

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE

Assemblymember Mervyn Dymally, Chair

WEDNESDAY, MARCH 30, 2005
STATE CAPITOL, ROOM 126
4:00 P.M.

ITEMS TO BE HEARD

**LEGISLATIVE ANALYST'S OFFICE (LAO) AND CALIFORNIA COMMISSION ON
POSTSECONDARY EDUCATION (CPEC) OVERVIEW OF THE 2005-06 BUDGET
PROPOSALS FOR HIGHER EDUCATION**

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ITEMS TO BE HEARD

ITEM 6120 CALIFORNIA STATE LIBRARY

ISSUE 1: SUPPORT BUDGET

The issue for the Subcommittee to consider is the California State Library support budget.

BACKGROUND

The California State Library provides library and information services to the legislative and executive branches of state government, members of the public, and California public libraries. In addition, the State Library administers and promotes literacy outreach programs such as the California Library Literacy Services, develops technological systems to improve resource sharing and enhances access to information, and administers the Public Library Foundation Act, which established a formula under which the State contributes funding for basic local library services.

The Governor's proposed budget includes a total of \$71.5 million for the California State Library. This reflects a \$3 million reduction from the fiscal year 2004-05 funding level of \$74.5 million.

The following table provides information on the California State Library expenditures by fund:

California State Library Summary of Expenditures by Fund (Dollars in Thousands)			
	Actual 2003-04	Estimated 2004-05	Proposed 2005-06
General Fund	\$48,943	\$48,547	\$45,355
California State Law Library Special Account	393	615	551
Deaf and Disabled Telecommunications Program Administrative Committee Fund	-	441	441
California Teleconnect Fund Administrative Committee Fund	40	-	-
California Library Construction and Renovation Fund	208	208	208
Federal Trust Fund	18,487	18,854	19,063
Reimbursements	247	1,646	1,646
California Public Library Construction and Renovation Fund	2,589	2,641	2,680
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	128,400	1,618	1,644
TOTAL EXPENDITURES (ALL FUNDS)	\$199,307	\$74,570	\$71,588

MAJOR BUDGET PROPOSALS:

State Operations. The Governor's budget proposes to reduce operations by \$170,000. The Library will have the flexibility to implement this reduction through layoffs, a hiring freeze, procurement reductions or other administrative means as determined.

Local Assistance. The Governor's budget is proposing to reduce the Public Library Foundation (PLF) by \$2.2 million, the California Library Services Act programs by \$828,000 and the Library Literacy Services programs by \$276,000 for a total of \$3.3 million.

Braille and Talking Book Library. The Governor's budget includes a \$329,000 General Fund increase for the acquisition and implementation of a replacement automated library system to support the California State Library Braille and Talking Book Library (BTBL) program.

California Civil Liberties Public Education Act. The Governor's budget includes \$500,000 in General Fund support for this program, which reflects no change from the 2004-05 Budget Act funding level. This program was primarily designed as a result of a lack of education in public schools regarding the Japanese American internment period.

ISSUE 2: PUBLIC LIBRARY FOUNDATION (PLF)

The issue for the Subcommittee to consider is the proposed \$2.2 million reduction to the Public Library Foundation (PLF).

BACKGROUND:

The Public Library Foundation (PLF) was established in 1982 as a way to mitigate the negative effects of Proposition 13 on local libraries. Funding goes to local libraries to support their operations costs and the costs of materials. In addition, the PLF has helped libraries address the effects of the property tax shifts of the early 1990's, when some libraries suffered additional losses of between 30 and 50 percent of their budgets. State law established the per-capita cost of the program to be \$12 for 1982-83, with an inflation adjustment equal to the average statewide percentage increase in revenue limits for unified school districts. The amount needed to fully fund the programs is also driven by the population served by local libraries. The state has never fully funded the program according to the formula prescribed in statute. The General Fund cost to fund the PLF in the budget year would be \$84.8 million. With the proposed reduction, the PLF funding for 2005-06 would be \$12.1 million.

The following table shows the PLF funding in the last six years:

Public Library Fund (PLF)						
	2000-01	2001-02	2002-03	2003-04	Estimated 2004-05	Proposed 2005-06
General Fund	\$56,870	\$52,970	\$31,532	\$15,766	\$14,360	\$12,152

COMMENTS:

The impact of Public Library Fund reductions varies among jurisdictions. Local libraries receiving PLF grants have the flexibility to use these funds as they see fit as long as it is for library support. This funding is used by local libraries for staffing, extending library hours, developing and extending library programs such as Homework Help Centers and after school reading programs and purchasing books, research materials and bookmobiles.

