,579,704	1,851,231	1,284,434	2,269,100	1,196,000

^{1/} This does not reflect the \$800,000 reduction in activities that were suspended as a result of the 2011-12 loan request being reduced from \$2.3 million to \$1.5 million.

^{2/} General Expense reflect the costs associated with purchasing general office supplies and hotel contracts for Accreditation, Advisory Panels, Commissioner's, Committee of Credentials, and Committee on Accreditation.

^{3/} External Contracts reflect the costs associated with various vendors (i.e. Exam validation and development contracts; one-time restricted funds for projects such as IMPACTFL and formative assessment redevelopment, CWIP etc.) and per diem for volunteers.

As non-discretionary costs continue to rise the Commission is faced with continually looking at operations and prioritizing the workload to ensure educator quality and the safety of children in the classroom. As the Commission considers its strategic plan it is important to identify the resources available to carry out the work of the agency. Table 12 provides a summary of the *regularly scheduled Commission, COC and COA* meeting costs, as well as other necessary or targeted costs within the Commission’s discretionary authority for FY 2012-13.

Table 12: FY 2012-13 Discretionary Operating Expenses - Mandated or Necessary Activities		
Meeting	Assumptions	Total
Commission	8 Meetings for a total of 12 meeting days	\$127,550
Committee of Credentials	12 Meetings for a total of 36 meeting days	\$90,000
Committee on Accreditation	7 Meetings for a total of 12 meeting days	\$84,000
Subtotal for the three types of meetings		\$301,550
Basic operating expenses: printing, postage, litigation, training for staff and other general expenses		\$220,000
Validation or revalidation of one or more of the Commission’s examinations		\$600,000
Total		\$1,120,550

Table 13 provides a summary of the Commission’s proposed budget and available resources projected for FY 2012-13.

Table 13: Summary of Proposed FY 2012-13 Budget		
Budget	Total	Source
Proposed 2012-13 Commission Budget	\$19,165,000	Table 4
Personnel Services	-\$12,976,000	Table 5
Non-Discretionary Expenses	-\$4,993,000	Table 10
Available Discretionary Funds	=\$1,196,000	Table 11
Mandated or Necessary Activities ^{1/}	-\$1,120,550	Table 12
Discretionary Funds Available for use in 2012-13	\$75,450	

^{1/} This assumes all positions are filled at the current budgeted levels, and that the Commission, COC and COA continue to meet on the same schedule as in FY 2011-12.

The discretionary funds available for use in 2012-13 represent a worst-case scenario. If the Governor’s proposed budget is enacted as it currently stands, there will be a minimum of \$75,450 available to support some of the agency’s core work. This estimate assumes that all allocated staff positions are filled, the three statutory types of meetings are held as currently designed and that every Commissioner, COC member and COA member attends each meeting. It is possible that additional efficiencies could be accomplished or the work could be

accomplished in a more cost effective manner which would enable additional funds to be added to the \$75,450. But for current planning purposes, the best estimate is provided in Table 13.

Based on the projected costs and the available budget for discretionary expenses some difficult decisions will need to be made on how best to proceed with the operations of the agency in the near term. In short, based on current budget projections and assumptions, the costs associated with operating the Commission's accreditation system, developing and implementing new standards, approving new programs or institutions seeking accreditation, and other areas of policy and program development, which are heavily reliant on OE&E funds, exceed available funding for FY 2012-13.

Next Steps

FY 2012-13 is going to be a difficult year due to the agency's reduced revenue base. The Commission staff view this situation as temporary, insofar as the education workforce is aging (more than 1/3 are estimated to be over the age of 50) and K-12 enrollments are trending upward for the next decade. These circumstances will change the balance of supply and demand such that there will be a demand for educators in the future that will positively impact the agency's application revenues.

In the interim, the Administration has directed the Commission to look at ways to streamline preparation and credentialing. The Legislative Analyst is calling for the Commission to consider other potential revenue streams related to charging fees for accreditation and other services. The Commission staff looks forward to working with the Commission and stakeholders to evaluate the various aspects of the organization and determine efficiencies, while ensuring educator excellence and protecting the safety of school children in the classroom.

Appendix – A

Budget Briefing Document Provided to Members at the Hearing



Commission on Teacher Credentialing 2012-13 Budget Summary

Current Fiscal Status

- Since FY 2007-08 the Teacher Credentials Fund (TCF) revenues have declined approximately 20%. Declines are due to the decrease in credential applications. Teacher preparation program enrollment reductions suggest the declining revenue trend could continue.
- Based on past-year trends and second quarter data for FY 2011-12 the decline in revenues is projected to be 5% in FY 2010-11. Current trends suggest a projected decrease of 3% for FY 2012-13.
- Despite numerous operational efficiencies over the past several years, business costs have increased significantly for the Commission.¹ These “non-discretionary” costs constitute 23% of the total operating budget and have risen significantly since 2007-08. Since FY 2000-01 the Commission has reduced its state government footprint by 41 positions or 20%. An additional reduction of 17 positions is an overall 28% reduction since 2000; almost a third of the Commission’s workforce. The Commission is challenged to maintain its current mandates with the proposed staffing levels.
- To address a current year shortfall of \$2.3 million, the Commission requested a loan (transfer) from the TDAA to the TCF. DOF approved a loan of \$1.5 million based on anticipated salary savings and additional operational savings.
- The Commission has experienced unexpected costs in the current year due to several retirements that had significant buy-outs associated with them and due to unexpected costs for litigation. Management anticipated being able to absorb these extraordinary costs through operational efficiencies and salary savings based on the full loan amount of \$2.3 million.
- To accommodate the reduced loan, the agency will need to halt the following activities for the remainder of the current year:
 - Postpone hiring new staff until July 1, 2012 except for staff focusing on discipline
 - Eliminate all overtime not related to the processing of discipline cases
 - Postpone the work of the all advisory panels working on credential review, streamlining or policy implementation until after July 1, 2012
 - Postpone all program review activities until after July 1, 2012
 - Reduce training opportunities and expenses for accreditation team members

¹ Increased business costs include: central administrative services costs, data processing services, general price increases, costs associated with Department of Justice discipline reviews, facility operations, employee compensation, retirement payouts, and health benefit adjustments.

- Suspend work on teaching performance assessments
- Cancel meetings with stakeholder groups involving staff travel
- Suspend several contracts that support various agency-wide services (copier service, shredding, legal research subscription, training for staff, etc.)

It is important to note that most of what is identified on this list involves postponing work until the start of the next fiscal year.

Governor's 2012-13 Proposed CTC Budget

- Increase the credential application fee by \$15 from \$55 to \$70 to generate \$3 million in additional revenue for the Teacher Credentials Fund (TCF).
- Increase testing fees in 2012-13 to generate \$500,000 of additional revenue for the Test Development and Administration Account (TDAA).
- Close remaining \$1.5 million Budget Year gap by reducing 17 PYs (\$1 million) and operational savings (\$.5 million).

Impact of Proposed Reductions

The Commission performs three essential functions in its mission as an independent standards board: 1) credential educators; 2) policy and standards development, accredit educator preparation programs and administer educator examinations; and 3) enforce educator discipline.

While no PY reductions were proposed for the Division of Professional Practices (DPP), the recent unexpected increase in workload due to the Los Angeles Unified School District (LAUSD) decision to submit misconduct reports and to actions within the agency to comply with the recommendations from the State Auditor's report may necessitate additional staff resources for the next 1-2 years. Every division of the agency is lending resources, either budgetary or personnel, to assist in DPP's urgent workload.

