AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE

Assemblymember Susan Bonilla, Chair

TUESDAY, APRIL 23, 2013

9:00 AM - STATE CAPITOL ROOM 444

ITEMS TO BE HEARD

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<th>ITEM</th>
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<tr>
<td>6110</td>
<td>DEPARTMENT OF EDUCATION</td>
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<td>ISSUE 1</td>
<td>MIGRANT EDUCATION</td>
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<td>6360</td>
<td>COMMISSION ON TEACHER CREDENTIALING</td>
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<td>ISSUE 1</td>
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ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION

ISSUE 1: MIGRANT EDUCATION

The Legislative Analyst’s Office will provide a brief overview of the federal Migrant Education Program (MEP). The State Auditor will report on the March 2013 audit findings and recommendations related to the MEP.

PANELISTS

- Legislative Analyst's Office
- California State Auditor
- California Department of Education
- Department of Finance

BACKGROUND

The federally-funded Migrant Education Program (MEP) provides migratory students with additional supplemental instruction, English language development, and instructional materials. The purpose of the federal Migrant Education Program is to assist states to:

1) Support high-quality and comprehensive educational programs for migratory children to help reduce the educational disruptions and other problems that result from repeated moves;

2) Ensure that migratory children who move among the States are not penalized in any manner by disparities among the States in curriculum, graduation requirements, and State academic content and student academic achievement standards;

3) Ensure that migratory children are provided with appropriate educational services (including supportive services) that address their special needs in a coordinated and efficient manner;

4) Ensure that migratory children receive full and appropriate opportunities to meet the same challenging State academic content and student academic achievement standards that all children are expected to meet;

5) Design programs to help migratory children overcome educational disruption, cultural and language barriers, social isolation, various health-related problems, and other factors that inhibit the ability of migrant children to do well in school, and to prepare them to make a successful transition to post-secondary education or employment; and,
6) Ensure migratory children benefit from State and local systemic reforms.

Additionally, state statute requires the State Superintendent of Public Instruction to identify and recruit parents of identified migratory students for local parent advisory councils to participate in local-level MEP planning, operation, and evaluation.

**Migrant Students.** California has the largest MEP enrollment in the nation with 136,467 migratory children reported for the most recent (2011-12) category 1 child count. This is a 15 percent decrease from the (2010-11) child count 20,673 fewer students). According to the California Department of Education (CDE), the reasons for the decrease in MEP enrollment include the overall economic downturn with high unemployment and high cost of living in the State; reduced agricultural activity due to drought and land development; and enhanced border control. The CDE stated that 56 percent of MEP students make intrastate qualifying moves; 28 percent move between California and Mexico; and 16 percent move to or from other states.

**Migrant Education Funding.** The 2012-13 budget appropriates $135 million for the federal Migrant Education Program grant. According to CDE, the state sets aside $1.3 million (one percent) of the total grant for State Administration; 114.6 million (85 percent) for Local Assistance to the Migrant Education Program regions; (14 percent) for State-Level Activities.

The $18.6 million for State-Level Activities includes various statewide service contracts, including:

- $7.1 million for Mini-Corp (services for undergraduate students);
- $6.0 million for Migrant Education School Readiness Program (MESRP); and,
- $5.5 million for other statewide programs, including but not limited to identification and recruitment, data collection, summer institutes and the Statewide Parent Advisory Council (SPAC).

**Program and Service Delivery.** California’s MEP is organized, as a regional service system comprised of 23 regions that include 14 county offices of education and 9 direct funded districts (LEAs). The CDE subgrants MEP funds to its regions through the regional application review process. Regions distribute district service agreements (DSAs) to districts with migrant populations and approve DSAs (using a checklist provided by CDE) in time for the region to submit its regional application and DSAs (including budgets) to CDE by May 31 each year. CDE uses this process to provide administrative oversight and monitoring, coordination, and technical assistance to its 23 regions. Regional directors coordinate and collaborate with one another (and with CDE) through the Regional Directors Council.

