

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Wednesday, March 30, 2016
2:30 p.m.
State Capitol - Room 3191

Consultant: Elisa Wynne

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Public Comment

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6100 DEPARTMENT OF EDUCATION**Issue 1: Fiscal Crisis and Management Assistance Team – Update on K-12 School District Fiscal Health (Information Only)****Description:**

The Fiscal Crisis and Management Assistance Team (FCMAT) provides a statewide resource to help monitoring agencies in providing fiscal and management guidance and helps local education agencies (LEAs), school districts, county offices of education (COEs), and charter schools, as well as community college districts, fulfill their financial and management responsibilities. Lead FCMAT staff will provide a presentation on the financial status of local education agencies, including an update on the number of these agencies with negative and qualified certifications on the latest financial status reports and the status of state emergency loans.

Panel:

- Joel Montero, Chief Executive Officer, FCMAT
- Mike Fine, Chief Administrative Officer, FCMAT

Background:

Assembly Bill 1200 (Eastin), Chapter 1213, Statutes of 1991, created an early warning system to help LEAs avoid fiscal crisis, such as bankruptcy or the need for an emergency loan from the state. The measure expanded the role of COEs in monitoring school districts and required that they intervene, under certain circumstances, to ensure districts can meet their financial obligations. The bill was largely in response to the bankruptcy of the Richmond School District, and the fiscal troubles of a few other districts that were seeking emergency loans from the state. The formal review and oversight process requires that the county superintendent approve the budget and monitor the financial status of each school district in its jurisdiction. COEs perform a similar function for charter schools, and the California Department of Education (CDE) oversees the finances of COEs. There are several defined "fiscal crises" that can prompt a COE to intervene in a district: a disapproved budget, a qualified or negative interim report, or recent actions by a district that could lead to not meeting its financial obligations.

Beginning in 2013-14, funding for COE fiscal oversight was consolidated into the Local Control Funding Formula (LCFF) for COEs. COEs are still required to review, examine, and audit district budgets, as well as annually notify districts of qualified or negative budget certifications, however, the state no longer provides a categorical funding source for this purpose.

AB 1200 also created FCMAT, recognizing the need for a statewide resource to help monitoring agencies in providing fiscal and management guidance. FCMAT also help LEAs fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training, and other related services. FCMAT also includes the California School Information Services (CSIS). LEAs and community colleges can proactively ask for assistance from FCMAT, or the Superintendent of Public Instruction (SPI), the county superintendent of schools, the FCMAT Governing Board, the

California Community Colleges Board of Governors or the state Legislature can assign FCMAT to intervene or provide assistance. Ninety percent of FCMAT's work is a result of an LEA inviting FCMAT to perform proactive, preventive services, or professional development. Ten percent of FCMAT's work is a result of assignments by the state Legislature and oversight agencies to conduct fiscal crisis intervention.

The office of the Kern County Superintendent of Schools was selected to administer FCMAT in June 1992. The Governor's 2016-17 budget provides the same operational support for FCMAT as provided in the current year. Specifically, the budget proposes to provide \$5.3 million Proposition 98 General Fund for FCMAT functions and oversight activities related to K-12 schools. The Governor's budget also includes \$570,000 Proposition 98 General Fund for FCMAT to provide support to community colleges.

Interim Financial Status Reports. Current law requires LEAs to file two interim reports annually on their financial status with the CDE. First interim reports are due to the state by December 15 of each fiscal year; second interim reports are due by March 17 each year. Additional time is needed by the CDE to certify these reports.

As a part of these reports, LEAs must certify whether they are able to meet their financial obligations. The certifications are classified as positive, qualified, or negative.

- A positive certification is assigned when an LEA will meet its financial obligations for the current and two subsequent fiscal years.
- A qualified certification is assigned when an LEA may not meet its financial obligations for the current and two subsequent fiscal years.
- A negative certification is assigned when an LEA will be unable to meet their financial obligations in the current year or in the subsequent fiscal year.

AB 1200 states the intent that the legislative budget subcommittees annually conduct a review of each qualifying school district (those that are rated as unlikely to meet their fiscal operations for the current and two subsequent years), as follows: "It is the intent of the Legislature that the legislative budget subcommittees annually conduct a review of each qualifying school district that includes an evaluation of the financial condition of the district, the impact of the recovery plans upon the district's educational program, and the efforts made by the state-appointed administrator to obtain input from the community and the governing board of the district."

First Interim Report. The first interim report was published by CDE in February 2016 and identified four LEAs with negative certifications. These LEAs will not be able to meet their financial obligations for 2015-16 or 2016-17, based on data generated by LEAs in Fall 2015, prior to release of the Governor's January 2016-17 budget. The first interim report also identified 16 LEAs with qualified certifications. LEAs with qualified certifications may not be able to meet their financial obligations for 2015-16, 2016-17 or 2017-18.