At the Commission's March 2012 meeting, staff identified the following potential budget impacts on the Commission's current work². Highlights are:

- ***Certification:*** A permanent reduction of seven (7) positions or 10% in the Certification, Assignments and Waivers (CAW) Division will impact application processing and information access. Increased automation has enabled the agency to shorten the time for credential processing from 75 days to 50 days (as mandated by statute),³ comply with Assignment Monitoring requirements, increase phone coverage and reinstate the employer liaison position that allowed county office of education credentialing staff to call in directly for high priority employment issues. The proposed cuts and staff redirection to assist DPP will increase application processing time, increase wait time on phones, weaken our ability to effectively monitor misassignments and eliminate the employer liaison service.
- ***Accreditation, Examinations and Standards:*** A permanent reduction of nine (9) positions or 26% in the Professional Services Division (PSD) will limit the work that can be completed in

² Full agenda item is available at: http://www.ctc.ca.gov/commission/agendas/2012-03/3B_Insert.pdf

³ Assembly Bill 469 (Chap. 133, Stats. 2007)

FY 2012-13. The Commission will review its priorities and decide which activities are still priorities, need to be postponed, modified or not completed. The current focus has been ensuring quality in educator preparation programs by implementing the accreditation system and monitoring the administration of the state's educator preparation examinations. Standards development and policy work has been limited due to vacancies, the hiring freeze, and the focus on accreditation and examinations. The most recent policy work has focused on administrator preparation, school librarians, and the preparation of all educators to work with English learners. The following topics will be included in the Commission's discussion of its priorities:

- Continued implementation of the current accreditation system
 - Alignment of examinations and teacher preparation programs with the Common Core Standards
 - Reviewing and streamlining teacher preparation to ensure that teachers are prepared for California's public schools
 - Review of current examination system and evaluation of its responsiveness to current needs and policy context
 - Implementing needed changes for the preparation of school administrators
 - Implementing the Single Subject: English Language Development teaching credential to address the needs of English learners
 - Development of a statewide program completer survey for use by all educator preparation programs to inform accreditation activities
 - Focus on Early Childhood Education and how teachers need to be prepared to teach preschool and Transitional Kindergarten students
 - The teaching performance assessment—ongoing development including review and possible revision of the Teaching Performance Expectations
 - Preparation for Career Technical Education, Adult Education and the focus on Linked Learning
 - Response to Instruction and Intervention (RtI²) and how teachers are prepared and authorized for RtI²
 - Teacher Leadership
- ***Educator Discipline:*** As new management was brought in to solve issues identified in the Bureau of State Audits (BSA) report, the Department of Finance waived the hiring freeze in DPP and the Commission began hiring to fill seven (7) vacancies. As of March 1, 2012, all existing positions are filled. In addition, three (3) positions were redirected within the agency and DPP is recruiting to fill them. These positions were required to meet the BSA's recommendation for better oversight of data, cases and workload. In addition to dealing with the existing inventory of cases, DPP also faces challenges from the well-publicized issues of teacher misconduct in LAUSD. Between February 22 and March 21, the Commission received 250 reports from LAUSD. Based on an analysis done on 174 reports, approximately 75% of the cases currently meet the jurisdictional requirements for investigation by the Committee of Credentials. In comparison, during FY 2010-2011, DPP opened 210 investigations based on reports from all school districts statewide.

Appendix - B

Senate Budget and Fiscal Review – Subcommittee No. 1 on Education Agenda – Hearing Scheduled on March 22, 2012, Senator Carol Liu, Chair - Provided below is the agenda for the Senate Budget and Fiscal Review – Subcommittee No. 1 on Education. There were 3 issues on the agenda for discussion/action, however Commission staff only included information related to the Commission on Teacher Credentialing for reference.

Senate Budget and Fiscal Review—Mark Leno, Chair

SUBCOMMITTEE NO. 1 on Education



Subcommittee No. 1
Chair, Carol Liu
Member, Ted Gaines
Member, Roderick Wright

Thursday, March 22, 2012
9:30 a.m. or
Upon Adjournment of Session
Room 3191, State Capitol

Consultant: Kim Connor
OUTCOMES
ISSUE #3 Only

<u>Item</u>	<u>Department</u>
6360	Commission on Teacher Credentialing
Issue 3	Governor's Budget Proposals

6360 Commission on Teacher Credentialing

ISSUE 3: Commission on Teacher Credentialing – Governor's Budget Proposals

DESCRIPTION: The Governor proposes several changes to the Commission on Teacher Credentialing (CTC) budget in 2012-13 in order to address a projected operating deficit of \$5 million. Specifically, the Governor proposes the following activities to address the 2012-13 budget shortfall: (1) increase in the teacher credentialing fees from \$55 to \$70, which restores fees to statutorily authorized levels and increases revenues by \$3 million; (2) increase exam fees to generate \$500,000 in additional revenues; (3) reduce state operations expenditures by \$1.5 million through the elimination of 17 staff positions; and (4) provide an immediate \$1.5 million loan in 2011-12 from the Test Development and Administration Account to the Teacher Credentials Fund.

BACKGROUND:

Major Responsibilities.

The Commission on Teacher Credentialing (CTC) is responsible for the following major, state operations activities, which are wholly supported by special funds:

- Issuing credentials, permits, certificates, and waivers to qualified educators;
- Enforcing standards of practice and conduct for licensed educators;
- Developing standards and procedures for the preparation and licensure of school teachers and school service providers;
- Evaluating and approving teacher and school service provider preparation programs; and
- Developing and administering competency exams and performance assessments.

In addition, the CTC administers three local assistance programs which are funded with Proposition 98 General Funds and federal reimbursement from the California Department of Education.

Major Activities.

The CTC currently processes **215,000 candidate applications** annually for 200 different credential and waiver documents. In addition, the CTC currently administers – largely through contract – a total of **5 different educator exams** for approximately **103,000 educators** annually. In addition, monitors the assignments of educators and reports the findings to the Legislature.

In addition, the CTC must review and take appropriate action on misconduct cases involving credential holders and applicants resulting from criminal charges, reports of misconduct by local educational agencies, and misconduct disclosed on applications. In 2010-11, the CTC received new reports from all these sources. Upon review, the CTC opened and established jurisdiction for 5,400 cases. During 2010-11, the CTC completed disciplinary review for 4,892 cases.

Lastly, the CTC is responsible for accrediting **261 approved sponsors of educator preparation programs**, including largely public and private institutions of higher education and, local educational agencies in California. (Of this total, there are 23 California State University programs; 8 University of California programs; 55 private college and university programs; 172 local educational agency programs; and 3 other sponsors.)

Special Funds & Fees. The CTC is a “special fund” agency whose state operations are supported by two special funds -- the Test Development and Administration Account (0408) and the Teacher Credentials Fund (0407). Of the CTC’s \$18.8 million state operations budget in 2011-12, about 76 percent is supported by credential fees, which are a revenue source for the Teacher Credentials Fund; the remaining 24 percent is supported by educator exam fees, which fund the Test Development and Administration Account, as follows:

- **Teacher Credentials Fund (Credential Fees).** The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. The current credential fee is \$55, which is set in the annual budget, although statute authorizes a credential fee of up to \$70. (See EC §44235.) Current law also requires, as a part of the annual budget review process, the Department of Finance to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the Commission plus a prudent reserve of not more than 10 percent.

In 1998-99, the credential fee was reduced in the budget act below statutory levels -- from \$70 to \$60 -- due to increases in the number of credential applications and resulting surpluses in the Teacher Credentials Fund. At this time, there was increased demand for teachers due to the new K-3 class size reduction program. The \$15 loss in fees since 2000-01 equates to an annual loss of approximately \$3 million for the CTC. (Every \$5 in fees equates to approximately \$1 million in revenues.)

In 2000-01, the fee was dropped further to \$55 and has remained at this level since then. The volume of credential applications grew substantially from 2000-01. However, as indicated by the chart below, applications began decreasing in 2007-08 as the state economy slowed. In 2011-12, the number of credential applications dropped below 2000-01. The number of credential applications is projected to drop further in 2012-13.

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 Est
Credential Applications Received	215,954	239,501	250,701	235,327	233,164	240,159	254,892	267,637	264,153	246,899	232,208	220,598	213,980
Waiver Applications Received	7,865	7,918	5,144	2,827	2,402	2,000	2,561	2,561	2,561	1,287	893	848	823
Total	223,819	247,419	255,845	238,154	235,566	242,159	257,453	270,198	266,714	248,186	233,101	221,446	214,803
Credential Processing Staff*	82.1	83.2	77.4	71.2	60.6	65.2	66.8	75.9	69.1	68.9	68.4	68.4	61.4
Credential Fees **	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$70

*Certification Assignment and Waivers Division Staff

**Individuals applying for a Certification of Clearance and then a first time Credential only pay one fee for the two documents, based on the current credential fee, i.e., \$55 credential fee, \$27.50 for Certificate of Clearance, \$27.50 First Time Credential, then at 5 year renewal pay the full fee of \$55.