**Federal Reviews and Grant Conditions.** The findings of recent federal reviews of California’s MEP have resulted in additional grant conditions placed on CDE. The federal Office of Migrant Education (OME) at the U.S. Department of Education conducted a review of the migrant program in July 2011 and issued a summary of this review and other communications with CDE in September 2011. OME stated in its review summary that one of the reasons for the review was CDE’s failure to respond to its requests for information on what CDE was doing to respond to allegations regarding the State Parent Advisory Council.
OMB. OME stated that it had notified CDE of allegations of impropriety and
mismanagement on the SPAC in March 2010 and was unsatisfied with CDE’s response and
communications regarding this issue. OME’s review summary contained five findings
requiring corrective action summarized below:

- CDE deferred resolution of the most serious SPAC problems for more than three years
  after OME originally notified CDE of its concerns. Identified problems included violations
  of open-meeting laws, inappropriate behavior of members, adverse relationship with CDE,
  and unnecessary administrative expenditures.

- CDE was slow to respond to OME’s concerns and inquiries regarding the regions’
  administrative costs. CDE’s efforts to calculate and control administrative costs were only
  in their infancy at the time of the review.

- OME expressed concerns with CDE’s plan to pay for independent reviewers of eligibility
determinations using penalties paid by regions with the highest eligibility error rates.

- The MEP’s statewide plan remained in “draft” status at the time of OME’s review, and
  representatives of CDE could not clearly state why the State Board of Education had not
  been given the opportunity to approve it.

- CDE failed to provide OME required reports on the actions it took in response to a school
district whose migrant program was taken over by a regional office after significant fiscal
  and management problems at the district surfaced.

According to a recent Bureau of State Audit report, most of the concerns raised by the review
were the result of inaction or lack of communication by CDE in response to requests from
OME. While some concerns appear to have been resolved, other concerns formed the basis
for three special conditions imposed on CDE’s 2011 federal grant. For the 2012 federal grant,
OME continued three previous grant conditions and placed an additional grant condition on
CDE, in response to concerns regarding the alleged conduct of MEP staff at the regional and
statewide level. Each grant condition requires CDE to provide reports to OME on its efforts to
address problems raised in past reviews. OME stated that failure to respond satisfactorily to
the conditions could result in further administrative action. These grant conditions, including
one requiring CDE to conduct an audit of the fiscal operations of its regions, informed the
scope of a Bureau of State Audit report, required by legislation enacted in June 2012.

Bureau of State Audit report. The 2012-13 Budget Act provided $600,000 in one-time
federal Title I carryover funds for the Bureau of State Audits to conduct an independent audit
of state and local implementation of the federal MEP. The provisional budget bill language
required that the audit include the following:

1) A detailed audit of expenditures, fiscal practices, and fiscal oversight at the SDE and in
a sample of local Migrant Education Program regions to determine whether there is
compliance with applicable state and federal laws, regulations, and administrative
policies.

2) A detailed audit of the State Parent Advisory Council (SPAC) makeup and activities at
the state level and in a sample of local Migrant Education Program regions to
determine whether there is compliance with applicable state and federal laws,
regulations, and administrative policies, and to assess whether the state appropriately supports and engages migrant parents.

3) A detailed review of how effectively the state organizes and implements migrant education services at both the state and local levels, which includes alignment between program goals and program activities, outcomes from state-level contracts, effectiveness of data collection structures and internal operations, and the efficacy of the existing regional service delivery structure.

4) Recommendations for how the state may address audit findings related to the topics specified.

5) A review of the extent to which any relevant findings raised in recent federal reviews (since 2006) of the state’s Migrant Education Program pertaining to these and other topics have been addressed. If these findings have not been adequately addressed, provide recommendations on how the state should address them to ensure the delivery of services in the Migrant Education Program are efficient and effective.

The report concluded that, despite recent efforts to improve its oversight of the migrant program, CDE has not provided adequate guidance to the regional offices that administer the program’s services (regions). While federal law and regulations broadly outline the allowable services migrant children can receive, they depend largely on state educational agencies to set more defined program guidelines. However, CDE has not clearly defined what is necessary and reasonable for a variety of expenditure categories. This lack of formal guidance has created disagreements regarding allowable expenses as well as wide variation in how regions classify expenses. Despite the lack of robust guidance, most of the expenditures the auditor reviewed at eight program regions appear allowable. In a review of 320 randomly selected expenditures, the auditor questioned six expenditures, totaling roughly $14,800. The majority of this total relates to excessive food costs, when compared to federal per diem rates, incurred at a state parent conference sponsored by CDE. The auditor estimates that, for the last three annual conferences, the amount spent on food beyond what we would consider reasonable totals $200,000. Additionally the Auditor questioned $144,000 in janitorial and catering costs at one region because the former director of this region approved contracts with janitorial and catering companies that she or her then-husband owned.

