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Information

Fiscal Policy and Planning Committee

Update on the 2013-14 Governor's Budget

Executive Summary: This agenda item provides an update on the salient points of the Commission's portion of the 2013-14 Governor's budget.

Recommended Action: For information only

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

Strategic Plan Goal

IV. Operational Effectiveness

- ◆ Align human and financial resources with Commission priorities and offer staff opportunities for development to maximize professional engagement and performance.
- ◆ Demonstrate professionalism and accountability for high standards of practice in all Commission operations.

Update on the 2013-14 Governor's Budget

Introduction

On January 10, 2013, Governor Jerry Brown submitted to the Legislature his proposed budget for Fiscal Year (FY) 2013-14. This agenda item provides an update on the spring budget subcommittee hearings and May Revision as it relates to the Commission on Teacher Credentialing (Commission).

Background

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 a base budget, adjusted by proposed Governor's initiatives, approved budget change proposals, legislation, employee compensation adjustments, retirement adjustments, expiring programs, etc. The California Constitution requires the Governor, within the first 10 days of each calendar year, to submit to the Legislature, a budget for the ensuing fiscal year that contains itemized statements for recommended state expenditures and estimated state revenues. The budget is accompanied by a budget bill that itemizes the recommended expenditures for each agency. The proposal is revised in May, when the Governor submits to the Legislature the "May Revise." The Legislature must then pass the budget bill by midnight of June 15th of each year.

In late April and early May the Commission's budget was heard before both the Senate and Assembly Budget Subcommittee on Education Finance. Executive Director Mary Vixie Sandy provided each subcommittee an update on the 2012 Accomplishments of the Commission, 2013 Goals for the Commission, status update on the Bureau of State Audits report for the Division of Professional Practices, and a workload update for the production divisions. The information was well received by the members and they commended the Commission and Executive Director Sandy for the accomplishments and plans for the future.

During the hearings the Subcommittees heard the proposal for the Commission's 2013-14 budget. Both houses approved "as budgeted" the Governor's proposal for the Commission's 2013-14 budget, with the exception of funding for the Alternative Certification (Intern) and Paraprofessional Teacher Training Program administered by the Commission, which are included in the General Fund Proposition 98 Local Control Funding Formula (LCFF) proposal. The LCFF proposal will be considered by the Legislature as part of its state budget deliberations. There was additional reporting language added for the Commission to report back to the Administration and the Legislature by November 1, 2013 on developing additional options for stabilizing the Teacher Credentials Funds (TCF). The TCF has been impacted by a reduction in the numbers of credential applications received over the last several years, which led to an increase in the credential application fee last year and proposals for cost recovery in this year's budget proposal. The Department of Finance continues to work closely with Commission staff to monitor the TCF to ensure fiscal stability in support of the agency's mission and ongoing work.

Overall the hearings were very positive and provided a great opportunity to share with the Legislature the valuable work of the Commission.

Provided below is a detailed summary of the outcome from the hearings as well as an update on the Fund Conditions administered by the Commission.

2013-14 Commission’s Base Budget:

- ◆ **Daily Operations: \$19,544,000 (\$15,375,000 Teacher Credentials Fund, \$4,169,000 Test Development and Administration Account)**
- ◆ **Total Authorized Positions: 152.4**

For the 2013-14 fiscal year, the following adjustments were approved.

- Approved the base budget and increased the Commission’s overall spending authority by \$653,000. Of the \$653,000 increase, the budget includes an increase of \$200,000 to support the review of educator preparation program documents which includes a cost recovery plan to support these activities.
- Add additional reporting language that requires the Commission to report back to the Administration and the Legislature by November 1, 2013 on developing additional options for stabilizing the Teacher Credentials Funds.

Provided below are updated revenue projections (as of April 15, 2013) that include the accreditation fee increase, which has the effect of increasing fee revenues within the Teacher Credentials Fund by \$200,000 starting in 2013-14.