- **Test Development and Administration Account (Exam Fees).** The Test Development Administration Account is generated by various fees for exams administered by the CTC such as the California Basic Educational Skills Test (CBEST), the Reading Instruction Competence Assessment (RICA), and the California Subject Examination for Teachers (CSET), the California Teachers of English Learners (CTEL), and the California Preliminary Administrative Credential Examination (CPACE).

The CTC has statutory authority (EC § 44235.1) for reviewing and approving the examination fee structure, as needed, to ensure that the examination program is self-supporting. To determine fees for these testing programs, CTC staff projects the number of exams – based upon the most recent actual figures - and compares these figures with projected examination program costs.

In recent years, the number of examinations have been falling for the exam program overall. The CTC projects continuing declines in the number examinees for the exam program.

The CTC has made a number of adjustments in recent years based upon the demand for the various exams, as indicated by the table below. In 2005-06, the CTC raised fees by \$6 for all

exams, except the CBEST, in 2005-06. (Prior to this, fees had not been increased since 2001-02.) However, in 2007-08, the CTC reduced fees for most exams.

Summary of Fee Adjustments					
Candidate Fee	2005-06	2007-08	2011-12	Proposed 2012-13	Change
CBEST					
<i>CBEST – Paper Based Test</i>	--	-\$10.00	--	--	-\$10.00
<i>CBEST – Computer Based Test</i>	--	--	-\$4.00	+\$1.00	-\$3.00
RICA					
<i>RICA – Written Examination</i>	+\$6.00	-\$10.00	+\$35.00	+\$6.00	+\$37.00
<i>RICA – Video Performance Assessment</i>	+\$6.00	-\$10.00	--	+\$41.00	+\$37.00
CTEL	--		-\$65.00	+\$22.00	-\$43.00
CSET	+\$6.00	-\$12.00	-\$12.00	+\$9.00	-\$9.00
<i>CPACE (Replaces the SLLA)</i>	--	--	-\$102.00	+\$44.00	-\$58.00

Source: Commission on Teacher Credentialing.

In January 2011, the CTC reviewed and approved changes in the exam fee structure which resulted in fee adjustments (increases and decreases) that went into effect in 2011-12.

At its March 2012 meeting, the CTC reviewed and approved fee increases for all of its major exams to take effect in 2012-13. These fee increases achieve the \$500,000 in revenues from the Test Development and Administration Account proposed by the Governor in 2012-13.

Current Condition of Special Funds

The **Teacher Credential Fund** has been experiencing a loss of revenues since 2007-08, which has contributed to a widening gap between annual revenues from credentials and expenditures for credential activities. The CTC estimates a five (5) percent decrease in revenues for the Teacher Credential Fund in 2011-12 and an additional reduction of three (3) percent in 2012-13. The **Test Development and Administration Account** has also experienced declines in revenues in recent years, but has had healthy balances to cover expenditures. Continuing revenue declines for CTC’s special funds, with some increased expenditure costs, resulted in a budget shortfall of **\$2.3 million** in 2011-12. The CTC estimates a special fund shortfall of **\$5 million** in 2012-13.

GOVERNOR’S BUDGET SUMMARY:

The Governor’s Budget proposes **\$45.4 million** for the total CTC’s budget in 2012-13, providing an overall decrease of **\$819,000**.

Summary of Expenditures (Dollars in Thousands)	2011-12	2012-13	\$ Change	% Change
General Fund, Proposition 98	\$26,191	\$26,191	\$0	0.0
Teacher Credentials Fund	15,022	14,650	-372	-2.4
Test Development & Adm. Account	4,654	4,207	-447	-9.6
Federal Trust Fund	--	--	--	--
Reimbursements	308	308	0	0.0
Total	\$46,175	\$45,356	-\$819	-1.8
Full -Time Positions	157.1	141.0	-16.1	-10.2
Authorized Positions	165.4	148.4	-17.0	-10.3

The Governor proposes **\$18.9 million** from the two special funds that support the CTC’s state operations in 2012-13, reflecting an overall decrease of **\$819,000 from 2010-11**. Specifically, the Governor proposes funding of **\$14.7 million** from the Teacher Credentials Fund and **\$4.2 million** from the Test Development and Administration Account in 2012-13. The Governor proposes to reduce authorized positions for CTC from 165.4 in 2011-12 to 148.4 in 2012-13, a reduction of 17 positions (10.3 percent).

The Governor proposes to continue **\$26.2 million** from the General Fund (Proposition 98) and \$.3 in Reimbursement from the Department of Education to support three local assistance education programs administered by the CTC – the Alternative Certification Program, Paraprofessional Teacher Training Program, and Teacher Mis-assignment Monitoring Program. The Alternative Certification and Paraprofessional Teacher Training programs are included in the K-12 categorical flexibility program -- authorized through 2014-15 – that allows districts to use these funds for any educational purpose. The CTC does not receive any General Fund support for administration of these programs.

GOVERNOR’S BUDGET PROPOSALS: The Governor proposes the following actions to address a projected operating deficit of \$5 million for the CTC in 2012-13:

- 1. Budget Year Credentialing Fee Increases.** The Governor proposes to increase teacher credentialing fees in 2012-13 by \$15 -- from \$55 to \$70 – to generate **\$3.0 million** in additional revenue for the Teacher Credential Fund. The Governor’s proposal continues the existing credential fee structure, which would charge the full \$70 fee to all credential renewals and some first time credentials, but would charge a half-fee of \$35 for the Certificate of Credential and first time credentials for new teachers.

Background: Consistent with current statute, Governor proposes budget bill language that authorizes the Commission to charge up to \$70 for the issuance or renewal of a teaching credential in 2012-13.

The Teacher Credentials Fund has a structural imbalance and operating deficit, due to the lack of fund reserves. The Governor’s proposed \$15 fee increase in 2012-13 and proposed transfer of \$1.5 million from the Test Development and Administration Account in 2011-12 address current and budget year cash shortfalls, but do not provide prudent reserves for the fund. Per the Governor’s proposal, the Teacher Credentials Fund would end the year with a negative **reserve** in 2012-13. In addition, the Governor’s proposed fee increase does not address a projected fund imbalance of \$266,000 in 2013-14. (Every \$5 increase in the credential fee generates about \$1 million in additional revenues.)

The Governor proposes to continue budget bill language that allows the Department of Finance to authorize a fund transfer from the Test Development and Administration Account due to an operating deficit in the Teacher Credentials Fund. The Department of Finance must notify the Joint Legislative Budget Committee of its intent to authorize the fund transfer.

2. **Budget Year Exam Fee Increases.** The Governor proposes to increase testing fees in 2012-13 to generate **\$500,000** of additional revenue for the Test Development and Administration Account.

Background: Consistent with its statutory authority, the CTC recently approved fee increases for educator exams to achieve the \$500,000 in additional revenues proposed by the Governor in 2012-13.

Candidate Fee	Current Fee 2011-12	Proposed Fee Structure 2012-13
CBEST		
<i>CBEST – Paper Based Test</i>	\$41.00	\$41.00
<i>CBEST – Computer Based Test</i>	\$101.00	\$102.00
RICA		
<i>RICA – Written Examination</i>	\$165.00 ^{1/}	\$171.00
<i>RICA – Video Performance Assessment</i>	\$130.00	\$171.00
CTEL	\$238.00	\$260.00
CSET	\$198.00	\$207.00
CPACE (Replaces the SLLA)	\$383.00 ^{2/}	\$427.00

^{1/}The increase in the examination is the result of the transition of this examination to a computer based examination only. The service fee charged to the candidate to administer this on-demand exam is similar to the fee charged for the CBEST computer based examination.

^{2/} The Commission did not receive any funds from the SLLA administered by the Educational Testing Services.

The Test Development and Administration Account has very healthy reserves, even with the proposed \$2.3 million fund transfer to the Teacher Credentials Fund in 2011-12. Per the Governor’s proposals, the Test Development and Administration Account would end the 2012-13 year with a **46 percent reserve**.