ITEM 6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

ISSUE 1: SUPPORT BUDGET

The issue for the Subcommittee to consider is the California Postsecondary Education Commission (CPEC) support budget.

BACKGROUND

The California Postsecondary Education Commission (CPEC) is a statewide postsecondary education coordinating and planning agency. The commission serves as a principal fiscal and program advisor to the Governor and Legislature on postsecondary educational policy. CPEC's responsibilities include conducting analyses and making recommendations related to long-range planning for public postsecondary education and analyzing both state policy and programs involving the independent and private proprietary educational sectors. In addition, CPEC administers the federal K-12/University Professional Development Partnerships. The commission has 16 members, representing the public and private university segments, the State Board of Education, students and the general public.

The Governor's budget proposes a total of \$11 million for CPEC, of which \$8.5 million are federal funds for the Teacher Quality Grant Program that supports professional development activities for K-12 teachers and \$2 million in General Fund to support the Commission's operations.

The following table shows the Commission's expenditures by fund for the last six years:

California Postsecondary Education Commission (CPEC)							
	2000-01	2001-02	2002-03	2003-04	Estimated 2004-05	Proposed 2005-06	Percent Change
<i>State Operations</i>							
General Fund	\$3,847	\$3,784	\$2,127	\$1,972	\$2,063	\$2,091	1.4%
Federal Funds	340	341	356	435	438	438	--
Reimbursements	139	133	119	--	3	3	--
<i>Unallocated Reduction</i>						\$-32	--
Subtotal, State Operations	\$4,326	\$4,390	\$2,602	\$2,407	\$2,504	\$2,500	-0.2%
<i>Local Assistance</i>							
General Fund	\$119	\$119	--	--	--	--	--
Federal Funds	6,165	6,165	\$8,218	\$8,444	\$8,579	\$8,579	--
Subtotal, Local Assistance	\$6,284	\$6,284	\$8,218	\$8,444	\$8,579	\$8,579	--
	\$10,610	\$10,674	\$10,820	\$10,851	\$11,083	\$11,079	-0.04%

COMMENTS:

CPEC staff will comment on the Commission's goals and objectives for the budget year and the impact that the budget reductions have had on the Commission's ability to carry out their responsibilities.

ITEM 6600 HASTINGS COLLEGE OF THE LAW**ISSUE 1: SUPPORT BUDGET**

The issue for the Subcommittee to consider is the Hastings College of the Law support budget.

BACKGROUND

Hastings College of the Law (Hastings) was founded in 1878 by Serranus Clinton Hastings, California's first Chief Justice, and became affiliated with the University of California in the same year. Policy development and oversight for the college is established and carried out by a board of directors, who are appointed by the Governor for 12-year terms. The Juris Doctorate degree is granted by the Regents of the University of California and signed by both the University of California President and the Chancellor and Dean of Hastings College of Law.

The Governor's budget proposes a total of \$35.4 million for Hastings College of Law state operations (excluding Extramural Funds), representing an overall increase of \$465,000 of which \$165,000 is dedicated to additional financial aid to mitigate fee increases. The increase in funding is attributable to the student fee increases the College is implementing for next year (\$221,000) and General Fund increases per the Governor's Higher Education Compact (\$244,000). Of the \$35.4 million, \$ 8.4 million, or 24 percent, is General Fund support. These amounts reflect an increase of 1.3 percent in total funds and 3 percent in General Fund from the current year levels. Over the last three fiscal years, Hastings General Fund support has been reduced by 42 percent.

The following table provides information on Hastings expenditures in the last six years:

Hastings College of Law							
	2000-01	2001-02	2002-03	2003-04	Estimated 2004-05	Proposed 2005-06	Percent Change
General Fund	\$14,337	\$14,995	\$14,422	\$11,081	\$8,119	\$8,363	3.0%
Hastings Funds	14,154	15,049	15,501	18,697	26,650	26,871	0.8%
Lottery Education Fund	137	148	147	142	154	154	---
Total State Operations	\$28,628	\$30,192	\$30,070	\$29,920	\$34,923	\$35,388	1.3%
Extramural Funds	7,240	8,613	8,711	12,587	9,724	6,958	-28.4%
					\$44,647		

MAJOR BUDGET PROPOSAL:

Increase to basic budget support: The budget includes a 3 percent General Fund increase of \$244,000 for basic budget support.

