

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

ASSEMBLYMEMBER SARAH REYES, CHAIR

**TUESDAY, MARCH 16, 1999
STATE CAPITOL, ROOM 447
4:00 P.M.**

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6110 DEPARTMENT OF EDUCATION (K-12)**ISSUE 1: DEFICIT REDUCTION; DEFICIT FACTOR – VOTE ONLY**

Related issues for the subcommittee to consider are: A) whether to adjust the deficit factor to take into account real inflation and prior-year equalization, B) whether to adopt a deficit factor for multiple years and C) whether to approve a \$200 million appropriation for deficit reduction.

ISSUE 1A: DEFICIT FACTOR RE-CALCULATION – VOTE ONLY

The issue for the subcommittee to consider is whether to adjust the deficit factor to take into account real inflation and prior-year equalization.

BACKGROUND:

The subcommittee heard this item on March 2nd and held it open. The agenda for the March 2nd hearing contained the following background information and comments:

The proposed trailer bill establishes a school district revenue limit deficit factor of 8.001 percent, which presumes approval of \$200 million in deficit reduction funding proposed in the budget. The state uses the deficit factor to track the difference between the actual revenue limits that districts currently receive and the revenue limits they should be receiving but do not because the state did not fund cost-of-living adjustments during the early 1990's when the state faced budget shortfalls. Currently, the deficit factor is calculated based on prior year COLA's that are derived from a formula in statute. The current deficit factor is calculated to be 8.8 percent. In the past, the Legislature has reduced the deficit factor by appropriating money for deficit reduction.

COMMENTS:

The LAO believes that the deficit factor should be adjusted to account for two things: 1) the real inflation rate and not the statutory COLA because the statutory COLA overstates actual inflation and 2) all prior additions to districts' revenue limits, including equalization.

The LAO estimates that if the real inflation rate for prior years is considered in calculating the deficit factor, the deficit factor amounts to 5.2 percent instead of the current calculation of 8.8 percent. If the real inflation rate and all equalization money the Legislature has provided in prior years is considered the deficit factor drops to 1.7 percent. The LAO calculates that this readjustment of the deficit factor can reduce the amount needed to eliminate the deficit, from \$2.2 billion (under the current deficit factor calculation) to \$1.3 billion (if the deficit factor is adjusted for real inflation rates) or \$435 million (if the deficit factor is adjusted for the real inflation rates and prior year

equalization). The LAO notes that their use of the real inflation rate instead of the statutory COLA is consistent with the Governor's proposal to change the statutory COLA formula – see Issue 5 below.

Staff notes that equalization funds are distributed to districts differently than deficit reduction money and the COLA. Typically, districts with revenue limits below the average for their size and type benefit from equalization, whereas all districts benefit similarly from deficit reduction and COLA money. There may be a need for clarification regarding the LAO's proposal. Would the proposed adjustment consider the amount of funding that each district has received in equalization (in which case it might create a distinct deficit factor for each district), or would it consider the amount of funding that districts have received statewide?

ISSUE 1B: MULTIPLE-YEAR DEFICIT FACTOR – VOTE ONLY

The issue for the subcommittee to consider is whether to adopt a deficit factor for multiple years.

BACKGROUND:

The subcommittee heard this item on March 2nd and held it open. The agenda for the March 2nd hearing contained the following background information and comments:

The Governor's proposed trailer bill language (section 6 of RN9902192 and section 1 for county offices) proposes a deficit factor of 8.001 percent for the fiscal year 1999-2000 and each fiscal year thereafter. (This factor reflects the Governor's proposal to spend \$200 million to reduce the deficit.)

COMMENTS:

In prior years, the Legislature established a deficit factor for one or two years at a time. The proposed trailer bill language represents a change in the way the Legislature normally handles the deficit factor, because it specifies a factor for years beyond the budget year.