3. **Budget Year Staff Reductions Other Savings.** The Governor proposes to decrease state operations by **\$1.5 million** in 2012-13 as a result of: (1) eliminating 13 vacant positions and eliminating 4 existing positions to reflect operational efficiencies generated

by streamlining the teacher preparation and credentialing processes and (2) achieving operational savings from reduced information technology costs. **The Governor also proposes budget bill language requiring the CTC work with the State Board of Education to identify ways to streamline the teacher preparation and credentialing process.**

Background: The Governor proposes to eliminate a total of 17 positions within three of CTC’s four agency divisions in 2012-13, as described in the table below, for a savings of **\$1.0 million**. The Governor does not propose to eliminate any positions within the Division of Professional Practices, which is charged with review, investigation, and discipline of teacher misconduct. The CTC currently has approximately 22.5 vacant positions. The Governor’s proposal would eliminate 13 of these vacant positions (retaining 5.5 vacant positions – of these positions 3 positions have been redirected to address the workload in the Division of Professional Practices) and eliminate four (filled) other positions to align reductions with CTC workload.

Division/Position	Total Positions
Administrative Division:	1.0
Office Assistant – General	(1.0)
Certification, Assignment & Waivers Division	7.0
Associate Governmental Program Analyst	(2.0)
Staff Services Analyst – General	(1.0)
Office Technician Typing	(1.0)
Office Assistant – General	(3.0)
Professional Services Division:	9.0
Consultant – Teacher Preparation	(4.0)
Staff Services Analyst – General	(1.0)
Office Assistant – General	(4.0)

The Governor also proposes to capture **\$500,000** in savings resulting from information technology contract costs specific to 2011-12 activities that will not continue into 2012-13.

Current Year Fund Transfer. The Governor proposes to provide a **\$1.5 million** loan in 2011-12 from the Test Development and Administration Account to the Teacher Credentials Fund to address the CTC’s current operations shortfall. The Governor’s January budget originally proposed a \$2.3 million loan in 2011-12. The Governor’s latest budget proposal lowered the loan amount to \$1.5 million, in part, due to a reduction in expenditures from an additional \$550,000 in salary savings in 2011-12.

Background: As a result of a current operating deficit in the Teacher Credentials Fund, in February 2012, the CTC submitted a request to the Department of Finance (DOF) to transfer **\$2.3 million** from the Test Development and Administration Account to the Teacher Credentials Fund in 2011-12 – consistent with the Governor’s original budget proposal. The budget act provides authority for fund transfers from the Test Development and Administration Account to the Teacher Credentials Fund when insufficient funds are available – pending approval by the Department of Finance. On March 15, 2012, the DOF notified the Joint Legislative Budget Committee of its intent to approve a fund transfer of **\$1.5 million** – consistent with the Governor’s latest proposal -- within thirty days.

Special Fund Condition Reflecting the Governor’s Budget Proposals. The CTC has prepared a revised Fund Condition Summary that reflects both updated revenue projections and the Governor’s 2012-13 budget proposals, which have the effect of increasing fee revenues and reducing expenditures. For the Teacher Credentials Fund, CTC projects a negative fund balance of \$235,000 in 2012-13 and \$501,000 in 2013-14. For the Test Development and Administration Account, the CTC projects healthy fund balances of \$1.9 million in both 2012-13 and 2013-14.

**FUND CONDITIONS
(As of March 15, 2012)**

TEACHER CREDENTIALS FUND (TCF)

	2010-11 (Actual)	2011-12^{2/3/} (Estimated)	2012-13^{2/3/} (Proposed)	2013-14^{2/3/} (Proposed)
Beginning Balance	\$3,380,000	\$1,347,000	\$31,000	-\$235,000
Revenues	12,344,000	11,724,000	14,404,000	14,404,000
TDAA Transfer	0	1,500,000		0
Expenditures/ Appropriation	-14,377,000	-15,090,000	-14,670,000	-14,670,000
Ending Balance	<u>\$1,347,000</u>	<u>\$31,000</u>	<u>-\$235,000</u>	<u>-\$501,000^{1/}</u>
Reserve %	9.4%	0.2%	-1.6%	-3.4%

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

^{2/} Assumes a 5% decrease in credential revenue from FY 2010-11, based on 2nd quarter data from Certification, Assignment and Waivers Division. FY 2012-13 assumes a 3% decrease in credential revenue from FY 2011-12.

^{3/} FY 2011-12 reflects a Credential Fee (Renewals) of \$55 and First Time Credential and Certificate of Clearance at \$27.50. FY 2012-13 reflects a Credential Fee of \$70 and First Time Credential and Certificate of Clearance at \$35.

TEST DEVELOPMENT AND ADMINISTRATION ACCOUNT (TDAA)

	2010-11 (Actual)	2011-12 (Estimated)	2012-13 ^{1/} (Proposed)	2013-141 ^{1/} (Proposed)
Beginning Balance	\$5,270,000	\$4,705,000	\$2,741,000	\$2,739,000
Revenues	4,245,000	4,211,000	4,211,000	4,211,000
TCF Transfer	0	-1,500,000	0	0
Expenditures/ Appropriation	-4,810,000	-4,675,000	-4,213,000	-4,213,000
Ending Balance	<u>\$4,705,000</u>	<u>\$2,741,000</u>	<u>\$2,739,000</u>	<u>\$2,737,000</u>
Reserve %	97.8%	58.6%	65.0%	65.0%

^{1/} This reflects an increase of \$500,000 in TDAA examination revenues that is proposed in the 2012-13 Governor's Budget.

LAO RECOMMENDATIONS: The LAO recommends that the Subcommittee address the CTC's budget shortfall by adopting Governor's proposals to (1) increase credentialing and tests fees and (2) defund 17 positions. Modify transfer to the Teacher Credentialing Fund (TCF) by an additional \$250,000 for the current year. Also recommend (1) making a small, additional transfer from the TDAA to the TCF in 2012-13 and (2) directing CTC to explore additional options for raising revenue from alternative fund sources and achieving greater efficiencies.

STAFF COMMENTS:

- **CTC Guidelines for Budget Development in 2012-13.** On November 3, 2011, the Commission adopted the following principles to guide budget development in 2012-13.
 1. Maintain the core essential functions of the agency with no additional reductions.
 2. Establish a credential fees that ensures the fiscal solvency of the agency, not to exceed \$100.
 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.

- **CTC Concerned about Impact of Governor's Proposed Staff Reductions on Core Functions.** The CTC believes the reduction of 17 positions is significant and jeopardizes the Commission's ability to sustain several core functions. According to the Commission, it will have difficulty in maintaining all existing operations or take on any new work. While there has been a decline in credential applications, according to CTC "most" of the agency's statutory workload is not sensitive to volume applications. For example, while the number of students in teacher credentialing programs has declined, the number of programs has remained constant. The CTC is still responsible for accrediting 261 sponsors of educator preparation, and these numbers continue to increase slowly.

- **Implementation Status of Bureau of State Audits (BSA) Recommendations.** On April 7, 2011 the California State Auditor issued a report entitled “Despite Delays in Discipline of Teacher Misconduct, the Division of Professional Practices has not Developed an Adequate Strategy or Implemented Processes That Will Safeguard Against Future Backlogs”.

The Division of Professional Practices conducts investigations of misconduct on behalf of the Committee of Credentials – a commission appointed body. The committee meets monthly to review allegations of misconduct and, when appropriate, recommends that the commission discipline credential holders or applicants, including revoking or denying credentials when the committee determines holders or applicants are unfit for the duties authorized by the credential.

Overall, the BSA Audit found that the CTC revealed weaknesses in the educator discipline process and in hiring policies and practices. **Key findings** from the audit include the following:

1. As of the summer of 2009, according to the commission’s management, the Division of Professional Practices had accumulated a backlog of 12,600 unprocessed reports of arrest and prosecution (RAP sheets)—almost three times a typical annual workload.
2. The large backlog of unprocessed reports appears to have significantly delayed processing of alleged misconduct by the Division of Professional Practices and potentially allowed educators of questionable character to retain a credential.
3. The Division of Professional Practices has not effectively processed all the reports of arrest and prosecution that it receives. A review of randomly selected reports could not be located within the CTC’s database. Further, the division processes reports it no longer needs.
4. To streamline the committee’s processing of pending cases, the Division of Professional Practices uses its discretion to close cases or not open cases for which it believes the committee would choose not to recommend disciplinary action against the credential holder. However, the BSA did not believe the committee can lawfully delegate this discretion to the division.
5. The Division of Professional Practices lacks comprehensive written procedures for reviewing reported misconduct and the database it uses for tracking cases of reported misconduct does not always contain complete and accurate information.
6. Familial relationships among commission employees may have a negative impact on employees’ perceptions and without a complete set of approved and consistently applied hiring practices, the CTC is vulnerable to allegations of unfair hiring and employment practices.