As a result of the fund transfer in 2011-12 and budget actions in 2012-13, the Teacher Credentials Fund projects a positive fund balance of \$778,000 in 2012-13. Assuming the \$200,000 in new accreditation fees per the Governor’s budget proposal, these fund balances are projected to remain positive at \$943,000 in 2013-14 and \$1,108,000 in 2014-15. However, reserves are low, 6.2 percent and 7.3 percent respectively in 2013-14 and 2014-15.

The Test Development and Administration Account, projects both positive fund balances and healthy reserves of \$3,102,000 (74.1 percent) in 2013-14 and \$3,378,000 (80.7 percent) in 2014-15.

**TEACHER CREDENTIALS FUND
FUND CONDITION**

	2011-12 (Actual)	2012-13 * (Estimated)	2013-14 (Proposed)	2014-15 (Proposed)
Beginning Balance	\$1,820,000	\$588,000	\$1,778,000	\$1,943,000
Revenues	12,066,000	15,258,000	15,299,000	15,299,000
TDAA Transfer	1,500,000	0	0	0
GF Augmentation*	0	-540,000	0	0
Expenditures/ Appropriation	-14,798,000	-14,528,000	-15,134,000	-15,134,000
Ending Balance	\$588,000	\$778,000	\$943,000	\$1,108,000
Reserve %	<i>4.0%</i>	<i>5.4%</i>	<i>6.2%</i>	<i>7.3%</i>

*The General Fund Augmentation authorized by the 2009 -10 Budget Act per Item 6360-011-0407 was not processed by the State Controller’s Office (SCO) as of June 30, 2012. As a result, the pending adjustment recorded on the year-end statements reverted \$540,000 to the TCF Fund Reserve. As of February 6, 2013, SCO is working on scheduling this adjustment.

**TEST DEVELOPMENT AND ADMINISTRATION ACCOUNT
FUND CONDITION**

	2011-12 (Actual)	2012-13* (Estimated)	2013-14 (Proposed)	2014-15 (Proposed)
Beginning Balance	\$6,882,000	\$4,463,000	\$2,825,000	\$3,102,000
Revenues	3,751,000	4,699,000	4,465,000	4,465,000
TCF Transfer	-1,500,000	0	0	0
GF Augmentation	0	-2,161,000	0	0
Expenditures/ Appropriation	-4,670,000	-4,177,000	-4,188,000	-4,188,000
Ending Balance	\$4,463,000	\$2,825,000	\$3,102,000	\$3,378,000
Reserve %	95.6%	75.0%	78.3%	84.9%

*The General Fund augmentation authorized by the 2009-10 Budget Act per Item 6360-011-0408 was not processed by the State Controller's Office (SCO) as of June 30, 2012. As a result, the pending adjustment recorded on the year-end statements reverted \$2.160 million to the TDAA Fund Reserve. As of March 6, 2013, the SCO is working on scheduling this adjustment.

May Revision Update

The May Revision included no new proposals for the Commission's budget. However there were changes/clarifications proposed for the LCFF proposal based on feedback from the field and the Legislature. The associated trailer bill language for the LCFF proposal was also released. Commission staff will continue to monitor the LCFF proposal and any other issues that may impact the agency and provide an update to the Commission.

Next Steps

The Legislature's budget subcommittees will continue to meet and discuss the budget over the next several weeks and work through the more complex proposals as needed. Staff will continue to provide updates as they occur and provide a final update following enactment of the State Budget.

To view the complete 2013-14 Budget Summary, please visit <http://www.ebudget.ca.gov/BudgetSummary/BSS/BSS.html>. If you would like additional detailed information regarding the proposed 2013-14 Governor's Budget please visit <http://www.ebudget.ca.gov/agencies.html> and click on the link for K-12 education. To view the 2013-14 May Revision please visit <http://www.ebudget.ca.gov/2013-14/Revised/BudgetSummary/BSS/BSS.html> and click on the link for K-12 education. To view the 2013-14 Education Trailer bill please visit http://www.dof.ca.gov/budgeting/trailer_bill_language/education/.