



The 2014-15 Budget:

The Commission on Teacher Credentialing

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Executive Summary

The Commission on Teacher Credentialing (CTC) is responsible for issuing teacher credentials, accrediting teacher preparation programs, and conducting disciplinary reviews of credential holders. The CTC has an annual budget of about \$20 million. Its two main revenue sources are teacher credential fees and test fees. Revenue from credential fees is deposited into the Teacher Credentials Fund (TCF) whereas test fee revenue is deposited into the Test Development and Administration Account (TDAA).

Cash Flow. The Governor proposes to grant CTC flexibility to transfer funds from the TDAA to the TCF for a 60-day period within a fiscal year to cover cash flow shortages without Department of Finance (DOF) approval. (Currently, transfers from the TDAA to the TCF can be made only with DOF approval.) Given CTC commonly has cash flow challenges, we recommend the Legislature address the issue more fundamentally by combining the TCF and the TDAA into a single account. The combined reserve would be sufficient to cover CTC's operations during cash-poor months. We also recommend the Legislature work with the administration and CTC to refine budget documents such that fee revenues can be more easily linked with associated expenditures. Though not currently available, this detail would improve the Legislature's ability to undertake appropriate fiscal oversight of CTC's budget.

Accreditation. The Governor also proposes to allow CTC to raise fees for all types of accreditation activities. We recommend the Legislature approve this proposal, as it is consistent with action the state took last year giving CTC authority to raise fees for accrediting new teacher preparation programs and conducting extraordinary accreditation activities (such as follow-up site visits). Allowing CTC to charge for all accreditation activities also is consistent with other areas of CTC's budget, including credentialing and testing, which are designed to be self-sustaining. We are concerned, however, that the Governor's proposal makes no improvements to CTC's current labor-intensive accreditation process. To reduce associated costs, labor, and fees, we recommend the Legislature amend statute to require CTC to streamline its standards and accreditation process.

Background

Overview of CTC’s Budget

CTC Is Organized According to Its Three Primary Functions. The CTC has three divisions, each of which is responsible for a primary function of the commission: (1) the Certification Division, which issues credentials, permits, and waivers authorizing persons to work in California schools; (2) the Professional Services Division, which adopts standards for the teaching profession and accredits teacher preparation programs based on their adherence to the standards; and (3) the Division of Professional Practices, which investigates complaints against credential holders and has the authority to suspend and revoke credentials. As Figure 1 shows, the CTC has an annual budget of about \$20 million and 152 authorized positions. Among the divisions, Certification is the largest.

Teacher Credential Fee Is Largest Source of CTC Revenue. School employees are required to pay a fee to CTC when they apply for a credential for the first time and when they renew a credential, typically every five years. Credential fees are set by the Legislature. The current credential fee is \$70. State law requires DOF to review the fee level annually and recommend a fee level that is “sufficient to generate revenues necessary to support the operating budget of the commission

plus a prudent reserve.” Revenue from credential fees flows into the TCF, which makes up about 75 percent of CTC’s revenues.

Teacher Test Fees Also a Source of CTC Revenue. School employees also pay fees when they take tests required for earning credentials. Unlike the credential fee, which is set in statute, test fees are set by the CTC. Test fees currently range from \$41 for the paper-based version of the basic skills test (required for most teachers applying for their first credential) to \$427 for the California Preliminary Administrative Credential Examination (required for administrator candidates who do not complete an approved administrator preparation program). Revenue from test fees flows into the TDAA, which makes up roughly 25 percent of the commission’s total revenues. Under state law, TDAA funds must be used for the development and administration of tests or other assessments required by CTC.