There are questions about the need to establish a deficit factor that is in effect for years beyond the budget year. Specifically, the subcommittee may wish to ask the following questions regarding the proposed change:

- Is the intent of the proposed language to finalize the issue of reducing the deficit? Is the intent to establish a "permanent" deficit factor?
- If the Legislature approves the proposed trailer bill language will it be stating its intent to not reduce the deficit factor in future years?
- What advantages does the proposed language have over establishing a deficit factor that is in effect for only 1999-2000?

ISSUE 1C: DEFICIT REDUCTION FUNDING – VOTE ONLY

The issue for the subcommittee to consider is whether to approve \$200 million in deficit reduction funds proposed by the Governor's budget.

BACKGROUND:

The subcommittee heard this item on March 2nd and held it open. The agenda for the March 2nd hearing contained the following background information and comments:

The Governor's budget proposes \$200 million to reduce the revenue limit deficit for school districts and county offices. This money serves as unrestricted funds for districts to use as their local priorities dictate. The \$200 million proposed in the budget would reduce the deficit factor from the existing level of 8.8 percent to 8.001 percent.

COMMENTS:

The LAO recommends approving this amount because it would provide general purpose funding for school districts and county offices of education.

ISSUE 2: COLA FORMULA – VOTE ONLY

The issue for the subcommittee to consider is whether to adopt proposed trailer bill language that would change the formula for calculating cost-of-living adjustments.

BACKGROUND:

The subcommittee heard this item on March 2nd and held it open. The agenda for the March 2nd hearing contained the following background information and comments:

The Governor's budget proposes a change in the statutory formula that determines the inflation index to be used for the COLA for K-12 expenditures. Current law requires DOF to calculate the COLA by dividing the prior-year revised inflation index by the unrevised index of a year earlier. The Governor's proposed trailer bill changes this formula so that the COLA is calculated by dividing the prior-year revised index by the revised index of a year earlier (section 5 of RN9902192). The COLA calculated under the revised formula proposed in the trailer bill is 1.83 percent.

The revised COLA of 1.83 percent is higher than the COLA that would be calculated under current law, of 0.3 percent. (The Governor's budget summary documents cite the statutory COLA under current law to be 2.42 percent. However, DOF may revise this figure in the future due to more recent data.)

Last year the Governor proposed an identical statutory change to the COLA formula. However, the change would have meant a lower COLA than under current statute. The Legislature rejected the revision in the COLA formula because it would have meant a lower COLA and because the proposed budget did not contain any funding for deficit reduction.

COMMENTS:

The LAO recommends approving the proposed change to the COLA formula. It argues that the proposed formula produces a more consistent and accurate reflection of inflation. In its Analysis of the Budget, the LAO provides data that shows that the formula in current law leads to erratic calculations, due to the fact that the U.S. Department of Commerce revises the inflation index periodically. When this happens, the formula produces bizarre results because it calculates the change in inflation by comparing new data on inflation in the prior year with old data on inflation for a year earlier. As an example of the results the existing formula creates, the LAO cites the COLA that the current formula calculates for the budget year: 0.3 percent. This does not appear to reflect inflation. The LAO cites even worse cases in the COLA calculations for the 1992-93 and 1996-97 fiscal years, which yielded negative figures of -19.32 percent and -15.31 percent, respectively.

On p. E-28 of its Analysis of the Budget Bill for 1999-2000, the LAO provides data that demonstrates that the proposed change to the COLA formula provides results that are much closer to actual inflation.

ISSUE 3: BEGINNING TEACHER SUPPORT AND ASSESSMENT

The issue for the subcommittee to consider is whether to approve the proposed level of funding for the Beginning Teacher Support and Assessment program (BTSA) and the use of current year funds for this purpose.

BACKGROUND:

The Governor's budget proposes a total level of funding for BTSA of \$72 million. This total includes \$20.4 million in current year funding that results from savings achieved from delayed implementation of the After School Learning and Safe Neighborhoods Partnership Program (\$50 million) and the Healthy Start Pregnancy Prevention Program (\$10 million). The Governor's budget assumes that the \$60 million appropriated in the current year for these two programs will be unspent by the end of the current year. By using these savings generated in the current year for budget year purposes, the Governor's budget frees up ongoing budget year funds for other K-12 purposes. The Governor's budget also proposes to remove BTSA from the Mega-item.