Second Interim Report. The second interim report, which covers the period ending January 31, 2016, has not been released by CDE yet. Based on preliminary information provided by FCMAT, the below tables show that four LEAs are estimated to have negative certifications based on second interim reporting and 16 LEAs are estimated to have qualified certifications. This data has not yet been verified by CDE.

Negative Certification	
Second Interim Budget Certifications – Projected	
County:	District:
Los Angeles	Castaic Union
Los Angeles	Inglewood Unified
San Diego	Julian Union Unified
San Luis Obispo	Shandon Joint Unified

Source: Fiscal Crisis and Management Assistance Team

Qualified Certification	
Second Interim Budget Certifications - Projected	
County:	District:
Alameda	Oakland Unified
Calaveras	Calaveras Unified
El Dorado	Black Oak Mine Unified
Fresno	Parlier Unified
Lake	Middletown Unified
Los Angeles	Los Angeles Unified
Napa	Howell Mountain Elementary
Plumas	Plumas Unified
Sacramento	Galt Joint Union High
San Benito	Aromas-San Juan Unified
San Bernardino	Colton Joint Unified
San Diego	San Diego Unified
San Diego	Warner Unified
Santa Clara	Lakeside Joint Union
Sonoma	Kashia Elementary
Ventura	Moorpark Unified

Source: Fiscal Crisis and Management Assistance Team

The chart below shows the history of negative and qualified certifications. Looking back to 2001-02, the number of negative certifications in the second interim peaked in 2008-09 at 19, while the number of qualified certifications peaked in 2011-12 at 176.

Certifications of Financial Reports

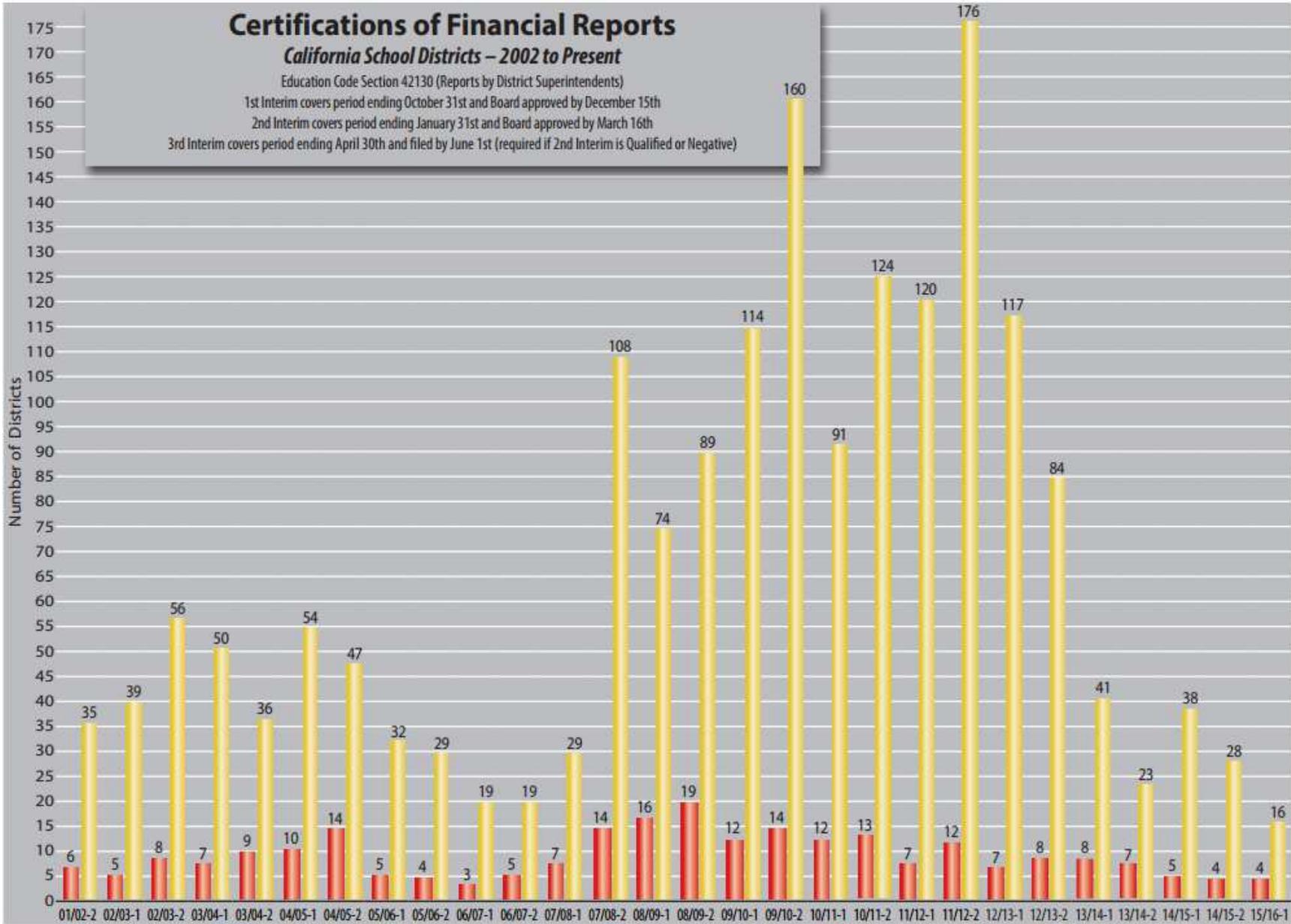
California School Districts – 2002 to Present

