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## Information

### *Fiscal Policy and Planning Committee*

### Commission on Teacher Credentialing Budget

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**Executive Summary:** This agenda item provides an overview of the Commission's enacted budget for Fiscal Year (FY) 2020-21, reviews the overall revenue and expenditure projections, and presents one-time projected expenditures.

**Recommended Action:** For information only

**Presenters:** Michele Perrault, Director, Administrative Services Division and Vivian Su, Manager, Fiscal and Business Services

#### **Strategic Plan Goal**

#### ***IV. Operational Effectiveness***

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

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# Commission on Teacher Credentialing Budget

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## Introduction

This agenda item provides an overview of the Commission's enacted budget for Fiscal Year (FY) 2020-21, reviews the overall revenue and expenditure projections, and presents one-time projected expenditures.

## Background

The state's annual budget process for the following fiscal year begins in the fall and has three main points in time – Governor's proposed budget (January), May Revision, and Budget Act (June). Agencies work closely with the Department of Finance to make budget baseline adjustments as well as submit Budget Change Proposals to be included in the Governor's Budget.

The Governor's Budget is the state spending plan proposed by the Governor on or before January 10 for the following fiscal year. After it is released the Proposed Budget and Budget bill are submitted to the Legislature to review. The Legislative Budget Subcommittees hold budget pre-hearings and budget hearings through spring annually.

The May Revision is a proposal from the Administration to the Legislature to update the Governor's Budget as proposed in January. This allows for amendment requests to the proposed budget that more accurately reflect revenue estimates after the April 15 tax deadline.

The Budget Act is the enacted spending plan approved by the Legislature. Per the State Constitution, the Legislature shall pass the Budget Bill by midnight on June 15. The Governor generally has 12 calendar days to either veto or sign the bill. Vetoes may reduce but not increase spending. Although the resulting Budget Act may be amended, it is generally the final authorized spending level that begins July 1.

The Budget Act of 2020 was chaptered into law on June 29, 2020 and funds were made available to state agencies beginning on July 1, 2020.

## 2020-21 Enacted Budget Summary

The Budget Act of 2020 provides the Commission with a total appropriation of \$30.125 million for the 2020-21 fiscal year. Of that amount, the Budget Act appropriates \$24.283 million from the Teacher Credentials Fund (TCF) and \$5.534 million from the Test Development and Administration Account (TDAA). It also provides \$308,000 in reimbursements from federal Title II funds through an interagency agreement with the State Department of Education to support Teacher Misassignment Monitoring. Due to COVID-19, all new grant programs and grant expansions proposed in Governor's Budget earlier this year were not included in the final budget.

The Commission has 155.6 authorized positions for the 2020-21 fiscal year, which includes the addition of two new positions for accreditation of educator preparation programs.

This year’s budget includes a suspension of accreditation fees, as proposed in the Governor’s Budget, as well as a \$14 million loan to the General Fund as described below.

**Table 1: FY 2020-21 Budget Act Appropriation**

<b>Fund</b>	<b>Budget Amount</b>
0407 - Teacher Credentials Fund	\$24,283,000
0408 - Test Development and Administration Account	\$5,534,000
0995 - Reimbursements	\$308,000
<b>Total Expenditure Authority</b>	<b>\$30,125,000</b>

**Commission Expenditures**

Of the Commission’s \$30.125 million appropriation for FY 2020-21, the enacted budget allocates \$20.45 million to Personal Services and \$9.675 million for Operating Expenses and Equipment (OE&E). Personal Services include costs associated with salaries and benefits for permanent and temporary staff. It should be noted that salary and wages do not reflect the budgetary reductions that resulted from agreements reached with the state’s bargaining units, furloughs, and reductions in compensation for non-represented employees. This includes implementation of the Personal Leave Program 2020 (PLP 2020). These budgetary reductions were applied after the budget was signed and will be reflected in the Governor’s budget in January.

Of the \$9.675 million allocated for OE&E, \$5.539 million is set aside for Attorney General Legal Services, \$310,000 for the Accreditation Streamline Project, and \$710,000 to continue the development of a Special Education Teaching Performance Assessment. The remaining amount is available for the Commission to implement statutory mandates such as accreditation visits, the development and adoption of standards for credential preparation programs, teacher credentialing activities, disciplinary investigations, and meetings of the Commission, the Committee of Credentials, and the Committee on Accreditation, as well as standard operating costs like lease and utility payments.

**Table 2: FY 2020-21 Budget Expenditure Authority**

<b>Category of Expense</b>	<b>Budget Amount</b>
Personal Services	\$20,450,000
Commission Operating Expenses	\$3,116,000
Attorney General Legal Services	\$5,539,000
Educator Performance Assessment	\$710,000
Accreditation Streamline Project	\$310,000
<b>Total Budgetary Expenditures</b>	<b>\$30,125,000</b>

**Commission Resources**

The Commission’s total resources include reserve balances in both funds and the revenue generated through exam fees and credential fees required for certification.

Each year prior to the release of the Governor’s proposed budget in January, the Commission works closely with the Department of Finance to provide projections for current year and

budget year. In a normal year, projected and actual revenues are relatively close. As a result of COVID-19 and shelter in place orders starting in March 2020, the Commission saw an overall eight (8) percent decrease in revenue for FY 2019-20 when comparing the Governor’s Budget projections to actual revenue collected.

**Table 3: Revenue Projections vs Actuals Comparison**

<b>Fund</b>	<b>FY 2019-20 Projections<sup>1</sup></b>	<b>FY 2019-20 Actuals</b>	<b>Percent Difference</b>
Teacher Credentials Fund	\$27,851,000	\$26,492,000	-5%
Test Development and Administration Account	\$5,547,000	\$4,352,000	-22%
<b>Total Revenue, All Funds</b>	<b>\$33,398,000</b>	<b>\$30,844,000</b>	<b>-8%</b>

<sup>1</sup>Projections are estimates as of 2020 Governor's Budget

Revenue projections incorporated in the Governor’s Budget for the current fiscal year were reduced slightly (two percent) in anticipation of effects from COVID-19. This was based upon an assumption that typical revenue received through exam fees and credentials fees may see a drop as testing centers are not operating at full capacity and school districts may be restricting hiring this year. The Commission will also see an expected decline in revenue due to the suspension of accreditation fees that were proposed in the Governor’s Budget and approved in Budget Act.

In addition to reduced revenues for the current year, the Commission’s Teacher Credentials Fund provided a \$14 million loan to the General Fund as written in the Budget Act of 2020. This loan is to be repaid to the Commission with interest.

**Fiscal Outlook and Planning**

The Commission has historically maintained a healthy reserve. With a \$14 million loan to the General Fund this year and an eight (8) percent decline in revenue last fiscal year, the Commission does not anticipate deficit spending in current year. However, to be prudent, the Commission is navigating the current expenditures with caution. There are some savings that will naturally occur due to almost all meetings and accreditation visits being held virtually which limits expenditures related to travel and lodging. The Commission is also evaluating discretionary expenses like non-mandatory staff trainings, equipment purchases, and general expenditures to find cost savings for current and outgoing budget years.

**Conclusion**

Given these unprecedented times, the Commission’s leadership team will continue to closely monitor incoming revenue, as well as expenditures to ensure that the agency lives within its means and to protect the longevity of our fund reserves.