COMMENTS:

Hastings staff will comment on the college's goals and objectives for the budget year and the impact that the budget reductions have had on the college's ability to carry out its functions and provide services to students.

ITEM 6360 COMMISSION ON TEACHER CREDENTIALING (CTC)

ISSUE 1: SUPPORT BUDGET

The issue for the Subcommittee to consider is the California Commission on Teacher Credentialing support budget.

BACKGROUND

The Commission on Teacher Credentialing (CTC) was created in 1970 to establish and maintain high standards for the preparation and licensing of public school teachers and administrators. The CTC issues permits and credentials to classroom teachers, student services specialists, school administrators, and child care instructors and administrators. In total, it issues almost 200 different types of documents. In addition to setting teaching standards and processing credentials, the commission (1) performs accreditation reviews of teacher preparation programs; (2) develops, monitors, and administers licensure exams; and (3) investigates allegations of wrongdoing made against credential holders. The CTC also administers two local assistance programs—the Internship and Paraprofessional Teacher Training programs.

The Governor's proposed budget includes a total of \$57 million for CTC. This is a \$1.3 million increase than the revised current-year budget. Of CTC's proposed 2005-06 budget, \$31.8 million is from the General Fund (Proposition 98).

The following table provides information on expenditures by fund:

Commission on Teacher Credentialing (CTC)			
	2003-04	Estimated 2004-05	Proposed 2005-06
General Fund	\$-	\$3,500	\$-
General Fund, Proposition 98	37,640	31,814	31,814
Teacher Credentials Fund	15,355	14,763	15,049
Test Development and Administration Account	10,869	9,734	10,147
Federal Trust Fund	448	147	-
Reimbursements	-	239	-

ISSUE 2: SOLVENCY OF THE TEST DEVELOPMENT AND ADMINISTRATION ACCOUNT (TDAA)

The issue for the Subcommittee to consider is the condition of CTC's Test Development and Administration Account (TDAA) for the current and budget years.

BACKGROUND

The CTC receives revenue from two primary sources—credential application fees and teacher examination fees. Application fee revenue is deposited into the Teacher Credential Fund (TCF) and examination fee revenue is deposited into a subaccount within the TCF, the Test Development and Administration Account (TDAA). These revenues support CTC's operations. The General Fund supports CTC's two local assistance programs—the Internship Teaching Program and the Paraprofessional Teacher Training Program.

Discrepancies in the TDAA Fund for the current-year. The table below compares the 2004-05 TDAA fund condition as estimated in January 2004 and November 2004. The January fund statement is critical because it was presented to the Legislature as part of the 2004-05 proposed budget, and its revenue and expenditure estimates form the basis of the 2004-05 Budget Act. The November fund statement revises the 2004-05 budget and establishes a base for the Governor's 2005-06 budget proposal.

TDAA Current-Year Fund Changes		
<i>Test Development and Administration Account (In Millions)</i>		
	2004-05	
	January 2004	November 2004
Revenues		
Beginning balances	\$5.1	\$2.5
Revenues	13.9	9.8
Subtotals	(\$19.0)	(\$12.3)
Expenditures/ Transfers		
Expenditures	\$9.7	\$9.7 ^a
Transfers to TCF ^b	—	0.3
Subtotals	(\$9.7)	(\$10.0)
Ending Balances	\$9.3	\$2.3
^a Expenditures have increased by \$56,000. ^b Teacher Credential Fund.		

As illustrated, there are significant differences between the original and revised TDAA fund condition for 2004-05. The CTC now expects to have a 2004-05 beginning balance only one-

half of what it had originally estimated. In addition, its revenue estimate is down by \$4.1 million. This represents a substantial decline (41 percent) even though the TDAA revenue stream tends to be rather stable. Whereas revenues are now expected to be much lower than originally anticipated, expenditures have increased slightly. The result of all these revisions is that CTC now expects to end the current year with a reserve of \$2.3 million rather than the \$9.3 million assumed in the 2004-05 Budget Act.