COMMENTS:

The LAO notes that if the Legislature adopts the proposal to redirect current year savings (which are available on a one-time basis) for ongoing budget year expenditures it will have to "find" this amount in the 2000-01 base to cover ongoing costs. In this case, the Legislature will have to "find" \$20.4 million in ongoing funds in 2000-01 to continue funding BTSA at the proposed level for 1999-2000.

Staff notes that the most recent version of AB 1x (Villaraigosa) includes BTSA among the programs for which districts will not receive funding if they do not implement the peer assistance review programs authorized by the bill.

6360 COMMISSION ON TEACHER CREDENTIALING

The Commission on Teacher Credentialing (CTC) is a 19-Member commission whose 15 voting Members) are appointed by the Governor (with the exception of the Superintendent of Public Instruction). CTC issues teaching permits for all teachers in California K-12 public schools and reviews and approves all teacher preparation programs in California.

CTC's budget is funded from three major sources:

- 1) The Teacher Credentials Fund, which derives from fees that teacher credential applicants pay to CTC to have CTC process their credential application.
- 2) The Test Development and Administration Account, which derives from fees that teacher credential applicants pay for tests which may be required to obtain a credential. (Note: All teacher applicants must take the CBEST, which is a test of basic skills. In addition, applicants may be required to take additional tests or may choose to take tests in lieu of coursework. Over the course of an individual's efforts to obtain a credential, he or she may spend approximately \$500 on test and fingerprint fees.)
- 3) General Fund revenues

Below is a summary of CTC's expenditures:

EXPENDITURES (\$000)	1998-99	PROPOSED 1999-2000	DOLLAR CHANGE	PERCENT CHANGE
General Fund	\$26,873	\$34,330	\$7,457	27.7%
Teacher Credentials Fund	15,654	12,707	(2,947)	-18.8
Test Development and Administration Account	9,441	8,644	(797)	-8.4
Federal Funds	158	37	(121)	-76.6
Reimbursements	0	3,407	3,407	N/A
Total	\$52,126	\$59,125	\$6,999	13.4%

ISSUE 1: ADDITIONAL POSITIONS AND TECHNOLOGY UPGRADES

The issue for the subcommittee to consider is whether to approve CTC's request for additional positions, the continuation of positions set to expire at the end of the current year and funding for technology upgrades. (Budget items 6360-001-0407 and 6360-001-0408.)

BACKGROUND:

Additional Positions: The CTC is requesting the conversion of several limited-term positions to permanent status and several additional positions. It is also requesting an augmentation to upgrade its information technology system. Details of these requests are explained below.

Certification, Assignment and Waivers Division -- A continuation of 5.5 positions that are subject to expire June 30, 1999. CTC is requesting that these positions be made permanent. The Legislature originally provided these positions to CTC on a limited term basis (2.5 years) beginning in 1996-97, to respond to CTC's need to process more credentials as a result of class size reduction. The cost of continuing to fund these positions is \$252,000. (The budget proposes to fund \$239,000 of this amount from the Teacher Credentials Fund and \$13,000 from the Test Development and Administrative Account.) CTC argues that it needs these positions to process the high volume of credential applications.

Model Teaching Performance Assessment – A continuation of two positions on a limited-term basis (one-year) to complete the development of a model teaching performance assessment. The cost of continuing to fund these positions is \$150,000 (out of the Test Development and Administrative Account). The 1998 Budget Act provided five staff positions for the first year of work associated with developing this model assessment. CTC argues that the continuation request is important to continue work already initiated in the current year to create a model tool to assess teachers' ability, skill and knowledge.

Division of Professional Practices – A continuation of one position due to expire June 30, 1999 and augmentation of one position in the Division of Professional Practices. CTC is requesting that both positions be permanent. The cost of this proposal is \$107,000. (The budget proposes to fund \$102,000 of this cost from the Teacher Credentials Fund and \$5,000 from the Test Development and Administrative Account.) CTC argues that it needs these positions because of a 15 percent caseload increase in the number of discipline cases CTC must investigate.