Credential Volume Dropped Notably From 2006-07 to 2012-13, Contributing to Budget Shortfalls. As Figure 2 shows, credential applications declined by one-third between 2006-07 and 2012-13. Largely because of the associated decline in TCF revenues, CTC began experiencing operating shortfalls, with shortfalls growing to an estimated \$5 million (about 25 percent of CTC’s budget) by 2012-13. In response, the state took several measures in building the 2012-13

budget to reduce CTC’s expenditures and increase its revenues, including (1) raising the credential fee from \$55 to \$70, (2) reducing staff by 13 positions, (3) making one-time spending reductions in information technology, and (4) suspending certain

Figure 1
CTC Expenditures and Positions by Division

Revised 2013-14 Estimates (Dollars in Millions)

Division	Expenditures	Authorized Positions
Certification	\$7.8	44.0
Professional Practices	6.5	37.3
Professional Services	5.4	31.0
Administration ^a	—	40.1
Totals	\$19.8	152.4

^a The Commission on Teacher Credentialing (CTC) reports expenditures for administration within each of the three divisions, as applicable, but reports positions separately.

accreditation activities. In 2013-14, the state also allowed CTC to begin charging a fee for certain accreditation activities (discussed in more detail in the next section of this report).

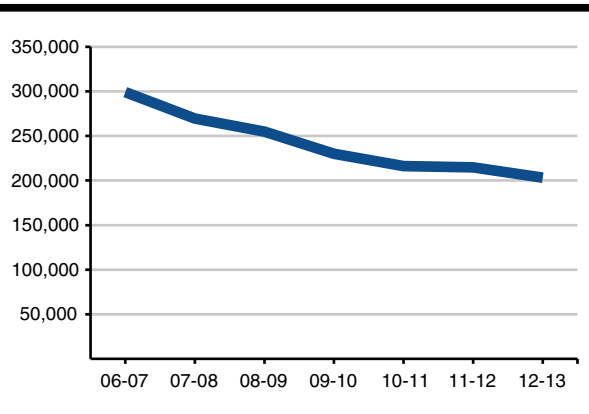
CTC Also Has Faced Cash Flow Issues.

Despite these actions, CTC's budget shortfalls gradually have eroded the reserve in the TCF, exacerbating CTC's cash flow challenges. Credential volume typically fluctuates throughout the year, with credential applications at their lowest in the three-month period from October through December. With an adequate reserve in the TCF, CTC is able to cover expenses even in months when credential fee revenue is lower than expenditures. When the TCF reserve is not sufficient to cover expenses, CTC, with DOF approval, can borrow from the TDAA to cover a shortfall in the TCF. (State law does not permit the commission to borrow TCF money to cover a TDAA shortfall.) In 2011-12, the reserve in the TCF dipped below 5 percent, prompting the state to authorize a \$1.5 million transfer from the TDAA to the TCF to cover day-to-day expenses. Despite this transfer, CTC's cash flow concerns persist. In the fall of 2013, CTC requested a \$700,000 loan from the TDAA to meet TCF expenses during cash-poor months. (In subsequent months, however, DOF determined the loan was not needed and ultimately did not approve it.)

A Few Indicators Suggest CTC's Budget May Stabilize. Although it still faces budgetary challenges, CTC experienced a 7 percent increase in credential applications during the first six months of 2013-14 compared to the same period in 2012-13. Moreover, growing enrollment in the California State University (a primary source of teacher candidates) and increased state funding for school districts could result in more people entering the teaching profession, leading to higher revenue from credential application fees in future years.

Figure 2

Credential Applications by Year



Accreditation of Teacher Preparation Programs

CTC Is Required to Accredite All Teacher Preparation Programs. State law requires teacher preparation programs to be accredited by CTC before they can recommend a candidate for a credential. The CTC accredits both new and existing teacher programs. In 2013-14, more than 250 institutions offering almost 1,400 accredited teacher preparation programs are operating in the state.

CTC Uses Seven-Year Accreditation Cycle for Existing Programs. Though CTC has changed its accreditation process over time, it currently requires each existing teacher preparation program to undergo a seven-year process to demonstrate the program is adhering to CTC's teacher preparation standards. During the first five years of the process, programs are required to submit biennial reports that provide data on program effectiveness and explain how the program is being modified to address any weaknesses identified by the data. In the fourth year of the review cycle, programs undergo program assessment, in which they submit documentation to show their coursework and field experiences meet CTC's standards. In year six, CTC conducts a site visit to verify programs

are being implemented as described in program assessment documents. The site visit also allows CTC to investigate any issues identified in program assessment documents or biennial reports. In year seven, programs are required to address any concerns identified by CTC through the site visit. This process may entail further site visits or document reviews to ensure programs have addressed problems.