TDAA Fund concerns for the budget-year. One of the reasons the current-year TDAA fund balance is so critical is because, under the Governor's budget proposal, both the TCF and TDAA would end 2005-06 with no reserve. The table below shows the TCF and TDAA fund balances for the prior year, current year, and budget year.

If Fund Statements Are Reliable, CTC Would End 2005-06 With No Reserve			
<i>(Dollars in Millions)</i>			
	2003-04 Actual	2004-05 Estimated	2005-06 Budgeted
Teacher Credential Fund (TCF)			
Revenues/Transfers			
Beginning balances	\$0.4	\$1.3	—
Revenues	13.2	13.2	\$13.2
Transfers from TDAA	3.0	0.3	1.9
Subtotals	(\$16.6)	(\$14.8)	(\$15.1)
Expenditures	\$15.4	\$14.8	\$15.1
Ending Balances:			
Amount	\$1.3	—	—
Percent of expenditures	8%	—	—
Test Development and Administration Account (TDAA)			
Revenues			
Beginning balances	\$4.9	\$2.5	\$2.3
Revenues	11.5	9.8	9.8
Subtotals	(\$16.3)	(\$12.3)	(\$12.1)
Expenditures/Transfers			
Expenditures	\$10.9	\$9.7	\$10.2
Transfers to TCF	3.0	0.3	1.9
Subtotals	(\$13.8)	(\$10.0)	(\$12.1)
Ending Balances:			
Amount	\$2.5	\$2.3	—
Percent of expenditures	23%	23%	—

In their analysis, the LAO provides the Legislature with a list of options to be considered should CTC provide clear and accurate fund statements that show it would end 2005-06 without a prudent reserve.

COMMENTS:

LAO RECOMMENDATIONS:

Current-year discrepancies. The LAO states that CTC has not been able to provide them with clear answers as to why its current-year budget had experienced such unforeseen changes. Therefore, they are recommending that the Legislature direct CTC to explain the following:

- 1) Why the significant changes to the TDAA fund in such a short amount of time?
- 2) Is CTC expecting other revisions of this fund?

Budget-year concerns. The LAO provides the following options for maintaining the solvency of the fund:

1) *Increase the Credential Application Fee.* Every \$5 increase in the application fee generates an estimated \$1.1 million. This amount equates to a TCF reserve of 7 percent, which typically would be deemed a modest reserve for a small state agency. Given that the TDAA also is to end the budget year without a prudent reserve, the Legislature might want to consider a slightly larger fee increase in 2005-06 or 2006-07.

2) *Automate or Devolve Credentialing Authority.* The Governor's budget includes a proposal that would entrust accredited university-run teacher preparation programs with essentially pre-approving the credential applications they submit to CTC, and CTC in turn would grant the official credential without further review. As CTC currently evaluates more than 50,000 applications submitted from universities, this would notably reduce CTC's workload. Another option would be to consider authorizing a similar pre-approval process for district-run teacher preparation programs and community college child development programs. In addition to the credential applications noted above, CTC currently reviews approximately 10,000 child development permits.

3) *Pursue Additional Efficiencies.* The 2004-05 Budget Act included budget bill language requiring CTC to submit a report to the Legislature and the Department of Finance that identified "at least three feasible options to further reduce processing time that could be implemented in 2005-06." The CTC submitted a report with five efficiency options. Among the options is a proposal to conduct a public relations campaign to encourage more teachers to renew their credentials online and two proposals to eliminate hard copies of documents and instead provide only online access. Several of these proposals hold promise. The public relations campaign, for instance, could yield considerable long-term pay-off (as only 36 percent of eligible applicants currently renew online). The two online proposals also would reduce workload and postage costs. The Legislature may want CTC to provide periodic updates on its implementation of these efficiency initiatives.

ISSUE 3: 2004 BSA AUDIT REPORT - CALIFORNIA COMMISSION ON TEACHER CREDENTIALING: IT COULD BETTER MANAGE ITS CREDENTIALING RESPONSIBILITIES

The Bureau of State Audits staff will present subcommittee members with their finding on how the CTC can better manage its credentialing responsibilities.

BACKGROUND

As requested by the Joint Legislative Committee, the Bureau of State Audits conducted an audit on the CTC's efficiency and effectiveness of the teacher credentialing process. In its November 9, 2004 report, the State Auditor concluded that the Commission could increase its ability to measure the effectiveness of its teacher development programs, the efficiency of the teacher credentialing process, and the performance of its internal operations.