Commission's executive office and Fiscal and Business Services Section – An increase in two positions on a permanent basis – one clerical position for the Commission's executive office and another for the Fiscal and Business Services Section. The cost of this proposal is \$92,000 from the Teacher Credentials Fund. The CTC argues that the clerical position is needed to provide support to the Members of the Commission and the position in the Fiscal and Business Services Section is needed to help support CTC staff and the increased workload that has resulted from the implementation of class size reduction.

Funds and positions for technology support and upgrades: The CTC is also requesting a total of \$438,000 to provide technology support to CTC staff and to

continue a project to upgrade CTC's information technology system. Below are details of the request:

Information Technology Security and Support – A continuation of \$171,000 (from Teacher Credentials Fund) to fund a project begun in the current year to upgrade CTC's informational technology. CTC states that in the current year it began a project to replace outdated equipment, protect its web site from unauthorized access and upgrade the server to allow the system to back up more CTC files. CTC argues that it needs funding to continue work in this area. (There are no positions associated with this request.)

Standards for Preparation and Licensing of Teachers/ technology support – An augmentation of 3 positions (\$181,000) and \$86,000 for technology support to the Commission. (The total amount proposed for this increase is from the Teacher Credentials Fund.) CTC proposes that these positions (two analysts and one clerical position) be permanent. CTC argues that it needs these positions to provide technical support to CTC employees because they are currently understaffed in this area. CTC proposes to use the \$86,000 to purchase additional desktop computers.

Technology Plan: Last year, the Legislature provided the CTC with \$113,000 to begin upgrading its existing computer system. The Legislature provided the funding on the condition that CTC address all year-2000 potential problems and provide an information technology plan to the Legislature by March 1, 1999. The following supplemental report language under item 6360-001-0407 requires CTC to provide a plan:

Information Technology. The Commission on Teacher Credentialing (CTC) shall develop a comprehensive five-year plan that addresses the information technology needed to successfully implement the commission's five-year strategic business plan. The plan should describe (a) the short- and long-term computer needs of CTC, (b) how the commission's proposed information technology system will work when fully implemented, and (c) a year-by-year plan for implementing the proposed system. The plan also should include costs, sources of funding, and time lines of the proposed system. The CTC shall submit this report by March 1, 1999 to the Legislative Analyst's Office, the Department of Finance, the Department of Information Technology, and the budget committees of the Assembly and Senate.

According to the LAO, the CTC has complied with the first condition and completed all year-2000 upgrades. CTC has also submitted the required information technology plan to the Legislature.

CTC's information technology plan describes CTC's goals and the following short- and long-term projects, some of which are funded in the Governor's proposed budget:

Short-term projects:

- Improve Information System Security – begin mid-1998; end mid-2001 – CTC estimates that the five-year cost of this component is \$1,001,000. (The \$438,000 requested by CTC in the Governor's budget for technology will help implement this project.)
- Workgroup Computing Support – begin mid-1999; end mid-2000 – This project involves an augmentation in technology support staff and replacement of outdated desktop computers. CTC estimates that the five-year cost of this project is \$974,000. (The \$438,000 requested by CTC in the Governor's budget for technology will help implement this project.)
- Enhanced Public Information Access – begin mid-1999; end mid-2000 – Provide CTC agendas, regulations, reports and newsletters on CTC's Internet website. CTC estimates that the five-year cost of this project is \$465,000.
- Improve Internal Records Archiving – begin mid-1999; end late-2000 – Develop an electronic system to archive CTC's historical records.