The BSA Audit made numerous **recommendations** to the CTC including that it develop and formalize comprehensive procedures for reviews of misconduct and for hiring and employment practices to ensure consistency. The Audit also recommended that the CTC provide training and oversight to ensure that case information on its database is complete, accurate, and consistent. Moreover, the BSA Audit provided specific recommendations for the CTC to revisit its

processes for overseeing investigations to adequately address the weaknesses in its processing of reports of misconduct and reduce the time elapsed to perform critical steps in the review process.

The CTC has submitted the 60 day and 6 month reports to the BSA, as well as attended an informational hearing with the JLAC committee to provide an update to members on the progress of addressing the findings from the report. In addition, the CTC has met with the BSA to provide an update on the progress of addressing the findings from the audit. CTC will provide a one-year report, which is due to the BSA on April 6, 2012.

- **Status of Discipline Cases – Focus of BSA Audit.**

The CTC Division of Professional Practices is charged with investigation and discipline of misconduct for credential candidates and holders. The BSA Audit found that the division had a cumulative backlog of approximately 12,600 unprocessed reports in the summer of 2009 – largely Reports of Arrest and Prosecution (RAP) from by the California Department of Justice. According to CTC, this cumulative backlog of RAPs was completely addressed and there is no outstanding backlog of these RAP documents.

With regard to teacher misconduct reports, the CTC reports that all current teacher misconduct reports are in process within statutory guidelines. Currently, the CTC has 3,157 open cases. Of the open cases, staff identified 53 to close. An additional 74 cases involve criminal diversion and the case is being tracked through the criminal diversion process. Of the open cases, 392 are being tracked through the criminal justice system to see if a criminal conviction will result in the mandatory revocation of all credential. (Mandatory revocation offenses include sex offenses, drug offenses and some serious and violent felonies.) For 1,610 of the cases, CTC staff is in the process of collecting information and preparing documentation to submit a case to the Committee of Credentials. (The Committee is determines whether there is probable cause to take a disciplinary action against a license.) Another 668 cases are in some stage of review by the Committee. And 360 cases have completed the proceedings before the Committee and are before the CTC for a final action, or are on appeal, on probation, or on a mental health suspension.

The Governor does not propose any staffing changes to the Division of Professional Practices to assure the CTC can continue to stay current with all discipline cases. Additionally, the CTC took action at its March 2012 meeting to streamline CTC actions on single alcohol offenses. This action will reportedly result in an approximately 28 percent reduction in the Consent Calendar considered by the Committee of Credentials.

New Misconduct Reports from LAUSD. As a part of a new initiative, the Los Angeles Unified School District (LAUSD) filed with the CTC 250 reports of alleged misconduct by teachers, as of March 21, 2012. These cases were sent beginning on February 22, 2012. Based on CTC legal staffs' assessment of 174 cases, approximately 25 percent of the reports filed by LAUSD will be closed for lack of jurisdiction. The Commission also reviewed a sample of 30 cases to determine the nature of the alleged misconduct cases. Of those 30 cases, 50 percent involved physical abuse of a student, another 25 percent involved inappropriate touching, sexually harassing comments, or inappropriate relationship with a student. Nine staff began working overtime in early March to handle the extra workload in the Intake unit. While it is not fully known, the CTC estimates that the LAUSD's search for unreported cases of misconduct may yield a total of 400 or more cases for

review by the Commission. CTC has redirected three positions to address the workload and oversight of the division.

- **Credential Processing within Statutory Timeframes.** The CTC eliminated the credentialing backlog in 2007-08 due to substantial efficiencies achieved largely through the conversion of a paper application process to an on-line application process for both credential renewals and some new applications. In addition, past budgets redirected additional staffing resources to address the credentialing backlog. Chapter 133; Statutes of 2007, revised the application processing time from 75 working-days to 50 working-days effective January 1, 2008. CTC has continued to maintain this processing within this time limit. According to CTC, 80 percent are being processed on-line within 10 working days. The other 20 percent of applications are processed within the required 50-working day processing time.
- **Credential Processing Workload Reports** – Provisional language in the annual budget act requires the CTC to submit quarterly reports to the Legislature, the Legislative Analyst’s Office and the Department of Finance on the minimum, maximum, and average number of days taken to process the following:
 - ✓ Renewal and university-recommended credentials
 - ✓ Out-of-state and special education credentials
 - ✓ Service credentials and supplemental authorizations
 - ✓ Adult and vocational education certificates and child center permits, and
 - ✓ Percentage of renewals and new applications completed onlineThis provisional language was added to the budget in 2004-05 in order to provide updates to the Legislature, the Legislative Analyst’s Office, and the Department of Finance on the credential processing time workload. During this time, the credential processing time was at an all-time high of 210 working days to issue a credential. The Commission has been responsive to the request and has provided updates as required.

STAFF RECOMMENDATIONS: Approve the Governor’s budget proposals for the CTC with the following modifications:

5. Adopt placeholder budget bill language to provide for the transfer of up to \$235,000 \$250,000 from the Test Development and Administration Account to the Teacher Credentials Fund in 2012-13. Budget bill language will require this transfer, as necessary, to address any 2012-13 shortfall in the Teacher Credentials Fund. This transfer will require approval by the Department of Finance, with notification to the Joint Legislative Budget Committee.
6. Adopt placeholder budget bill language to streamline existing quarterly reports to the Legislature on the status of educator credential applications (and any backlog); and to add periodic reports to the Legislature on the status of educator misconduct reports (and any backlogs).
7. Adopt placeholder budget bill language to require CTC to report to the Department of Finance by October 1, 2012, on the implementation of budget reductions and the elimination of positions, and its use of administrative flexibility.
8. Amend budget bill language (6360-001-0407 --Provision 8) to add a provision requiring CTC to work with LAO on cost recovery options related to accreditation services for teacher preparation programs. **OUTCOME: Approved Governor’s Budget with modifications #1-4 above. (Vote: 3-0)**

SUGGESTED QUESTIONS:

1. The latest Fund Condition Summary predicts a shortfall for the Teacher Credentials Fund in 2012-13 and 2013-14, even if all of the Governor's proposals are adopted. What options will the CTC have for addressing this shortfall?
2. To what extent are reserves from the Test Development and Administration Account being viewed as future offsets to operating deficits in the Teacher Credentials Fund?
3. What is the impact of credential fee increases and exam fee increases on candidates?
4. What impact will the elimination of 17 positions (\$1.0 million) proposed by the Governor have on the CTC's core functions?
 - a. Are there core functions that the CTC will no longer be able to provide? If so, can CTC identify other state operations savings to achieve the \$1.0 in staff reductions proposed by the Governor?
 - b. If staff reductions of this level are necessary, will CTC have the flexibility to reallocate positions to meet workload over time?
 - c. What is your current vacancy rate at the CTC? How do the vacancies align with the proposed 17 position reduction identified in the Governor's Budget?
5. The Governor proposes budget bill language that requires the CTC to work with the State Board of Education to identify ways to streamline the teacher preparation and credentialing process. What's the Administration's intent with this language?
6. How is the Division handling the fitness review of educators addressing the reported new discipline workload sent by LAUSD?
 - a. How many of these cases merit further action – beyond an initial review -- by the CTC?
 - b. What is the timeframe for review of these cases? Is this a current year or multi-year workload for the Division?
 - c. Does CTC expect an increase in misconduct reports from other local educational agencies in the coming year?
7. Are there any outstanding BSA recommendations that have not been implemented to date? If so, what is the status of these issues? Will the Governor's proposed staffing reductions affect the resolution of any of these issues?
8. Per current law, the Commission has authority to set exam fees, but not credential fees. What is the history for this different authority? Has the CTC ever considered a price inflator for credential fees to reflect annual cost increases for the statutory fees?
9. What authority does the CTC have for charging accreditation fees for the 261 teacher preparation programs in California? Do these teacher preparation programs typically pay fees to other accreditation agencies, such as WASC or NCATE?

