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Information

Fiscal Policy and Planning Committee

Update on Governor's Proposed Budget for the Commission in 2015-16

Executive Summary: This agenda item provides an update on the salient points of the Commission's portion of the proposed 2015-16 Governor's Budget and provides a status report on the Commission's current-year budget.

Recommended Action: For information only

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Strategic Plan Goal

IV. Operational Effectiveness

- d) Demonstrate professionalism and accountability for high standards of practice in all Commission operations

Update on Governor's Proposed Budget for the Commission in 2015-16

Introduction

This agenda item provides an overview of the salient points of the Commission's portion of the proposed 2015-16 Governor's Budget and provides a status report on the Commission's current-year budget.

Background

The Commission is a special-fund agency within state government; supported entirely by fees. Historically, the Commission's revenue has come from only two sources: credential application fees, which are the primary source of revenue for the Teacher Credential Fund (TCF) and educator exam fees, which fund the Teacher Development and Assessment Account (TDAA). A small amount of budget authority also exists in the form of reimbursements from the California Department of Education (CDE), which are then passed through to local educational agencies for teacher assignment reporting.

As recently as 2012-13, economic factors forced state and local governments to reduce spending in a number of areas, including education. The resulting decline in the demand for educators led to enrollment declines in credential preparation programs and in registrations for credential related examinations.

In recent years, the Teacher Credential Fee and Examination Fee revenue sources have proven insufficient to fully support the agency due in large part to declines in credential applications from 2007-08 through 2012-13 and rising nondiscretionary costs. Even with the increase in the credential fee from \$55 to \$70 in 2012, revenues declined by over 4% in 2012-13 due to a continued decline in credential applications, a transfer of \$2.7 million to the state's General Fund to repay a one-time augmentation authorized by the 2009 Budget Act, and year-end corrections to reported revenue for both the 2012-13 and 2013-14 fiscal years.

In order to address what was becoming an urgent need for resources to continue normal, ongoing workload at the Commission, the Budget Act of 2013 and subsequent trailer bills included authority to charge fees for extraordinary accreditation program reviews (e.g., new programs, program changes, etc.). The Budget Act of 2014 and associated trailer bills included additional authority to assess an accreditation fee to partially offset normal operating costs for accreditation workload.

With regard to the new authority for accreditation fees, the Commission has written and adopted new (emergency) regulations detailing the accreditation fee authority, calculated and assessed those fees on program sponsors, billed and collected for those fees, and proposed

permanent regulatory authority for the accreditation fees. With these fees, the Commission was able to better support its responsibility to monitor the quality of educator preparation programs and ensure that these programs are meeting Commission standards.

As we move into the second half of 2014-15, we see that the Commission's fiscal condition is better than it was just six months ago. Economic conditions have improved, and along with those improvements, we are beginning to see improvements in the Commission's revenue figures. These improvements, along with the additional accreditation resources, have brightened the Commission's revenue picture.

While the new revenues are very helpful in setting the Commission on a better financial path, it is important to note that in any given year, the Budget Act provides only the statutory authority for the Commission to spend what is appropriated. Actual expenditures depend on whether or not the Commission generates enough revenue to support the budgeted authority. In other words, if the revenues are not sufficient to support the Budget Act authority, the Commission would only be able to spend up to the revenues generated. If teacher credentialing fees or accreditation fees are lower than what was expected, then the Commission must adjust its expenditures accordingly. It is with this internal policy in mind that the Commission oversees its expenditures and has continued careful management of its resources through disciplined fiscal practices, continuing to mitigate costs through efficient and effective administration.

Status of Current Year 2014-15 Budget

The Budget Act of 2014 established the Commission's budgeted authority at \$20.6 million in total, consisting primarily of \$15.9 million in the Teacher Credentialing Fund and \$4.2 million in the Test Development and Administration Account. The Commission also received \$483,000 in additional reimbursement authority, to reimburse work associated with teacher assignment monitoring and with participation in the Collaboration for Effective Educator Development Accountability and Reform (CEEDAR) project.

Current Year Budget Adjustments, Expenditures

As part of the development of the Governor's Budget for 2015-16, the Administration and the Commission revisit the current year's budgetary authority, and effect changes to the budget based on changes to previous workload estimates. For example, recent changes in estimates for retirement contributions, salaries, and the associated benefits, are offset by decreases from other areas, resulting in an increase to the budget of just under four hundred thousand dollars. This brings total current year authority to just over \$21 million. It is important to keep in mind that this additional authority is only accessible through use of reserve funds, or if revenues increase to that level.