Long-term projects:

- Database and Application Upgrade – begin mid-1999; end mid-2002 – Upgrade CTC's databases to make them easier to access. CTC estimates the five-year cost of this project to be \$710,000. The feasibility study for this component is still under review by DOIT, and consequently the Governor's budget for 1999-2000 does not propose any funding for it.
- Automated Status Inquiry Response – begin mid-1999; end late-2001 – Provide teacher preparation programs and the general public with the ability to inquire about the status of credentials via CTC's Internet web site and telephone system. The feasibility study for this component is still under review by DOIT, and consequently the Governor's budget for 1999-2000 does not propose any funding for it. CTC estimates the five-year cost of this project to be \$465,000.
- Automated Application Process – begin mid-1999; end to be determined -- Study the feasibility of replacing the current system for processing credentials (manual key-entry system) with a system based on scanning technology. Since CTC is still studying the feasibility of this component, it cannot provide a good estimate of its long-term costs. The Governor's budget does not propose funding for this project for the 1999-2000 fiscal year.

- Electronic Application Submission – begin mid-1999; end to be determined – Study the feasibility of permitting individual applicants, higher education institutions and school districts to submit credential applications electronically. Since CTC is still studying the feasibility of this component, it cannot provide a good estimate of its long-term costs. The Governor's budget does not propose funding for this project for the 1999-2000 fiscal year.

COMMENTS:

20 percent growth in staffing level since 1997-98: Last year the Legislature approved 16 permanent positions for CTC at a cost of \$1.1 million, which amounted to all but \$50,000 of the total amount requested by CTC for positions. The LAO notes that if the Legislature approves CTC's staffing requests for 1999-2000, the augmentations in 1998-99 and 1999-2000 will account for a growth rate of 20 percent in CTC's permanent staffing level since 1997-98.

Last year's positions: Half of the 16 positions approved last year went to CTC's division that processes credentials and credential waivers, for a cost of \$570,000. Another three positions went to CTC's professional practices division, to help it adjust to an increase in workload in reviewing disciplinary cases. (For 1999-2000 CTC is requesting a continuation of one position and an augmentation of another position in this same division. CTC again cites an increase in workload in reviewing disciplinary cases as justification for this request.) Another four positions went to help CTC staff programs that it administers (two positions for BTSA, one position for alternative credentialing and another for the pre-intern program). A final position went to the CTC division that reviews teacher preparation programs.

Credential processing time: Title 5, Section 80433 of the California Code of Regulations, requires the CTC to complete the credential application process within 75 working days. If CTC fails to meet this timeline, an applicant has the right to request that all fees be returned. According to CTC, the average credential/renewal processing time has increased from around 40 working days in 1998 to 80 working days in early January 1999. CTC claims that it has been able to reduce this time to 75 working days and that its goal is to reduce average processing time to 50 working days by July of this year and 20 working days by the end of the year.

According to the LAO, CTC's processing time is excessively long compared to boards and commissions with similar responsibilities. The LAO questions the efficiency of CTC's existing credential processing protocols and argues that an increase in CTC's staff may not result in faster credential processing. It believes that CTC could make significant gains in processing credentials in a more timely manner by utilizing existing staff and changing the way it processes credentials. The LAO notes that a comprehensive review of CTC's structure should answer the following questions:

- How can the processing of credentials be modified to improve efficiency?
- What is the appropriate level of staffing to efficiently process credentials?
- How much does it cost on average for CTC to process a credential, including potential discipline review costs?
- Does CTC's fee structure reflect the actual cost of services provided?

Staff notes that the timely processing of credentials is an important element in assisting new teachers in securing employment and in assisting school districts in filling teacher vacancies. Given the severe shortage of credentialed teachers revealed by this Subcommittee's March 9th informational hearing on teacher recruitment and the existence of structural barriers that contribute to that shortage, it appears important to address any organizational elements that add to the problem, such as the lack of timely credential processing.

Technology plan: Staff notes that CTC's technology plan contains no cost estimates for its short- and long-term projects, although CTC has provided this information to staff subsequent to the submission of its plan. CTC's technology plan also lacks specific goals regarding how CTC intends to improve its credential-processing time and its ability to respond to public inquiries and how its proposed technology projects will help CTC meet these goals. In recent conversations, CTC has noted that it is developing such goals and intends to include these goals in its revised business plan and a revised version of its technology plan. CTC intends to provide an update regarding its progress in making these changes at this hearing.