Appendix C

Assembly Budget and Fiscal Review – Subcommittee No. 2 on Education Finance Agenda – Hearing Scheduled on April 10, 2012, Assemblymember Susan Bonilla, Chair - Provided below is the agenda for the Senate Budget and Fiscal Review – Subcommittee No. 1 on Education. There were 3 items on the agenda for discussion. Commission staff only included information related to the Commission on Teacher Credentialing for reference.

SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE
ASSEMBLY BUDGET COMMITTEE 1

APRIL 10, 2012

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE
Assemblymember Susan Bonilla, Chair
TUESDAY, APRIL 10, 2012
9:00 AM - STATE CAPITOL ROOM 444

ITEMS TO BE HEARD

ITEM	DESCRIPTION
6360	COMMISSION ON TEACHER CREDENTIALING
ISSUE 1	GOVERNOR'S 2012-13 PROPOSAL

6360 COMMISSION ON TEACHER CREDENTIALING

ISSUE 1: 2012-13 GOVERNOR'S BUDGET PROPOSAL

The issues for the Subcommittee to consider are the Governor's proposals to address a projected operating shortfall of \$5 million within the Commission on Teacher Credentialing (CTC) budget. Specifically, the Governor proposes the following: (1) An increase in the teacher credentialing fees from \$55 to \$70, which restores fees to statutorily authorized levels and increases revenues by \$3 million; (2) An increase in exam fees to generate \$500,000 in additional revenues; (3) A reduction of state operations expenditures by \$1.5 million through the elimination of 17 staff positions; and, (4) An immediate \$1.5 million loan in 2011-12 from the Test Development and Administration Account to the Teacher Credentials Fund.

PANELISTS

- Commission on Teacher Credentialing
- Department of Finance
- Legislative Analyst's Office

BACKGROUND

The 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. The CTC currently processes roughly 215,000 applications annually for nearly 200 different types of documents. The CTC also administers three local assistance programs: Alternative Certification, the Paraprofessional Teacher Training Program, and Teacher Misassignment Monitoring. These programs are funded with Proposition 98 General Funds and federal reimbursements from the California Department of Education. The Alternative Certification and Paraprofessional Teacher Training programs are currently included in the K-12 categorical flexibility program that allows districts to use these funds for any educational purpose. The CTC does not receive any General Fund support for administration of these programs.

In addition to setting teaching standards and processing credentials, the CTC performs accreditation reviews of teacher preparation programs. The CTC is responsible for accrediting 261 approved sponsors of educator preparation programs, including public and private institutions of higher education and local educational agencies in California.

The CTC is also required to review and take appropriate action on misconduct cases involving credential holders and applicants resulting from criminal charges, reports of misconduct by local educational agencies, and misconduct disclosed on applications.

State Operations. The CTC is a “special fund” agency whose state operations are supported by two special funds -- the Test Development and Administration Account (0408) and the Teacher Credentials Fund (0407). Of the CTC’s \$18.8 million state operations budget in 2011-12, about 76 percent is supported by credential fees, which are a revenue source for the Teacher Credentials Fund; the remaining 24 percent is supported by educator exam fees, which fund the Test Development and Administration Account.

Teacher Credentials Fund (Credential Fees). The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. The current credential fee is \$55, which is set in the annual budget, although statute authorizes a credential fee of up to \$70 (EC §44235). Current law also requires, as a part of the annual budget review process, the DOF to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the Commission plus a prudent reserve of not more than 10 percent.

In 1998-99, the credential fee was reduced in the Budget Act below statutory levels -- from \$70 to \$60 -- due to increases in the number of credential applications and resulting surpluses in the Teacher Credentials Fund. At this time, there was increased demand for teachers due to the new K-3 class size reduction program. The \$15 loss in fees since 2000-01 equates to an annual loss of approximately \$3 million for the CTC. (Every \$5 in fees equates to approximately \$1 million in revenues.)

In 2000-01, the fee was dropped further to \$55 and has remained at this level since then. The volume of credential applications grew substantially from 2000-01. However, as indicated by the chart below, applications began decreasing in 2007-08 as the State economy slowed. In 2011-12, the number of credential applications dropped below the 2000-01 level. The number of credential applications is projected to drop further in 2012-13.

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 Est
Credential Applications Received	215,954	239,501	250,701	235,327	233,164	240,159	254,892	267,637	264,153	246,899	232,208	220,598	213,980
Waiver Applications Received	7,865	7,918	5,144	2,827	2,402	2,000	2,561	2,561	2,561	1,287	893	848	823
Total	223,819	247,419	255,845	238,154	235,566	242,159	257,453	270,198	266,714	248,186	233,101	221,446	214,803
Credential Processing Staff*	82.1	83.2	77.4	71.2	60.6	65.2	66.8	75.9	69.1	68.9	68.4	68.4	61.4
Credential Fees **	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$70

*Certification Assignment and Waivers Division Staff

**Individuals applying for a Certification of Clearance and then a first time Credential only pay one fee for the two documents, based on the current credential fee, i.e., \$55 credential fee, \$27.50 for Certificate of Clearance, \$27.50 First Time Credential, then at 5 year renewal pay the full fee of \$55.

Test Development and Administration Account (Exam Fees). The Test Development Administration Account is generated by various fees for exams administered by the CTC such as the California Basic Educational Skills Test (CBEST), the Reading Instruction Competence Assessment (RICA), and the California Subject Examination for Teachers (CSET), the California Teachers of English Learners (CTEL), and the California Preliminary Administrative Credential Examination (CPACE).

The CTC has statutory authority for reviewing and approving the examination fee structure, as needed, to ensure that the examination program is self-supporting (EC § 44235.1). To determine fees for these testing programs, CTC staff projects the number of exams – based upon the most recent actual figures - and compares these figures with projected examination program costs.

In recent years, the number of examinations have been falling for the exam program overall. The CTC projects continuing declines in the number examinees for the exam program.

The CTC has made a number of adjustments in recent years based upon the demand for the various exams, as indicated by the table below. In 2005-06, the CTC raised fees by \$6 for all exams, except the CBEST. (Prior to this, fees had not been increased since 2001-02.) However, in 2007-08, the CTC reduced fees for most exams.

Summary of Fee Adjustments					
Candidate Fee	2005-06	2007-08	2011-12	Proposed 2012-13	Change
CBEST					
<i>CBEST – Paper Based Test</i>	--	-\$10.00	--	--	-\$10.00
<i>CBEST – Computer Based Test</i>	--	--	-\$4.00	+\$1.00	-\$3.00
RICA					
<i>RICA – Written Examination</i>	+\$6.00	-\$10.00	+\$35.00	+\$6.00	+\$37.00
<i>RICA – Video Performance Assessment</i>	+\$6.00	-\$10.00	--	+\$41.00	+\$37.00
CTEL	--		-\$65.00	+\$22.00	-\$43.00
CSET	+\$6.00	-\$12.00	-\$12.00	+\$9.00	-\$9.00
<i>CPACE (Replaces the SLLA)</i>	--	--	-\$102.00	+\$44.00	-\$58.00

Source: Commission on Teacher Credentialing.

In January 2011, the CTC reviewed and approved changes in the exam fee structure, which resulted in fee adjustments (increases and decreases) that went into effect in 2011-12.

At its March 2012 meeting, the CTC reviewed and approved fee increases for all of its major exams to take effect in 2012-13. These fee increases achieve the \$500,000 in revenues from the Test Development and Administration Account proposed by the Governor in 2012-13.

Current Condition of Special Funds. The Teacher Credential Fund has been experiencing a loss of revenues since 2007-08, which has contributed to a widening gap between annual revenues from credentials and expenditures for credential activities. The CTC estimates a five percent decrease in revenues for the Teacher Credential Fund in 2011-12 and an additional reduction of three percent in 2012-13. The Test Development and Administration Account has also experienced declines in revenues in recent years, but has had healthy balances to cover expenditures. Continuing revenue declines for CTC's special funds, with some increased expenditure costs, resulted in a budget shortfall of \$2.3 million in 2011-12. The CTC estimates a special fund shortfall of \$5 million in 2012-13.

