

## Update on the Fiscal Year 2003-04 Budget

### Summary

The 2003-04 Budget Act signed by the Governor includes funding for the ongoing operations of the Commission on Teacher Credentialing (Commission). In addition the Budget Act includes several Control Sections that provide the authority for the Director of the Department of Finance to reduce expenditures statewide by reducing staffing costs and eliminating vacant positions. This item provides an update on the ongoing implementation of the 2003-04 Budget Act as of September 11, 2003, relative to the Commission. In addition, this item provides information relating to fiscal year 2003-04 revenues as part of the ongoing discussion on this issue.

### Background

#### Fiscal Year 03-04 Budget

On August 28, 2003, the Department of Finance notified the Joint Legislative Budget Committee (JLBC) that pursuant to the provisions of Control Section 4.10 of the 2003 Budget Act, an Executive Order would be implemented to reduce department's appropriations (Attachments 1 and 2). For the Commission, this resulted in a reduction of \$532,514 (\$337,512 from the Teacher Credentials Fund (0407) and \$195,002 from the Test Development Administration Account (0408)). As specified in the letter to the JLBC, this amounts to approximately two percent of each of the Commission's appropriations.

While there has not yet been specific direction from the Department of Finance, it is anticipated that these initial reductions will be funded by the elimination of currently vacant positions and the associated dollars (i.e., salary, benefits and operating expenses and equipment). It is likely that there will be further reductions pursuant to Control Section 4.10 forthcoming and staff will provide updates as new information becomes available.

Also of significance to the implementation of the Commission's 2003-04 budget is the resolution of ongoing negotiations surrounding the procurement of computer hardware for the Teacher Credentialing Service Improvement Project (TCSIP). While this new hardware is critical to the success of Phase 3 of the TCSIP, as all technology projects in the state came under heightened scrutiny from the control agencies, the Commission's ability to move forward on this critical project procurement was blocked for nearly five months. However, with the support of the Department of General Services, the Commission was able to negotiate with the contractor, International Business Machines, and the hardware supplier, Hewlett Packard, allowing the procurement to move forward. A more detailed update on the status of the TCSIP will be provided at the Commission's November 2003 meeting.

Finally, while not directly related to the Commission's 2003-04 budget, it is important to note that on September 5, 2003 the Department of Finance issued Budget Letter 03-33 which requires departments and agencies to prepare 20 percent reduction plans to address the projected remaining statewide funding gap in fiscal year 2004-05 (Attachment 3). Commission staff are working closely with the Department of Finance to define the parameters of this task with respect to the Commission and will provide additional information as it becomes available.

#### Revenues

As detailed in FPPC-2 at the August 2003 meeting, as application volumes vary, revenues vary correspondingly. This variation has resulted in a situation in which revenue levels will likely be insufficient to support the ongoing costs of the Commission. As detailed in the table below, credential counts are six percent below the counts from the same time last year. This translates to a revenue reduction of approximately four percent year-to-date. To the extent that revenues

continue at this level of decline, the Commission will be in a position in which revenues will not support authorized expenditures.

<b>Credential Count</b>	<b>July</b>	<b>August</b>
2002-03	22,395	24,050
2003-04	21,955	21,477
% Difference	-2%	-11%
FYTD 2002-03	22,395	46,445
2003-04	21,955	43,432
<b>% Difference</b>	<b>-2%</b>	<b>-6%</b>

<b>Revenue</b>	<b>July</b>	<b>August</b>
2002-03	\$1,114,821	\$1,274,305
2003-04	1,155,732	1,138,622
% Difference	4%	-11%
FYTD 2002-03	\$1,114,821	\$2,389,126
2003-04	1,155,732	2,294,354
<b>% Difference</b>	<b>4%</b>	<b>-4%</b>

Again, as detailed in FPPC-2 at the August 2003 meeting, both long-term and short-term strategies have been presented to the Administration that would, together, provide for the long-term stability of the TCF. Staff is working with the Administration to develop a plan to address this situation and will update the Commission as new information becomes available.

**Conclusion**

As new information or decisions are available staff will update the Commission at the meeting. Staff is available to answer any questions you may have.