CTC Uses Similar but Shorter Process for New Programs. Institutions that have never offered a teacher preparation program first must submit an Initial Institutional Approval document for CTC's review. Then, each new program must submit an Initial Program Review document. Similar to the program assessment process for existing programs, new institutions and programs must demonstrate through these documents that they are designed to meet CTC's standards. They also must meet certain preconditions, such as demonstrating the need for the program and complying with the statutory limit on program length (currently two years). Initial Institutional Approval and Initial Program Approval each take CTC 6 to 12 months to complete. After earning initial accreditation, new programs are required to undergo the seven-year process to remain accredited.

CTC Can Grant Accreditation, Deny Accreditation, or Issue Stipulations. If CTC determines a program has met its standards, it accredits the program. The CTC also can grant accreditation with stipulations, which require a program to submit additional documentation or make modifications to address CTC's concerns. The commission issues three types of stipulations, in order of increasing severity: technical, major, and probationary. Technical stipulations tend to be relatively minor (such as providing only one field placement instead of two, as is required for some credential programs). Major stipulations are issued when several standards are not met,

impacting program quality and requiring a revisit from CTC (such as failing to assign a supervisor to each candidate during a required internship). Probationary stipulations are issued when numerous standards are not met, impacting program quality and requiring a revisit, additional documentation, and 60-day progress reports (such as a lack of adequate staff, technology, or office space). From 2008-09 through 2012-13, CTC issued stipulations for 33 institutions (or about one-fifth of all institutions reviewed during that time). Of these stipulations, about 80 percent were technical, 15 percent major, and the remainder probationary. If any identified concerns are not addressed within one year, CTC can deny accreditation. Programs typically rectify any issues identified by CTC within one year, unless CTC grants an extension. In the last ten years, CTC has not denied accreditation to any teacher preparation institution or program.

CTC Suspended Accreditation Site Visits in 2012-13 Because of Budget Challenges. Because of limited funding, CTC suspended site visits in 2012-13 as well as certain other accreditation activities (such as training the volunteers who review accreditation documents). The commission resumed site visits in 2013-14. During 2013-14, it plans to visit the 35 existing teacher preparation programs that were expected to have a site visit last year.

CTC Authorized to Charge for Some Accreditation Activities. Chapter 48, Statutes of 2013 (AB 86, Committee on Budget), allows CTC to recover costs for (1) accreditation of new teacher preparation programs and (2) extraordinary activities (such as additional site visits and document reviews) it conducts when a program does not meet all accreditation standards. The fees for new programs range from \$1,000 to \$2,000, while fees for programs that do not meet CTC's standards range from \$500 to \$3,000. The CTC

projects it will collect about \$50,000 in revenue from the new accreditation fees during 2013-14. This estimate is revised down from the initial budgeted amount of \$200,000 because CTC was not able to implement the new fees until later than expected.

CTC Exploring Modifications to Existing Accreditation Process. The commission acknowledges its current accreditation process, which involves reviewing hundreds of pages of documents and conducting interviews with numerous stakeholders, is labor-intensive. In December 2013, CTC staff presented options for streamlining the accreditation process to focus more on program outcomes and less on inputs (such as syllabi and other course documents). These options include (1) developing more concise teacher preparation standards, (2) using teacher performance data to evaluate programs, (3) simplifying and reducing the length of required documents (for example, by setting page limits and developing templates), and (4) conducting less-intensive reviews for programs that have achieved certain outcomes and for programs seeking renewal.