The Auditor’s report notes that CDE’s migrant office has experienced frequent changes in leadership and high staff turnover at the same time it has been tasked with a heavy workload in response to federal reviews of the program. Moreover, the data collected on a statewide level about the migrant program are likely insufficient in detail to thoroughly evaluate whether the program is effective in addressing the academic needs of migrant children. These data limitations also prevent CDE from effectively evaluating the services it provides through statewide contracts or the regional structure used to carry out the program. Finally, because of a lack of trust, CDE has also had difficulty making productive use of a state parent advisory council whose purpose is to advise and assist the program.
BCP under review for May Revise. The California Department of Education (CDE) submitted a Budget Change Proposal (BCP) to DOF for consideration in the Governor's May Revision. The CDE is requesting 3 positions and the redirection of $443,000 in Title I, Part C state level activity local assistance authority so CDE staff can conduct some of the state level activities currently conducted by contractors. The local assistance grants (85 percent) will not be affected by this request.

According to the BCP, currently $1.2 million, or 1 percent, of the federal Title I, Part C-Migrant Grant is for state administration of the MEP in California. Ninety-nine percent of the federal grant is used for local assistance which includes 85 percent for grants to California’s MEP regions and 15 percent for state level activities contracts. Currently, state level activities are provided by contractors. However, recent audit findings by the Office of Migrant (OME) and the Bureau of State Audits (BSA) require the CDE lead more directed state level activities so audit findings and related recommendations are addressed in an on-going, systematic manner.

According to CDE, approval of this proposal will improve the CDE’s identification and recruitment of migrant students, provide for accurate collection, management and reporting of student data to the federal Department of Education (DOE), ensure districts have accurate achievement data of their migrant student population, and provide critical management and support for the State Parent Advisory Council (SPAC). According to CDE, adding three new positions to the CDE will allow the State to provide better oversight of the MEP as a whole, and ensure regions serve the needs of migrant students.

This proposal will allow the CDE to address high-priority, long-term needs, bring the MEP into compliance with federal law, and resolve long-standing audit findings. Although many of these findings have remained unresolved for many years, the OME has increased its oversight of California’s program in recent years. The OME has imposed multiple conditions on the CDE’s migrant education grant, and has warned repeatedly that it might request the federal OIG review or take over the administration of California’s migrant education program.

This proposal would also allow the CDE to be more responsive to requests from migrant student recruiters statewide, provide better data management and training to assist regions in making data-driven decisions regarding their program planning, and to be consistent and responsive to the needs of the SPAC.

The CDE has used a variety of options within existing resources to address these issues, but these efforts exposed the need for additional, permanent staffing. For example, the CDE temporarily redirected staff to assist with responses to OME correspondence and reporting requirements. This allowed the CDE to develop corrective action plans, but did not provide the staffing necessary to implement the plans. Additionally, the CDE created the Migrant Education Intervention Team by contracting a consultant from another agency for 18 months, and creating a limited-term analyst position for 12 months. The team’s assignment is to develop solutions to specified challenges for the CDE. The temporary nature of the assignment will not allow this team to implement the solutions it identifies.
CDE response to BSA. The CDE will provide the Subcommittee with a summary of their response to the BSA audit. According to the CDE comments contained in the audit, "Education disagrees with the BSA's narrow interpretation of the scope of work and does not believe it complies with the intent of the Legislature in authorizing this audit." Further, CDE states that the report "highlights some important challenges but its characterization of these problems lacks context". For example, CDE expressed concerns that the BSA report did not provide an accurate depiction of the working relationship between CDE and the SPAC and lacked recommendations to help CDE with this relationship. CDE also expressed disappointment that large portions of the report are dedicated to citing problems without recommending corresponding solutions. For example, the report makes no recommendations regarding how to decrease staff turnover or improve the working relationship with the SPAC and regional directors.