Current Year Fund Transfer. As a result of a current operating deficit in the Teacher Credentials Fund, in February 2012, the CTC submitted a request to the DOF to transfer \$2.3 million from the Test Development and Administration Account to the Teacher Credentials Fund in 2011-12. The budget act provides authority for fund transfers from the Test Development and Administration Account to the Teacher Credentials Fund when insufficient funds are available – pending approval by the DOF. On March 15, 2012, the DOF notified the Joint Legislative Budget Committee of its intent to approve a fund transfer of \$1.5 million within thirty days. The Governor's latest budget proposal lowered the loan amount to \$1.5 million, in part, due to a reduction in expenditures from an additional \$550,000 in salary savings in 2011-12.

GOVERNOR'S PROPOSAL

The Governor's Budget proposes \$45.4 million for the total CTC's budget in 2012-13, providing an overall decrease of \$819,000. Specifically, the Governor proposes funding of \$14.7 million from the Teacher Credentials Fund and \$4.2 million from the Test Development and Administration Account in 2012-13. The Governor proposes to reduce authorized positions for CTC from 165.4 in 2011-12 to 148.4 in 2012-13, a reduction of 17 positions (10.3 percent). The Governor proposes to continue \$26.2 million from the General Fund (Proposition 98) and \$308,000 in Reimbursements from the CDE to support three local assistance education programs administered by the CTC – the Alternative Certification Program, Paraprofessional Teacher Training Program, and Teacher Misassignment Monitoring Program.

Summary of Expenditures (Dollars in Thousands)	2011-12	2012-13	\$ Change	% Change
General Fund, Proposition 98	\$26,191	\$26,191	\$0	0.0
Teacher Credentials Fund	15,022	14,650	-372	-2.4
Test Development & Adm. Account	4,654	4,207	-447	-9.6
Federal Trust Fund	--	--	--	--
Reimbursements	308	308	0	0.0
Total	\$46,175	\$45,356	-\$819	-1.8
Full -Time Positions	157.1	141.0	-16.1	-10.2
Authorized Positions	165.4	148.4	-17.0	-10.3

Proposal to address \$5 million deficit in 2012-13. The Governor proposes the following actions to address a projected operating deficit of \$5 million for the CTC in 2012-13:

- 1. Budget Year Credentialing Fee Increases.** Consistent with current statute, the Governor proposes budget bill language that authorizes the Commission to charge up to \$70 for the issuance or renewal of a teaching credential in 2012-13. This increases the teacher credentialing fees by \$15 -- from \$55 to \$70 -- to generate \$3.0 million in additional revenue for the Teacher Credential Fund (TCF). The Governor's proposal continues the existing credential fee structure, which would charge the full \$70 fee to all credential renewals and some first time credentials, but would charge a half-fee of \$35 for the Certificate of Credential and first time credentials for new teachers.
- 2. Budget Year Exam Fee Increases.** The Governor proposes to increase testing fees in 2012-13 to generate \$500,000 of additional revenue for the Test Development and Administration Account. Consistent with its statutory authority, the CTC recently approved fee increases for educator exams to achieve the \$500,000 in additional revenues proposed by the Governor in 2012-13.

Candidate Fee	Current Fee 2011-12	Proposed Fee Structure 2012-13
CBEST		
<i>CBEST – Paper Based Test</i>	\$41.00	\$41.00
<i>CBEST – Computer Based Test</i>	\$101.00	\$102.00
RICA		
<i>RICA – Written Examination</i>	\$165.00 ^{1/}	\$171.00
<i>RICA – Video Performance Assessment</i>	\$130.00	\$171.00
CTEL	\$238.00	\$260.00
CSET	\$198.00	\$207.00
CPACE (Replaces the SLLA)	\$383.00 ^{2/}	\$427.00

^{1/}The increase in the examination is the result of the transition of this examination to a computer based examination only. The service fee charged to the candidate to administer this on-demand exam is similar to the fee charged for the CBEST computer based examination.

^{2/} The Commission did not receive any funds from the SLLA administered by the Educational Testing Services.

Budget Year Staff Reductions and other savings. The Governor proposes a total of \$1.5 million in savings through staffing reductions and contract cost savings. Specifically, the Governor proposes to eliminate a total of 17 positions within three of CTC’s four agency divisions in 2012-13, as described in the table below, for a savings of \$1.0 million. The Governor does not propose to eliminate any positions within the Division of Professional Practices, which is charged with review, investigation, and discipline of teacher misconduct. The CTC currently has approximately 22.5 vacant positions. The Governor’s proposal would eliminate 13 of these vacant positions (retaining 5.5 vacant positions – of these positions 3 positions have been redirected to address the workload in the Division of Professional Practices), and eliminate four (filled) other positions to align reductions with CTC workload.

Division/Position	Total Positions
Administrative Division:	1.0
Office Assistant – General	(2.0)
Certification, Assignment & Waivers Division	7.0
Associate Governmental Program Analyst	(2.0)
Staff Services Analyst – General	(1.0)
Office Technician Typing	(2.0)
Office Assistant – General	(3.0)
Professional Services Division:	9.0
Consultant – Teacher Preparation	(4.0)
Staff Services Analyst – General	(2.0)
Office Assistant – General	(5.0)

The Governor also proposes to capture \$500,000 in savings resulting from information technology contract costs specific to 2011-12 activities that will not continue into 2012-13. Additionally, the Governor proposes budget bill language requiring the CTC work with the State Board of Education to identify ways to streamline the teacher preparation and credentialing process.

Special Fund Condition Reflecting the Governor’s Budget Proposals. The CTC has prepared a Fund Condition Summary that reflects both updated revenue projections and the Governor’s 2012-13 budget proposals, which have the effect of increasing fee revenues and reducing expenditures. For the Teacher Credentials Fund, CTC projects a negative fund balance of \$235,000 in 2012-13 and \$501,000 in 2013-14. For the Test Development and Administration Account, the CTC projects healthy fund balances of \$1.9 million in both 2012-13 and 2013-14.

FUND CONDITIONS
(As of March 15, 2012)

TEACHER CREDENTIALS FUND (TCF)

	2010-11 (Actual)	2011-12 ^{2/3/} (Estimated)	2012-13 ^{2/3/} (Proposed)	2013-14 ^{2/3/} (Proposed)
Beginning Balance	\$3,380,000	\$1,347,000	\$31,000	-\$235,000
Revenues	12,344,000	11,724,000	14,404,000	14,404,000
TDAA Transfer	0	1,500,000		0
Expenditures/ Appropriation	-14,377,000	-15,090,000	-14,670,000	-14,670,000
Ending Balance	<u>\$1,347,000</u>	<u>\$31,000</u>	<u>-\$235,000</u>	<u>-\$501,000</u> ^{1/}
Reserve %	9.4%	0.2%	-1.6%	-3.4%

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

^{2/} Assumes a 5% decrease in credential revenue from FY 2010-11, based on 2nd quarter data from Certification, Assignment and Waivers Division. FY 2012-13 assumes a 3% decrease in credential revenue from FY 2011-12.

^{3/} FY 2011-12 reflects a Credential Fee (Renewals) of \$55 and First Time Credential and Certificate of Clearance at \$27.50. FY 2012-13 reflects a Credential Fee of \$70 and First Time Credential and Certificate of Clearance at \$35.

TEST DEVELOPMENT AND ADMINISTRATION ACCOUNT (TDAA)

	2010-11 (Actual)	2011-12 (Estimated)	2012-13 ^{1/} (Proposed)	2013-14 ^{1/} (Proposed)
Beginning Balance	\$5,270,000	\$4,705,000	\$2,741,000	\$2,739,000
Revenues	4,245,000	4,211,000	4,211,000	4,211,000
TCF Transfer	0	-1,500,000	0	0
Expenditures/ Appropriation	-4,810,000	-4,675,000	-4,213,000	-4,213,000
Ending Balance	<u>\$4,705,000</u>	<u>\$2,741,000</u>	<u>\$2,739,000</u>	<u>\$2,737,000</u>
Reserve %	97.8%	58.6%	65.0%	65.0%

^{1/} This reflects an increase of \$500,000 in TDAA examination revenues that is proposed in the 2012-13 Governor's Budget.