CTC Updating Teacher Preparation Program Standards to Reflect Common Core State Standards (CCSS). The CTC also is planning to update its teacher preparation program standards to reflect the CCSS. The CTC is currently scheduled to convene a standards-writing panel in May or June of 2014. The panel would present a draft of new standards to CTC for adoption by August 2015. (The CTC recently extended its timeline for adopting new standards by six months—from February to August—citing budget limitations.) Although program standards will not reflect the CCSS until CTC adopts new standards, CTC has notified teacher preparation programs that they must prepare teachers to teach the CCSS beginning in 2014-15. The CTC will verify programs

are integrating the CCSS through its normal accreditation process.

Governor's Proposals

Allows Short-Term Loans From Test Fee Account to Credential Fund. To address CTC's cash flow concerns, the administration proposes to allow the commission to transfer funds from the TDAA to the TCF for up to 60 days within a fiscal year without DOF approval. If the TCF has insufficient funds to repay the TDAA funds within 60 days, the commission would be required to make monthly repayments until the full amount is restored to the TDAA. Future fund transfers would be prohibited if CTC does not repay the full amount by the end of the fiscal year.

Extends Accreditation Fees. The administration proposes to grant CTC authority to begin collecting fees for the regular activities it undertakes in accrediting existing teacher preparation programs. The specific accreditation fee schedule would be set by CTC. The administration estimates the new fees would generate an additional \$650,000 in revenue (for total accreditation revenue of \$850,000) in 2014-15.

Assessment and Recommendations

Consolidating TDAA and TCF Would Be More Effective Than Allowing Short-Term Transfers Among Accounts. Though allowing CTC to make short-term transfers from the TDAA to the TCF would somewhat improve its ability to manage cash flow, its cash flow situation could be better addressed by merging the TCF and TDAA into one account. This approach would help CTC cover its cash flow needs during months when credential applications are low without the need for periodic transfers back and forth between accounts. As Figure 3 shows (see next page), in recent years the reserve in the TCF has been below 5 percent.

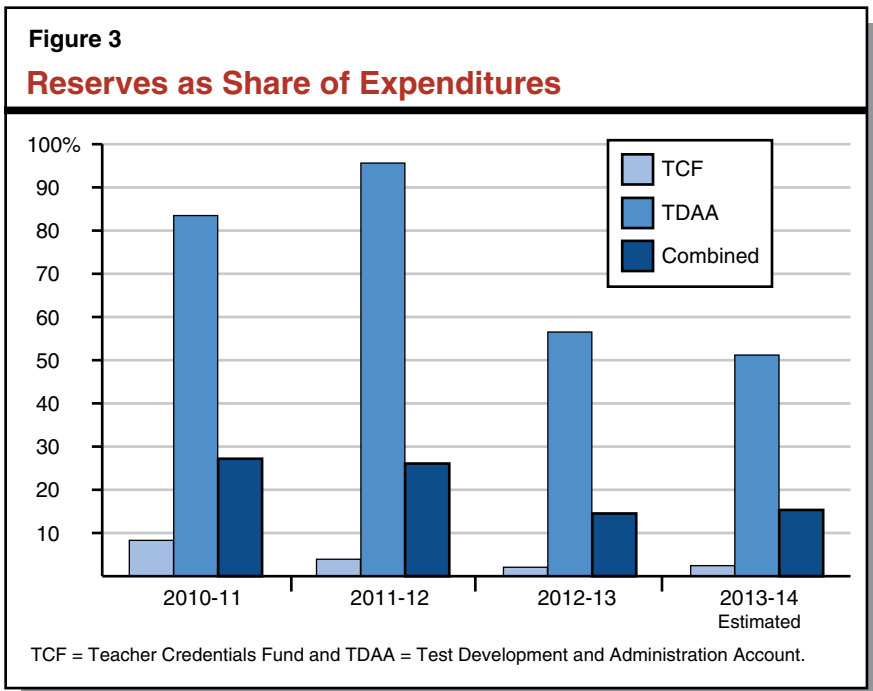
That is, the reserve has been inadequate to cover even one month of expenditures (8 percent to 9 percent of yearly expenditures). The combined reserve across both CTC funds, however, has been more than 10 percent. The larger reserve in a combined account would reduce CTC challenges in covering its costs during cash-poor months. In addition to consolidating the TCF and TDAA into one account, we recommend the Legislature work with the administration and CTC to refine budget documents such that revenues from fees can be more easily linked with associated expenditures. Even with two separate accounts, this budget detail currently is not available, yet having the information would improve the Legislature’s ability to undertake appropriate fiscal oversight.