Staff also notes that some of CTC's feasibility studies are still pending review by the Department of Information Technology (DOIT). Specifically, some of the short- and long-term projects CTC describes in its technology plan as having a start date of 1999 are included in feasibility studies have not been reviewed by DOIT. As a result of this delay, the Governor's budget does not propose funding to begin implementing these projects in fiscal year 1999-2000. Therefore, the start of some components of CTC's technology plan originally slated for 1999 may be delayed until 2000, assuming the Legislature approves funding for them next year (2000-01).

LAO recommendation: The LAO makes the following recommendations in response to the CTC's various requests for 1999-2000:

- **Additional positions:** The LAO recommends that the Legislature deny the CTC's request for additional permanent positions until a comprehensive study of CTC's operations is completed. The LAO recommends the approval of \$250,000 from the Teacher Credentials Fund to contract for a comprehensive review of CTC's operations, along with the approval of the following budget bill language:

This item of appropriation includes \$250,000 for the Commission on Teacher Credentialing (CTC), with the collaboration and assent of the Department of Finance and the Legislative Analyst's Office, to develop a request for proposals (RFP) to conduct a comprehensive review of CTC's organizational structure and credential processing protocols. The three agencies shall select a contractor for this study that meets the requirements outlined in the RFP. The three agencies shall submit a report of the contractor's finding and recommendations to the Governor and the appropriate policy and fiscal committees in each house no later than March 1, 2000.

- **Technology request:** At printing time of its Analysis, the LAO had not received CTC's technology report. Consequently, the LAO withheld recommendation on the CTC's request for \$438,000 for technology equipment and positions.

ISSUE 2: AUGMENTATION FOR PARAPROFESSIONAL PROGRAM

The issue for the subcommittee to consider is whether to approve the proposed General Fund augmentation (\$6.6 million) for the California School Paraprofessional Teacher Training Program (item 6360-101-0001, provision #2).

BACKGROUND:

The Governor's budget proposes a total augmentation of \$10 million in local assistance funds for the California School Paraprofessional Teacher Training Program, which is administered by CTC. Two-thirds (\$6.6 million) of this augmentation is in General Fund revenues and the remainder (\$3.4 million) is in federal Goals 2000 funds. The Subcommittee will consider the \$3.4 million Goals 2000 augmentation for this program at another hearing when it hears all proposed Goals 2000 budget items.

The total \$10 million augmentation is part of the Governor's education reform package and would provide for a significant expansion to the program. In the current year, the budget provides only \$1,478,000 in local assistance for this program. The proposed budget augmentation would bring the total local assistance for this program to \$11,478,000.

The California School Paraprofessional Teacher Training Program was established several years ago to provide training to paraprofessionals, who serve as teachers' assistants, library-media aides and instructional assistants. The program provides scholarships to paraprofessionals to enroll in a college or university on a part-time basis with the intent that these individuals eventually obtain their bachelors degree and a teaching certificate. According to the LAO, there are approximately 90,000 paraprofessionals working in California public schools.

Currently, the Program serves approximately 500 paraprofessionals. The proposed augmentation of \$6.6 million in General Fund revenues would allow for an increase of approximately 2,200 participants and the additional \$3.4 million in Goals 2,000 funds would allow for an increase of another 1,100, for a total increase of 3,300 participants. If all participants become credentialed teachers, the proposed augmentation could lead to an increase of more than 3,000 credentialed teachers in a few years. Because many paraprofessionals lack a bachelors degree and have taken few college courses, participants in this program might take a few years to finish a four-year bachelors programs and then obtain their teaching credentials. According to CTC, 13 school districts and county offices of education currently receive funding for their paraprofessionals through this program.

The Legislature approved a \$10 million increase in local assistance for this program in last year's Budget Act. However, Governor Wilson vetoed this augmentation, arguing that programs that assist people that already possess bachelors' degrees should have a higher priority.