CDE notes that they are committed to improving and expanding service to migrant students in California. They state that they have taken many steps to strengthen the operations of its program office and its oversight of migrant regions. In October 2011, CDE reorganized its operations to increase Migrant Education Office as a priority within the division. In 2012, CDE created the Migrant Education Intervention Team, scheduled to complete its work in December 2013.

**Staff Comments**

The purpose of this hearing is to provide background and context to members of the Subcommittee on the various issues related to the MEP. Further, the hearing is an opportunity to discuss the findings and recommendations of the State Auditor report as well as CDEs response to the findings.

The Department of Finance is currently reviewing the BCP request from CDE related to this program. The Subcommittee will revisit this issue after the May Revision.
6360 COMMISSION ON TEACHER CREDENTIALING

ISSUE 1: 2013-14 GOVERNOR'S BUDGET

The issues for the Subcommittee to consider are:

1) The overall 2013-14 proposed budget for the Commission on Teacher Credentialing (CTC), including the fund conditions of the Teacher Credentials Fund and the Test Development and Administration Account.

2) Trailer bill language to allow the Commission on Teacher Credentialing to charge fees for accrediting teacher preparation institutions and programs. The Governor's budget assumes an increase of $200,000 in the Teacher Credentials Fund as a result of this policy change.

PANELISTS

- Commission on Teacher Credentialing
- Department of Finance
- Legislative Analyst’s Office

BACKGROUND

The 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. The CTC currently processes roughly 208,000 applications annually for nearly 200 different types of documents.

In addition to setting teaching standards and processing credentials, the CTC performs accreditation reviews of teacher preparation programs. The CTC is responsible for accrediting 260 approved sponsors of educator preparation programs, including public and private institutions of higher education and local educational agencies in California.

The CTC is also required to review and take appropriate action on misconduct cases involving credential holders and applicants resulting from criminal charges, reports of misconduct by local educational agencies, and misconduct disclosed on applications.
State Operations. The CTC is a “special fund” agency whose state operations are supported by two special funds -- the Test Development and Administration Account and the Teacher Credentials Fund. About 78 percent of CTC state operations are supported by credential fees, which are a revenue source for the Teacher Credentials Fund; the remaining 22 percent is supported by educator exam fees, which fund the Test Development and Administration Account.

Teacher Credentials Fund (Credential Fees). The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. Current law requires, as a part of the annual budget review process, the DOF to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the Commission plus a prudent reserve of not more than 10 percent.

In 2012-13 the CTC increased the credential fee from $55 to $70 due to fund instability primarily due to a decrease in credential applications. The $70 fee is the maximum fee authorized in statute. The last time the fee was at the $70 level was 1997-98. The fee was dropped to $55 starting in 2000-01 and remained at that level until last year.

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*Certification Assignment and Waivers Division Staff
**Individuals applying for a Certification of Clearance and then a first time Credential only pay one fee for the two documents, based on the current credential fee, i.e., $70 credential fee, $35.00 for Certificate of Clearance, $35.00 First Time Credential, then at 5 year renewal pay the full fee of $70.

Test Development and Administration Account (Exam Fees). The Test Development Administration Account is generated by various fees for exams administered by the CTC such as the California Basic Educational Skills Test (CBEST), the Reading Instruction Competence Assessment (RICA), and the California Subject Examination for Teachers (CSET), the California Teachers of English Learners (CTEL), and the California Preliminary Administrative Credential Examination (CPACE).

The CTC has statutory authority for reviewing and approving the examination fee structure, as needed, to ensure that the examination program is self-supporting (EC § 44235.1). To determine fees for these testing programs, CTC staff projects the number of exams – based
upon the most recent actual figures - and compares these figures with projected examination program costs.

In recent years, the number of examinations have been falling for the exam program overall. The CTC projects continuing declines in the number of examinees for the exam program.

The CTC has made a number of adjustments in recent years based upon the demand for the various exams, as indicated by the table below. In 2005-06, the CTC raised fees by $6 for all exams, except the CBEST. (Prior to this, fees had not been increased since 2001-02.) At its March 2012 meeting, the CTC reviewed and approved fee increases for all of its major exams to take effect in 2012-13. This change was projected to achieve an increase of an additional $500,000 in revenues in 2012-13.