Recommend Legislature Adopt Governor’s Proposal to Expand Accreditation Fees. The Governor’s proposal to allow CTC to collect fees for accrediting existing programs is consistent with action the state took last year to authorize fees for accrediting new programs as well as undertaking extraordinary accreditation activities. Authorizing fees for all types of accreditation activities creates

an associated revenue source and helps ensure that accreditation activities are continued even in tight budget years. Allowing CTC to draw upon another source of revenue, particularly one likely to be more stable than its other revenue sources, also would place CTC on a sounder fiscal footing. This, in turn, could make large backlogs in credential applications and disciplinary reviews less likely to arise during tight budget years. Furthermore, allowing CTC to charge for all accreditation activities is consistent with other areas of CTC’s budget, particularly testing, which already is designed to be self-sustaining. (Although CTC does not currently plan to use its expanded fee authority to cover all accreditation activities, we believe that full cost recovery is consistent with legislative intent that CTC’s activities, whenever practicable, be fully self-supporting.)

Governor’s Proposal Does Not Address Serious Flaws With Current Accreditation Process. While we believe assessing accreditation fees is consistent with CTC’s other fee-raising abilities, we are concerned that the administration’s proposal makes no improvements to CTC’s current labor-

intensive accreditation process. Under its current approach, CTC claims that it must ensure teacher preparation programs comply with every word of every program standard it adopts. The number and length of the current standards and CTC’s approach to enforcing the standards result in an accreditation process that is costly, labor-intensive, and burdensome for CTC and the institutions it accredits. A program assessment for an individual credential



program, for example, contains roughly 100 to 200 pages of narrative and up to 1,000 pages of supporting evidence. (Large institutions may need to submit separate assessments for more than 20 programs.) While CTC asserts that this process helps ensure program quality, the process generates little information to help teacher candidates, the public, and the Legislature identify whether programs are producing effective classroom teachers. Although CTC at a recent commission hearing discussed options to revise its standards, streamline accreditation, and incorporate more program outcomes, it has not developed a plan or timeline for implementing these options.

Recommend Legislature Direct CTC to Overhaul Standards and Accreditation. To reduce the cost, labor, and fees associated with the current accreditation process, we recommend the Legislature adopt statute that requires CTC to make substantial revisions to its standards and accreditation process by January 1, 2016. We recommend these revisions be guided by the following broad principles.

- Program standards should be clear, concise, and aligned to the state’s academic content standards. The standards should focus only on the most critical aspects of teacher preparation.
- Accreditation should incorporate reliable program outcomes data, including but not limited to: job placement rates, retention rates, and surveys of program completers and employers. These data should be made available to the public.
- Accreditation should be cost-effective and self-supporting. Accreditation fees should be as low as possible while still sufficient to cover expenses associated with a streamlined accreditation process. The Legislature should review the fees periodically to ensure they are reasonable.

To ensure CTC is making progress on the revisions outlined above, we also recommend the Legislature require CTC to submit a status report to the Legislature by January 1, 2015. As part of the status report, we recommend the Legislature require CTC to identify the changes it plans to make to its accreditation fee schedule as a result of streamlining teacher standards and associated accreditation activities.

Conclusion

The Governor’s proposals address two issues CTC has struggled with in recent years: (1) maintaining adequate cash flow to fund its day-to-day operations and (2) generating sufficient revenue to support accreditation. The Governor’s proposed solutions, however, fail to address more fundamental issues, namely the segregation of CTC’s funds into two accounts and the costly, labor-intensive system of accreditation currently in place. Our recommendations—consolidating CTC’s two main accounts and overhauling the accreditation process—would address these more fundamental issues while placing CTC on a more solid financial footing over the long term.

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