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Information

Fiscal Policy and Planning Committee

Update on the Governor's Proposed 2024-25 Budget

Executive Summary: This agenda item provides an update on the salient points of the Commission's portion of the 2024-25 Governor's budget.

Recommended Action: For information only

Presenters: Sara Saelee, Fiscal and Business Services, Manager, and Brian Lin Walsh, Director, Administrative Services Division

Strategic Plan Goal

Continuous Improvement

- **Goal 8.** California's policies impacting the education workforce are coherent and effective.

Update on the Governor's Proposed 2024-25 Budget

Introduction

On January 10, 2024, Governor Gavin Newsom submitted to the Legislature his proposed budget for Fiscal Year (FY) 2024-25. 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 series of budget drills to the Department of Finance for the upcoming FY which starts the budget development process. Each department starts with a baseline budget, adjusted by proposed Governor's initiatives, approved budget change proposals – known as BCPs, 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 15 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. Commission staff presented on concerns regarding legislation affecting the Commission; specifically, Assembly Bills 2222 and 1263, and addressed legislative committee member questions on the impact of proposed legislation previously discussed at the February Commission meeting.

The 2024/25 May Revise proposes the following:

- State Operations: \$103,781,000
 - \$28,309,000 Teacher Credential Fund
 - \$9,164,000 General Fund
 - \$308,000 Reimbursements
 - \$66,000,000 Teacher Preparation Grant Funding
- Total Authorized Positions: 191.9

For the 2024-25 fiscal year, the following adjustments are included in the May Revise, resulting in an increased appropriation authority of \$1,648,000 (incorporated above):

- Division of Professional Practices Support. Requests 2 positions, and \$182,000 of ongoing funding to support the Division of Professional Practices with workload associated with educator professional fitness.

- May Lee State Office Complex Lease Adjustment. Requests a one-time increase of \$255,000 to support lease costs associated with relocating to the May Lee State Office Complex in May 2024.
- Legal Services Expenditure Authority. Requests \$1,200,000 ongoing to reflect an increase in expenditure authority to support increased legal services costs associated with processing discipline cases with the Attorney General and Office of Administrative Hearings (OAH).

Provided below is a summary of the Fund Condition statement for the Teacher Credential Fund (TCF) administered by the Commission.

As a note, the Test Development and Administration Account (TDAA) was merged with the TCF in the Budget Act of 2023, and the expenditure authority was transferred to TCF. Exam fee revenues are tracked by a line item within TCF.

TEACHER CREDENTIALS FUND

FUND CONDITION (in thousands)

	2022-23 (Actual)	2023-24 (Estimated)	2024-25 (Proposed)
Beginning Balance	\$11,653	\$19,171	\$21,175
Revenues	34,659	28,111	28,115
Expenditures/ Appropriation	-27,141	-26,107	-28,309
Ending Balance	\$19,171	\$21,175	\$20,981

May Revise Status

The Senate and Assembly budget committees met on May 16, 2024. The Commission was given an opportunity to respond to the May Revise proposal which includes an across-the-board 7.95% operational budget cut to every agency, department, board, bureau, and commission. In addition, the May Revise seeks to sweep a total of 10,000 vacancies from the state payroll. The Commission detailed projected impacts of the May Revise proposals on Commission operations. Specifically, a reduction of 7.95% or approximately \$3.03 million in the Commission's overall operating budget will require a reduction of the Commission's resources and service levels. Reduced service levels include increased timelines for processing misconduct cases impacting public safety, and processing and issuing credential applications exceeding statutory limits, impacting local education agency abilities to staff classrooms. The reductions would further materialize in the form of delayed, postponed, or suspended accreditation activities which will impact teacher preparation support to teacher candidates. Application processing times could more than double to 120 business days due to potential staffing deficiencies. These reductions will lower monitoring of teacher quality.

As reported in May to the Legislature, the Commission has seen a 23.6% increase over the last two fiscal years in credential applications, rising to 313,094 applications in FY 2022-23 and is on track to process over 380,000 applications in FY 2023-24. The Division of Professional Practices responds to an average of 50,000 reports of misconduct and opens between 5,000 and 6,000 misconduct cases annually. Of these, the Commission takes action on approximately 800 to 1,000 credentials annually. These numbers are likely to grow in the coming years due to enhanced teacher recruitment efforts to meet teacher supply.

In addition to these increases in workload, the Commission has undertaken Grant work, automation, and new accreditation program work aimed at streamlining services and increasing teacher preparation course availability in recent years. The Commission was positioned to maintain its current levels of service; however, staff is concerned that a reduction in budget authority of 7.95% and loss of vacancies will result in the significant impacts identified above.

Next Steps

The Commission is working with the Legislature and the Department of Finance to seek full or partial exemption from the proposed cuts. As part of our analysis, we have begun analyzing the level of credential and examination fees that would be necessary to support current work and levels of service should the Commission need to return to a fully fee-supported agency. If the Commission were to lose General Funding support, staff estimate that the credential fee would need to be set to at least \$170 for the Commission to be fully self-supporting and maintain current levels of service. These conversations and analyses are ongoing.