<table>
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<th>Summary of Fee Adjustments</th>
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<td>Candidate Fee*</td>
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<tr>
<td>CBEST</td>
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<tr>
<td>CBEST – Paper Based Test</td>
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<td>CBEST – Computer Based Test</td>
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<td>RICA</td>
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<td>RICA – Written Examination</td>
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<td>CTEL</td>
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<td>CSET</td>
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<td>CPACE (Replaces the SLLA)</td>
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*There are no proposed changes in Examination fees for FY 2013-14.

Source: Commission on Teacher Credentialing.
Actions in 2012-13 stabilized special fund deficiencies. In 2007-08, the Teacher Credential Fund (TCF) began experiencing a loss of revenues, in large part due to reduced credential applications. The Test Development and Administration Account (TDAA) also experienced declines in revenues in recent years, but unlike the TCF, retained healthy fund balances that could cover expenditures. In 2012, the CTC estimated a special fund shortfall of $5 million for the budget year.

A number of actions were taken in 2012 to address the special fund shortfall. In March of 2012, the Department of Finance approved a one-time transfer of $1.5 million from the TDAA to the TCF. The 2012-13 Budget Act also took the following actions:

- Increased the teacher credentials fee by $15 from $55 to $70.
- Increased testing fees by five percent.
- Decreased state operations by $1.5 million as a result of eliminating 13 vacant positions to reflect operational efficiencies generated by streamlining the teacher preparation and credentialing processes, and achieving operational savings from reduced information technology costs.

2013-14 Fund Conditions. The following tables provide fund condition summaries for the TCF and the TDAA. The TCF is estimated to have a reserve of $943,000 (6.2 percent) for 2013-14. $200,000 of this reserve assumes the Governor's proposal to allow the CTC to levy fees for accreditation activities which this agenda will discuss later. The TDAA has very healthy reserves with an estimated reserve level of $3.1 million (74.1 percent) for 2013-14.

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<th>TEACHER CREDENTIALS FUND</th>
<th>2011-12 (^3) (Actual)</th>
<th>2012-13 (^2) (Estimated)</th>
<th>2013-14 (^2) (Proposed)</th>
<th>2014-15 (^2) (Proposed)</th>
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\(^1\) This assumes the Commission fully expends all resources each fiscal year. Historically, this has not occurred.
FY 2012-13 assumes a 3% decrease in credential revenue from FY 2011-12, based on 3rd quarter data. FY 2013-14 assumes a 3% decrease in credential revenue from FY 2012-13 and FY 2014-15 assumes a 1% decrease from FY 2013-14.

FY 2011-12 reflects a Credential Fee (Renewals) of $55 and Certificate of Clearance and subsequent First Time Credential at $27.50. FY 2012-13, 2013-14, and 2014-15 reflects a Credential Fee of $70 and Certificate of Clearance and subsequent First Time Credential at $35.00.

The General Fund Augmentation authorized in the 2009 Budget Act over 6360-011-0408 was not processed by SCO as of June 30, 2012 and as a result the pending adjustment recorded on the year-end statements reverted $540 to the TCF Fund Reserve. 2/6/2013 SCO is working on scheduling this adjustment.

### TEST DEVELOPMENT AND ADMINISTRATION ACCOUNT

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<tbody>
<tr>
<td><strong>Beginning Balance</strong></td>
<td>$6,882,000</td>
<td>$4,463,000</td>
<td>$2,825,000</td>
<td>$3,102,000</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>3,751,000</td>
<td>4,699,000</td>
<td>4,465,000</td>
<td>4,465,000</td>
</tr>
<tr>
<td><strong>TCF Transfer</strong></td>
<td>-1,500,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>GF Augmentation from BA of 2009</strong> 3/</td>
<td>0</td>
<td>-2,160,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td>-4,670,000</td>
<td>-4,177,000</td>
<td>-4,188,000</td>
<td>-4,188,000</td>
</tr>
<tr>
<td><strong>Ending Balance</strong></td>
<td><strong>$4,463,000</strong></td>
<td><strong>$2,825,000</strong></td>
<td><strong>$3,102,000</strong></td>
<td><strong>$3,378,000</strong></td>
</tr>
<tr>
<td><strong>Reserve %</strong></td>
<td>95.6%</td>
<td>67.6%</td>
<td>74.1%</td>
<td>80.7%</td>
</tr>
</tbody>
</table>

1/ Reflects estimated revenues based on the fee schedule established in FY 2011-12 for FY 2012-13, per the Budget Act.