Table 1 - Change in Current Year

	Teacher Credentials Fund	Test Development and Administration Account	Reimbursements	Total
Budget Act of 2014 (June, 2014)	\$15,919,000	\$4,218,000	\$483,000	\$20,620,000
Governor's Budget (Jan, 2015)	\$16,221,000	\$4,301,000	\$483,000	\$21,005,000
Difference	+\$302,000	+\$83,000		+\$385,000

The current year also includes the development and implementation of the new accreditation fees, meant to help offset the cost of the Commission's accreditation-related workload. The Commission approved emergency regulations for the accreditation fees in June 2014, and the regulations in turn became effective in August 2014. The emergency regulations expired on January 8, 2015, but permanent regulations (approved by the Commission in October 2014) were approved by the Office of Administrative Law on January 20, 2015.

Under the emergency regulatory authority, the Commission calculated and assessed fees on program sponsors, invoiced program sponsors in August 2014, and began receiving this fee revenue in August and September. To date, our records indicate that almost 99% of program sponsors submitted the required fees (249 of 252). These fees are enabling the Commission to carry out accreditation visits and ensure that educator preparation programs are held to the statutorily required standards.

Though this new revenue was integral in setting the Commission on a better financial path, the Commission also continued its disciplined fiscal practices: restricting travel to essential Commission business, restricting out-of-state travel, and adhering to budgeted expenditure levels at the divisional level. Expenditure and revenue accounting was improved, which in turn improved internal fiscal policy decisions. These practices are indispensable to the Commission being in a better financial situation than in prior years.

Current Year Budget Adjustments, Revenues

The budget item presented at the August 2014 Commission meeting estimated current year (2014-15) revenues from teacher credential fees and accreditation fees would likely match earlier projections totaling \$16.2 million. (<http://www.ctc.ca.gov/commission/agendas/2014-08/2014-08-3A.pdf>) New data provide stronger support that revenue for the current year will meet that projection, with some potential for revenues to exceed that projection.

Table 2 – Current Year Revenue Detail, Projected

Teacher Credential Fees	Accreditation/ Extraordinary Fees	Test/ Examination Fees	Reimbursements	Total
\$15.3 million	\$850,000	\$4.1 million	\$483,000	\$20.8 million

Given the strong revenue figures to date, and the Commission's continued disciplined approach to expenditures, we are projecting positive fund balances at the end of the current year.

Table 3 - Projected Fund Balances for Current Year

	Teacher Credentials Fund	Test Development and Administration Account
Beginning Balance	\$1,213,000	\$2,502,000
Revenues	\$16,234,000	\$4,108,000
Expenditures	\$16,238,000	\$4,303,000
End Balance	\$1,208,000	\$2,308,000

Proposed 2015-16 Budget

The Governor's proposed budget for the Commission in 2015-16 totals \$28.8 million, an \$8 million increase from the Commission's Budget Act of 2014 authority. The proposed budget includes \$16.1 million from the Teacher Credentials Fund, \$4.9 million from the Test Development and Administration Account, \$308,000 in reimbursements, and \$7.467 million in General Fund. A summary of the year-to-year changes is displayed in Table 4.

Table 4 - Change in Budget Year Authority

	General Fund	Teacher Credentials Fund	Test Development and Administration Account	Reimbursements	Total
Budget Act of 2014 (June, 2014)	\$0	\$15,919,000	\$4,218,000	\$483,000	\$20,620,000
Governor's Budget (Jan, 2015)	\$7,467,000	\$16,136,000	\$4,871,000	\$308,000	\$28,782,000
Difference	+\$7,467,000	+\$217,000	+\$653,000	-\$175,000	+\$8,162,000

The Commission's budget, including adjustments to the current year budget and the proposed 2015-16 budget is provided here: <http://www.ebudget.ca.gov/2015-16/StateAgencyBudgets/6010/6360/department.html>. The budget proposals are contained in two (identical) bills: Senate Bill 69, and Assembly Bill 103.