COMMENTS:

The LAO recommends approval of the \$6.6 million General Fund increase for this program, (and recommends disapproval of the additional \$3.4 million in Goals 2000 money, which the Subcommittee will hear at a future hearing). The LAO argues that the \$6.6 million increase allows for more than a five-fold program expansion in the budget year.

Staff notes that, according to information provided by CTC, the retention rate among teachers that receive a credential through this program appears to be very high. According to CTC, 230 participants have obtained a teaching credential through this program since 1992. Of those 230, all but 15 have been retained by their original employing district.

ISSUE 3: CREDENTIAL FEE WAIVER

The issue for the subcommittee to consider is whether to approve the proposal to waive the credential fee for all teaching credential applicants.

ISSUE 3A: TRAILER BILL LANGUAGE TO WAIVE CREDENTIAL FEE

The issue for the subcommittee to consider is whether to approve the proposed trailer bill language to waive the credential fee for all teaching credential applicants.

BACKGROUND:

The Governor proposes trailer bill language to require the CTC to waive credential fees as follows (RN 9902192 section 8):

The Commission shall waive the credential fee for multiple subject teaching, single subject teaching, special education specialist instruction, and education specialist instruction, and education specialist instruction credential applications to the extent funding is appropriated for this purpose. If the amount appropriated is not sufficient to fully fund credential fee waivers authorized by this subdivision in any fiscal year, the Director of Finance is authorized, notwithstanding any other provision of law, to augment that appropriation by an amount necessary to fully fund the fee waivers. Notwithstanding any other provision of law, the commission may issue written guidelines reasonably necessary to implement this subdivision that are not subject to the rulemaking provisions of the Administrative Procedures Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

This proposal is part of the Governor's education reform package and is intended to assist candidates in becoming new teachers.

COMMENTS:

Staff notes that although the language does not specify a time period for the fee waiver, it does specify that the waiver is subject to an appropriation for this purpose.

The LAO recommends that the Legislature delete this provision and the funding proposed for the backfill (see below) and use the funds for Cal T grants. It argues that waiving the credentialing fee would not necessarily have an impact on the number of people entering teaching because the \$60 credential fee is charged to applicants at the end of the training process, after applicants have already paid up to \$500 in fingerprinting and test fees and paid from \$2,500 to \$15,000 for the training programs. The LAO argues that the \$60 fee does not dissuade teaching candidates after they have already paid so much for other application and training costs and that the fee waiver will not reduce any existing barriers to teaching.

ISSUE 3B: PROPOSED AUGMENTATION TO PAY FOR FEE WAIVER

The issue for the Subcommittee to consider is whether to approve the proposed \$1.5 million General Fund appropriation to pay for the cost of waiving credential fees (item 6360-002-001).

BACKGROUND:

The Governor's budget proposes a \$1.5 million General Fund appropriation to pay for the cost of waiving the credential fee required of all individuals applying to CTC for a teaching credential. Currently the credential fee is \$60 and CTC charges this fee of all applicants to cover the operational costs of reviewing and approving the credential application. Currently fees go into CTC's Teacher Credentials Fund, which CTC uses to fund its operations. The amount proposed in the budget would cover a waiver for approximately 25,000 applicants.

This proposal is part of the Governor's education reform package. The proposed amount would go to backfill revenue losses to CTC's Teacher Credentials Fund.

COMMENTS:

The LAO recommends against approval of the credential fee waiver. It recommends that the Legislature redirect the \$1.5 million proposed for backfilling the fee waiver to the Cal Grant T program. The LAO argues that if the purpose of this proposal is to boost the teacher supply by removing barriers to entry, the money would be better spent on a program that is more effective at attracting teacher candidates, such as the Cal Grant T program. The Cal Grant T program was enacted last year to provide scholarships for teacher preparation programs for candidates that go on to teach a minimum number of years. According to the LAO, a redirection of the \$1.5 million to the Cal Grant T program would fund an additional 325 scholarships. The Cal Grant T program is currently funded at \$10 million, which funds over 2,000 scholarships.

Staff notes that the Subcommittee has already approved a \$10 million increase in the Cal Grant T program this year.