2/ FY 2012-13 assumes a 5% decrease in exam revenue from FY 2011-12. FY 2013-14 assumes a 5% decrease from FY 2012-13 and FY 2014-15 assumes a 0% decrease from FY 2013-14.

3/ The General Fund Augmentation authorized in the 2009 Budget Act over 6360-011-0408 was not processed by SCO as of June 30, 2012 and as a result the pending adjustment recorded on the year-end statements reverted $2,160 to the TDAA Fund Reserve. 2/6/2013 SCO is working on scheduling this adjustment.

**Reporting requirements.** The 2012-13 Budget Act required the CTC to produce two new reports to the Legislature and the Administration during the fiscal year:

1) Budget bill language required CTC to work with the State Board of Education and the Legislature to identify options for: (a) streamlining the teacher preparation and credentialing processes, (b) gaining other operational efficiencies within CTC, and (c) recovering costs for accreditation services for teacher preparation programs.

2) Budget bill language required the CTC to work to improve its handling of teacher misconduct cases. To this end, the language required the CTC to submit biannual reports to the Legislature, the LAO and the DOF on the workload of the Division of
Professional Practices (DPP) and the status of the teacher misconduct caseload. The first report was submitted on March 1 and the next report is due October 1.

In addition to these reports, the CTC continues to submit biannual reports related to credential application processing time and an annual report to the Department of Finance in September of each year describing the teacher examination validation. The CTC will provide a brief overview of these reports at the hearing.

**Update on BSA audit.** On April 7, 2011, the California State Auditor issued a report entitled “Despite Delays in Discipline of Teacher Misconduct, the Division of Professional Practices has not Developed an Adequate Strategy or Implemented Processes That Will Safeguard Against Future Backlogs”.

The Division of Professional Practices conducts investigations of misconduct on behalf of the Committee of Credentials – a commission appointed body. The committee meets monthly to review allegations of misconduct and, when appropriate, recommends that the commission discipline credential holders or applicants, including revoking or denying credentials when the committee determines holders or applicants are unfit for the duties authorized by the credential.

Key findings from the audit included the following:

1. As of the summer of 2009, according to the commission’s management, the Division of Professional Practices had accumulated a backlog of 12,600 unprocessed reports of arrest and prosecution (RAP sheets)—almost three times a typical annual workload.

2. The large backlog of unprocessed reports appears to have significantly delayed processing of alleged misconduct by the Division of Professional Practices and potentially allowed educators of questionable character to retain a credential.

3. The Division of Professional Practices has not effectively processed all the reports of arrest and prosecution that it receives. A review of randomly selected reports could not be located within the CTC’s database. Further, the division processes reports it no longer needs.

4. To streamline the committee’s processing of pending cases, the Division of Professional Practices uses its discretion to close cases, or not open cases for which it believes the committee would choose not to recommend disciplinary action against the credential holder. However, the BSA did not believe the committee can lawfully delegate this discretion to the division.

5. The Division of Professional Practices lacks comprehensive written procedures for reviewing reported misconduct and the database it uses for tracking cases of reported misconduct does not always contain complete and accurate information.

6. Familial relationships among commission employees may have a negative impact on employees’ perceptions and without a complete set of approved and consistently applied hiring practices, the CTC is vulnerable to allegations of unfair hiring and employment practices.
The BSA Audit made numerous recommendations to the CTC including that it develop and formalize comprehensive procedures for reviews of misconduct and for hiring and employment practices to ensure consistency. The Audit also recommended that the CTC provide training and oversight to ensure that case information on its database is complete, accurate, and consistent. Moreover, the BSA Audit provided specific recommendations for the CTC to revisit its processes for overseeing investigations to adequately address the weaknesses in its processing of reports of misconduct and reduce the time elapsed to perform critical steps in the review process.

On September 27, 2012, the State Auditor reported to the Commission that all of the auditor’s recommendations had been implemented.