LAO RECOMMENDATIONS

The Legislative Analyst's Office recommends the Subcommittee address the 2012-13 shortfall by adopting Governor's proposals to: 1) increase credentialing and tests fees; and, 2) make a \$1.5 million reduction by defunding 17 positions and achieving one-time operational savings. Further, they recommend modifying the transfer to the Teacher Credentials Fund (TCF) by an additional \$250,000 for the budget year. The LAO also recommends directing CTC to explore additional options for raising revenue from alternative fund sources and achieving greater efficiencies.

STAFF COMMENTS

Governor's proposed budget does not fully address special fund imbalance. The TCF has a structural imbalance and operating deficit due to the lack of fund reserves. The Governor's proposed \$15 fee increase in 2012-13 and proposed transfer of \$1.5 million from the Test Development and Administration Account in 2011-12 address current and budget year cash shortfalls, but do not provide prudent reserves for the fund. Per the Governor's proposal, the TCF would end the year with a negative reserve in 2012-13. In addition, the Governor's proposed fee increase does not address a projected fund imbalance of \$235,000 in 2013-14.

In contrast, the Test Development and Administration Account has very healthy reserves, even with the originally proposed \$2.3 million fund transfer to the TCF in 2011-12. Per the Governor's proposals, the Test Development and Administration Account would end the 2012-13 year with a 46 percent reserve. The Administration notes that this fund imbalance could be addressed through budget bill language that allows the DOF to authorize a fund transfer from the Test Development and Administration Account due to an operating deficit in the Teacher Credentials Fund. The DOF must notify the Joint Legislative Budget Committee of its intent to authorize the fund transfer.

CTC Concerned about Impact of Governor's Proposed Staff Reductions on Core Functions. On November 3, 2011, the Commission adopted the following principles to guide budget development in 2012-13:

- Maintain the core essential functions of the agency with no additional reductions.
- Establish credential fees that ensure the fiscal solvency of the agency, not to exceed \$100.
- Minimize the fiscal impact to first time teachers.
- 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.
- Minimize the fiscal impact to new educators, taking required exams, by having the credential fees subsidize partially the examination system expenses.

The CTC believes the elimination of 17 positions is significant and jeopardizes the Commission's ability to sustain several core functions. According to the Commission, it will have difficulty in maintaining all existing operations or take on any new work. While there has been a decline in credential applications, according to CTC "most" of the agency's statutory workload is not sensitive to volume applications. For example, while the number of students in teacher credentialing programs has declined, the number of programs has remained constant. The CTC is still responsible for accrediting 261 sponsors of educator preparation, and these numbers continue to increase slowly.

OTHER WORKLOAD ISSUES

CTC continues to address Bureau of State Audit (BSA) findings. On April 7, 2011, the California State Auditor issued a report entitled "*Despite Delays in Discipline of Teacher Misconduct, the Division of Professional Practices has not Developed an Adequate Strategy or Implemented Processes That Will Safeguard Against Future Backlogs*".

The Division of Professional Practices conducts investigations of misconduct on behalf of the Committee of Credentials – a commission appointed body. The committee meets monthly to review allegations of misconduct and, when appropriate, recommends that the commission discipline credential holders or applicants, including revoking or denying credentials when the committee determines holders or applicants are unfit for the duties authorized by the credential.

Key findings from the audit include the following:

1. As of the summer of 2009, according to the commission's management, the Division of Professional Practices had accumulated a backlog of 12,600 unprocessed reports of arrest and prosecution (RAP sheets)—almost three times a typical annual workload.
2. The large backlog of unprocessed reports appears to have significantly delayed processing of alleged misconduct by the Division of Professional Practices and potentially allowed educators of questionable character to retain a credential.
3. The Division of Professional Practices has not effectively processed all the reports of arrest and prosecution that it receives. A review of randomly selected reports could not be located within the CTC's database. Further, the division processes reports it no longer needs.
4. To streamline the committee's processing of pending cases, the Division of Professional Practices uses its discretion to close cases, or not open cases for which it believes the committee would choose not to recommend disciplinary action against the credential holder. However, the BSA did not believe the committee can lawfully delegate this discretion to the division.
5. The Division of Professional Practices lacks comprehensive written procedures for reviewing reported misconduct and the database it uses for tracking cases of reported misconduct does not always contain complete and accurate information.
6. Familial relationships among commission employees may have a negative impact on employees' perceptions and without a complete set of approved and consistently applied hiring practices, the CTC is vulnerable to allegations of unfair hiring and employment practices.

The BSA Audit made numerous recommendations to the CTC including that it develop and formalize comprehensive procedures for reviews of misconduct and for hiring and employment practices to ensure consistency. The Audit also recommended that the CTC provide training and oversight to ensure that case information on its database is complete, accurate, and consistent. Moreover, the BSA Audit provided specific recommendations for the CTC to revisit its processes for overseeing investigations to adequately address the weaknesses in its processing of reports of misconduct and reduce the time elapsed to perform critical steps in the review process.

The CTC has submitted the 60 day and 6 month reports to the BSA, as well as attended an informational hearing with the JLAC committee to provide an update to members on the progress of addressing the findings from the report. In addition, the CTC has met with the BSA

to provide an update on the progress of addressing the findings from the audit. CTC is expected to provide a one-year report to the BSA on April 6, 2012. CTC will provide a summary of the report at the hearing. Some of the progress made by CTC includes:

- **Backlog of RAPs addressed.** As noted above, the BSA Audit found that the Division of Professional Practices had a cumulative backlog of approximately 12,600 unprocessed reports in the summer of 2009 – largely Reports of Arrest and Prosecution (RAP) from the California Department of Justice. According to CTC, this cumulative backlog of RAPs was completely addressed and there is no outstanding backlog of these RAP documents.
- **Teacher misconduct reports.** With regard to teacher misconduct reports, the CTC reports that all current teacher misconduct reports are in process within statutory guidelines. Currently, the CTC has 3,157 open cases. Of the open cases, staff identified 53 to close. An additional 74 cases involve criminal diversion and the case is being tracked through the criminal diversion process. Of the open cases, 392 are being tracked through the criminal justice system to see if a criminal conviction will result in the mandatory revocation of all credential. (Mandatory revocation offenses include sex offenses, drug offenses and some serious and violent felonies.) For 1,610 of the cases, CTC staff is in the process of collecting information and preparing documentation to submit a case to the Committee of Credentials. (The Committee determines whether there is probable cause to take a disciplinary action against a license.) Another 668 cases are in some stage of review by the Committee. And 360 cases have completed the proceedings before the Committee and are before the CTC for a final action, or are on appeal, on probation, or on a mental health suspension.

The Governor does not propose any staffing changes to the Division of Professional Practices to assure the CTC can continue to stay current with all discipline cases. Additionally, the CTC took action at its March 2012 meeting to streamline CTC actions on single alcohol offenses. This action will reportedly result in an approximately 28 percent reduction in the Consent Calendar considered by the Committee of Credentials.

- **New Misconduct Reports from LAUSD.** In response to recent misconduct cases in the Los Angeles Unified School District (LAUSD), the CTC sent a letter to the district reminding them of their obligation to report misconduct cases to the Commission. As a result of that letter, the LAUSD filed 250 reports of alleged misconduct by teachers as of March 21, 2012. To provide perspective, the CTC received 260 reports for the entire 2010-11 fiscal year; of these, CTC opened 210 cases. Nine staff began working overtime in early March to handle the extra workload in the Intake unit. While it is not fully known, the CTC estimates that the LAUSD's search for unreported cases of misconduct may yield a total of 400 or more cases for review by the Commission. It is also not clear how many other districts will take the approach that LAUSD has taken and how many more reports will come from other districts as a result. The DOF has requested the CTC provide monthly updates on the number and types of reports received in order to track any increase in workload. Currently, the CTC has redirected three positions to address the temporary workload and oversight of the division.