The Governor's Budget proposes the following policy changes to the Commission's budget for 2015-16:

- Workload adjustments of \$270,000
- One-time General Fund appropriation of \$4 million to develop and revise educator preparation assessments, including the California Teaching Performance Assessment and the Administrator Performance Assessment
- One-time General Fund appropriation of \$3.467 million to streamline the Commission's accreditation system
- \$600,000 from the Test Development and Administration Account to align CSET science examinations with the Next Generation Science Standards

The proposed funding will enable the Commission to undertake the following activities in 2015-16:

Strengthen Educator Performance Assessments

Current law requires passage of a Teaching Performance Assessment (TPA) as one basis for the recommendation for the credential. Each preliminary teacher preparation program is required to include a Commission-approved teaching performance assessment. Current law authorizes programs to either use the Commission's TPA model (the CalTPA), or another model approved by the Commission. The CalTPA has not been updated since its initial development in the early 2000's and needs to be updated to be consistent with the Commission's recently revised Assessment Design Standards. Additionally, California needs to develop an Administrator Performance Assessment for candidates completing Preliminary Administrative Services Credential programs.

The Governor's Budget requests \$5 million from the General Fund over a period of two years to address the workload associated with updating the CalTPA and developing a new Administrator Performance Assessment. Expenses are estimated to be approximately \$4 million General Fund in 2015-16, with the remaining \$1 million in 2016-17.

Streamline the Accreditation System

The Commission's Accreditation System is California's mechanism for ensuring that educator preparation programs are aligned to state adopted standards for pupils and effective in preparing program graduates who have the knowledge, skills, and abilities they need to be successful on the job from day one. The accreditation system needs to be updated and streamlined to assure that it is focused on high leverage sources of qualitative and quantitative data about candidate and program outcomes.

Towards that goal, the Governor's Budget requests \$5 million from the General Fund over a period of two years to: 1) develop and implement candidate, employer, and other surveys regarding preparation program effectiveness; 2) develop reporting mechanisms so program sponsors can improve or expand existing practices; and 3) develop data dashboards to inform decision making, provide transparency, and provide reliable data for other public uses. The Commission projects expenses totaling approximately \$3.5 million for 2015-16, with the remaining \$1.5 million in 2016-17.

Align the CSET: Science Subject Matter Assessments with the Next Generation Science Standards (NGSS)

California's school districts are beginning to teach the NGSS and have an urgent and immediate need for teachers who are well-prepared in science and understand the approach to teaching the NGSS standards to all students.

The required content of California's teacher preparation programs is specified by the Commission's standards and examinations. However, the Commission's current science teacher preparation standards and examinations do not reflect the NGSS. If these standards are not

updated, teacher preparation programs, and the teachers they prepare will not be ready to teach this required content to K-12 students.

Towards that goal, the Governor’s Budget requests \$600,000 Test Development and Administration Account (TDAA) funds in 2015-16 to work with the Commission’s current examinations contractor to revise and update the Commission’s science teacher preparation and examinations programs with NGSS content and concepts. This one-time funding will be drawn from the TDAA reserves.

Governor’s Budget 2015-16 Revenue Projections

The Governor’s Budget reflects the use of the General Fund for state operations for approximately \$7.5 million in 2015-16, for the policy priorities mentioned above. These expenditures do not depend on the fee revenues that the Commission collects. Instead, the General Fund depends on other revenue sources (Personal Income Tax, Sales Tax, Corporation Tax, etc.). The ongoing Commission workload will continue to be fee supported.

For the Commission’s two fee-supported special funds, revenue estimates for the 2015-16 fiscal year were based on various data points, including historic and current credential volume, historic and current credential revenues, and consideration of other economic data such as General Fund revenue, employment and inflation rates, and population growth. Teacher Credentialing Fee revenues for 2015-16 are projected to grow to \$15.430 million, a conservative one percent from the current \$15.3 million projection for 2014-15. Similarly, the Commission expects one percent growth in the Test Development and Administration Account, a projection of \$4.140 million. Both projections share limited potential to exceed those projections.

However, even with the projected increases in revenues, non-General Fund resources will be slightly lower than the 2014-15 budget year, at \$20.7 million. This reflects the retirement of \$175,000 in reimbursement authority for the Collaboration for Effective Educator Development, Accountability, and Reform project workload.

Table 5 - Governor's Budget 2015-16 Projected Revenues/Resources

General Fund	Teacher Credential Fees	Accreditation/ Extraordinary Fees	Test/ Examination Fees	Reimbursements	Total
\$7.5 million	\$15.4 million	\$850,000	\$4.1 million	\$308,000	\$28.2 million

Next Steps

As the Governor’s Budget provides the framework for the 2015-16 fiscal year, the Legislature, through its budget committees and subcommittees and its Legislative Analyst’s Office, will examine the various proposals contained therein. Commission staff will provide additional information as necessary in support of the proposals. Commission staff will provide an update on the status of the current and budget year proposals at both the April and the June 2015 Commission meetings.