**GOVERNOR’S PROPOSAL**

**Overall Budget.** The Governor’s 2013-14 Budget proposes to provide a total of $19.6 million for CTC activities, a net decrease of $25.5 million over 2012-13 funding levels. The major reason for this decrease is the Governor’s proposal to eliminate the funding for the Alternative Credentialing Program and the Paraprofessional Teacher Training Programs. The Governor proposes to roll the $26.1 million Proposition 98 (General Fund) for these programs into his Local Control Funding Formula. The Governor’s budget proposes to continue to provide $308,000 in reimbursements from the CDE to support the Teacher Misassignment Monitoring Program. The CTC does not receive any General Fund support for administration of these programs.

<table>
<thead>
<tr>
<th>Summary of Expenditures (Dollars in Thousands)</th>
<th>2012-13</th>
<th>2013-14</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund, Proposition 98</td>
<td>$26,191</td>
<td>$--</td>
<td>$-26,191</td>
<td>-100.0</td>
</tr>
<tr>
<td>Teacher Credentials Fund</td>
<td>14,437</td>
<td>15,067</td>
<td>+630</td>
<td>+2.4</td>
</tr>
<tr>
<td>Test Development &amp; Adm. Account</td>
<td>4,146</td>
<td>4,169</td>
<td>+23</td>
<td>+0.1</td>
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<tr>
<td>Reimbursements</td>
<td>308</td>
<td>308</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$45,082</td>
<td>$19,544</td>
<td>-$25,538</td>
<td>-97.5</td>
</tr>
<tr>
<td><strong>Full-Time Positions</strong></td>
<td>149.1</td>
<td>151.1</td>
<td>+2.0</td>
<td>+0.1</td>
</tr>
<tr>
<td><strong>Authorized Positions</strong></td>
<td>152.4</td>
<td>152.4</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

**Fee Proposal for Accrediting Teacher Preparation Programs.** The CTC’s budget is largely covered by teachers and other education professionals paying fees for credentials and educator examinations. The CTC does not currently levy fees for accreditation activities or disciplinary reviews.

As the agenda previously noted, the CTC experienced an operating shortfall in 2012. In addition to rectifying the shortfall in the current year, the Budget Act included provisional language tasking the CTC with (1) examining what further efficiencies it could achieve and (2) identifying additional sources of revenue.
In response to the provisional language, CTC has raised the option of establishing fees for specified institutional and program accreditation services as a potential means of recovering at least some of the costs of providing these services. Under the option, CTC would charge a fee for some accreditation activities. This new fee structure would apply to both new teacher preparation institutions and programs wanting to administer an educator preparation program. In addition, CTC would impose fees on institutions and programs that do not meet the commission’s accreditation standards and therefore require additional CTC visits and reviews in order to become or remain accredited. Fees per review would be in the $500 to $3,000 range. Under the option, CTC believes it would raise enough revenue to cover associated travel costs.

Governor’s Proposal. The Governor’s budget includes trailer bill language to implement CTC’s option of imposing fees to recover non-salary costs for new accreditation initial institution and educator preparation program reviews and extraordinary accreditation activities. The commission would be required to notify the Legislature and the Department of Finance 30 days prior to establishing or adjusting the fees. The Governor’s budget assumes these new fees would generate additional revenue of $200,000 in 2013-14. The CTC notes that should the Governor’s proposal be enacted as part of the 2013-14 Budget Act, the Commission would need to adopt and submit proposed regulations to the Office of Administrative Law prior to charging these fees.

Accreditation activities currently suspended. According to the LAO, the CTC is not conducting accreditation activities in the current year due to budget constraints. This suspension applies to both programs seeking first-time accreditation and those seeking to renew accreditation. The accreditation system also was suspended from December 2002 through June 2007 due to the confluence of declining CTC budgets and changes to the accreditation system. As a result of these suspensions, 60 to 80 teacher preparation programs—out of 261 active programs—have not participated in ongoing accreditation activities in more than ten years. The commission believes the lack of consistent accreditation activities has amplified a few ongoing issues in teacher preparation programs, including selecting quality instructors and placing intern teachers in appropriate supervised field instruction. Commission staff has indicated they are taking steps to prepare for accreditation activities to restart in the budget year.