AUDIT HIGHLIGHTS

- The commission could better evaluate the effectiveness of the programs it oversees and better measure the performance of the teacher credentialing process.
- The commission could take additional steps to improve its processing of credential applications, including focusing its customer service activities. Several areas of the commission's process for developing program standards lack structure and could be improved.
- The commission suspended its continuing accreditation reviews in December 2002 and is evaluating its accreditation policy, and it does not expect to present a revised policy to its governing body until August 2005.

RESULTS IN BRIEF

The BSA review found that the commission could make improvements to better evaluate the programs it oversees and its internal operations, more effectively manage its application processing, and refine how it updates program standards. In addition, the commission should resume its continuing accreditation reviews of colleges and universities.

The commission could increase its ability to measure the effectiveness of its teacher development programs, the efficiency of the teacher-credentialing process (process), and the performance of its internal operations. By doing so, the commission would be able to streamline and improve its efforts. For example, its teacher development programs provide funding for individuals who do not yet meet the requirements for a teaching credential, yet the commission has not sufficiently evaluated and accurately reported on two of its three teacher development programs. As part of its oversight of the process in California, the commission has some measures of the overall health of the process. However, it could improve its analysis of those measures and could develop further measures to better track the performance of the process and of individual teacher preparation programs.

Despite the importance of strategic planning, the commission has lacked specific performance measures to guide and evaluate its efforts. Further, the commission's February 2001 strategic plan is outdated and lacks performance measures. In addition, the commission does not annually track its progress in completing the tasks it described in the strategic plan. Subsequent to our fieldwork, the commission updated the tasks in its strategic plan.

The commission has implemented some reforms of the process and is contemplating others. It has also worked to reduce the barriers to becoming a California teacher. In addition to these efforts, the commission is considering whether to consolidate the examinations that it requires prospective teachers to pass.

By focusing its customer service, better managing its workload, and taking full advantage of a new automated application-processing system, the commission could improve its processing of applications. Facing a significant volume of contacts, the commission has not taken sufficient steps to focus its customer service activities. Proper management of customer service is necessary because the large volume of telephone calls and e-mails that the commission receives takes staff away from the task of processing credential applications.

Although the commission typically processes applications for credentials in less than its regulatory processing time of 75 business days, applications go unprocessed for a significant amount of this time because staff members are busy with other duties. The commission has taken some steps to improve its process, including automating certain functions as part of its Teacher Credentialing Service Improvement Project (TCSIP), which is a new automated application processing system that the commission planned to implement in late October 2004. However, the commission has not performed sufficient data analysis to make informed staffing decisions. TCSIP offers tangible time-saving benefits, such as allowing colleges and universities to submit applications electronically and automating the commission's review of online renewals, but the commission does not plan to use either function to its full potential in the foreseeable future.

Although online renewals offer the benefit of faster and more efficient processing, the commission has not sufficiently publicized this benefit. The commission could do more to inform teachers about the benefits of online renewal by performing the data analysis necessary to determine where the commission needs to do additional outreach and by better highlighting online renewal's availability and faster processing time.

The commission is in the midst of a 10-year process of developing program standards that comply with the requirements of Senate Bill 2042, Chapter 548, Statutes of 1998 (act). The commission does not have an overall plan to guide its efforts to finish implementing program standards or its ongoing standard-setting activities. Further, the commission's recent experiences developing program standards to meet the act's requirements offer an opportunity to evaluate how to better manage its future efforts. The Bureau of State Audits report of five sets of recently developed program standards identified areas in the commission's process for developing program standards that lack structure and could be improved. Among other issues, the commission does not use a methodical approach to form advisory panels of education professionals that assist it in developing program standards; neither does it always put in perspective the results of its field-review surveys to the commission's governing body (commissioners) when recommending standards for adoption.

Finally, the commission suspended its continuing accreditation reviews of colleges and universities in December 2002. Continuing accreditation reviews are an important component of

the commission's accreditation system and help ensure that colleges and universities operate teacher preparation programs that meet the commission's standards. The commission indicated that it suspended continuing accreditation reviews to allow colleges and universities time to implement the commission's new standards and for it to evaluate its accreditation policy. Although the commission has been working with representatives from colleges and universities to evaluate its accreditation policy, it does not plan to propose a revision to the commissioners until August 2005.