LAO Comments. According to the LAO, accrediting agencies typically charge associated fees, but, unlike the fee option identified by CTC, other fee policies typically generate sufficient revenue to cover the bulk, if not all, of accreditation costs. For example, both the Western Association of Schools and Colleges (WASC) and the National Council for Accreditation of Teacher Education (NCATE) charge fees for accreditation. The WASC charges fees to institutions based on the type of accreditation visit required and the travel cost associated with the visit. Similarly, NCATE charges both an annual membership fee and a size-based fee when an institution is undergoing NCATE accreditation (with larger institutions paying a higher accreditation fee).

According to the LAO, it is unclear if the CTC will have sufficient resources, even if the new fee option is adopted, to restart accreditation unless the commission reorders its priorities for the budget year. To date, CTC has not explicitly identified the activities it would suspend in 2013-14 in order to be able to restart accreditation activities. If CTC lacks the willingness or
ability to redirect resources from other activities to accreditation, then the commission would need to take action to suspend accreditation for an additional year.

The LAO also questions whether the accreditation process is necessary. According to the LAO, by proposing that CTC establish accreditation fees, the Governor’s proposal assumes that accreditation is an important state service which should resume. Suspending accreditation multiple times over the last decade without significant negative repercussions suggests, however, that accreditation might not be an essential state activity. Moreover, many institutions are accredited not only by CTC but also by WASC and NCATE, suggesting that state accreditation could be redundant in light of the requirements of other regional and national forms of accreditation. Furthermore, in addition to the accreditation process, CTC evaluates teacher quality through the credentialing process. Thus, under the current system, CTC is evaluating both the inputs (accreditation) and the outputs (credentialing) of teacher preparation. For all these reasons, the LAO recommends the Legislature carefully consider whether CTC accreditation needs to be restarted.

The LAO also raises concerns that the current process remains heavily input-based—requiring a significant amount of CTC staff time to conduct extensive interviews and document reviews. Further, they are concerned that the existing accreditation process provides little publicly accessible information about the quality of teacher preparation institutions and programs—particularly on key performance measures such as subsequent teacher employment and retention. In addition, the LAO is concerned that the existing accreditation system does not sufficiently target CTC services to those teacher preparation institutions and programs that show signs of poor performance. If the Legislature were to determine that CTC accreditation is a vital state service, then we recommend the Legislature consider various modifications to the state accreditation process to make it more cost effective, including annual reviews of a relatively small set of meaningful performance data and more targeted interaction with poor performers.

The LAO believes the Governor’s proposal to raise fees to cover associated accreditation costs is reasonable if the accreditation process is redesigned to be as cost-effective as possible. Allowing CTC to raise new revenue through accreditation fees would put CTC in a more viable funding position and help it address its ongoing budget challenges. The Governor’s proposal, however, does not allow CTC to recover the entire cost of its accreditation activities. According to the LAO, the proposed fees would cover only travel costs, not the ongoing accreditation activities of CTC staff. The LAO does not see a rationale for raising fees to cover only a portion of the cost. Moreover, in the case of CTC’s credentialing and test-related activities, fees are set such that they cover the entire cost of associated activities. For these reasons, the LAO recommends the Legislature authorize CTC to set fee levels sufficient to cover the entire cost of required accreditation activities.

**STAFF COMMENTS/QUESTIONS**

1) What is the Commission currently doing related to accreditation? What specific steps are being taken to prepare to restart accreditation site visits in the budget year?

2) According to the LAO, suspending accreditation multiple times over the last decade was “without significant negative repercussions”. Further, they suggest that accreditation may not be an essential state activity. Does the CTC concur with this assessment?
3) The LAO raises concerns that the proposed fees would cover only travel costs, not the ongoing accreditation activities of CTC staff. DOF/CTC, have you considered these issues? Do you share these concerns?

4) The LAO recommends the Legislature authorize CTC to set fee levels sufficient to cover the entire cost of required accreditation activities? What does the Administration think of this proposal? CTC?

5) The latest Fund Condition Summary shows that healthy fund balances rely heavily on approving the Governor’s accreditation fee. How confident is the CTC and DOF that the $200,000 assumption is achievable? Has the CTC considered other options for stabilizing fund balances?