Education Code Section 42130 (Reports by District Superintendents)

1st Interim covers period ending October 31st and Board approved by December 15th

2nd Interim covers period ending January 31st and Board approved by March 16th

3rd Interim covers period ending April 30th and filed by June 1st (required if 2nd Interim is Qualified or Negative)



■ Negative Certification
 ■ Qualified Certification
 ■ Preliminary Negative Certification
 ■ Preliminary Qualified Certification
 ■ Projected Negative Certification
 ■ Projected Qualified Certification

Positive Certification: Shall be assigned to any school district that, based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years.
 Qualified Certification: Shall be assigned to any school district that, based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.
 Negative Certification: Shall be assigned to any school district that, based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

Projected results are based on an informal survey of educational agencies.
 Fiscal Crisis & Management Assistance Team 3/21/16

State Emergency Loans. A school district governing board may request an emergency apportionment loan from the state if the board has determined the district has insufficient funds to meet its current fiscal obligations. Existing law states the intent that emergency apportionment loans be appropriated through legislation, not through the budget. The conditions for accepting loans are specified in statute, depending on the size of the loan. For loans that exceed 200 percent of the district's recommended reserve, the following conditions apply:

- The State Superintendent of Public Instruction (SPI) shall assume all the legal rights, duties, and powers of the governing board of the district.
- The SPI shall appoint an administrator to act on behalf of the SPI.
- The school district governing board shall be advisory only and report to the state administrator.
- The authority of the SPI and state administrator shall continue until certain conditions are met. At that time, the SPI shall appoint a trustee to replace the administrator.

For loans equal to or less than 200 percent of the district's recommended reserve, the following conditions apply:

- The SPI shall appoint a trustee to monitor and review the operation of the district.
- The school district governing board shall retain governing authority, but the trustee shall have the authority to stay and rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district.
- The authority of the SPI and the state-appointed trustee shall continue until the loan has been repaid, the district has adequate fiscal systems and controls in place, and the SPI has determined that the district's future compliance with the fiscal plan approved for the district is probable.

State Emergency Loan Recipients. Nine school districts have sought emergency loans from the state since 1991. The table below summarizes the amounts of these emergency loans, interest rates on loans, and the status of repayments. Five of these districts: Coachella Valley Unified, Compton Unified, Emery Unified, West Fresno Elementary, and Richmond/West Contra Costa Unified have paid off their loans. Four districts have continuing state emergency loans: Oakland Unified, South Monterey County Joint Union High (formerly King City Joint Union High), Vallejo City Unified, and Inglewood Unified School District. The most recently authorized loan was to Inglewood Unified School District in 2012 in the amount of \$55 million from the General Fund and the California Infrastructure and Economic Development Bank (I-Bank). Of the four districts with continuing emergency loans from the state, Inglewood Unified School District is projected to remain on the negative certification list in the second interim report in 2016-17.

**Emergency Loans to School Districts
1990 through 2015**

District	State Role	Date of Issue	Amount of State Loan	Interest Rate	Amount Paid	Pay Off Date
Inglewood Unified	Administrator	11/15/12 11/30/12 02/13/13	\$7,000,000 \$12,000,000 <u>\$10,000,000</u> \$29,000,000 (\$55 million authorized)	2.307%	\$1,831,984	11/01/33 GF
South Monterey County Joint Union High (formerly King City Joint Union High)	Administrator	07/22/09 03/11/10 04/14/10	\$2,000,000 \$3,000,000 <u>\$8,000,000</u> \$13,000,000	2.307%	\$5,736,022	October 2028 I-bank
Vallejo City Unified	Administrator Trustee	06/23/04 08/13/07	\$50,000,000 <u>\$10,000,000</u> \$60,000,000	1.5%	\$36,730,736	January 2024 I-bank 08/13/24 GF
Oakland Unified	Administrator Trustee	06/04/03 06/28/06	\$65,000,000 <u>\$35,000,000</u> \$100,000,000	1.778%	\$65,540,535	January 2023 I-bank 6/29/26 GF
West Fresno Elementary	Administrator Trustee	12/29/03	\$1,300,000 (\$2,000,000 authorized)	1.93%	\$1,425,773 No Balance Outstanding	12/31/10 GF
Emery Unified	Administrator Trustee	09/21/01	\$1,300,000 (\$2,300,000 authorized)	4.19%	\$1,742,501 No Balance Outstanding	06/20/11 GF
Compton Unified	Administrators Trustee	07/19/93 10/14/93 06/29/94	\$3,500,000 \$7,000,000 <u>\$9,451,259</u> \$19,951,259	4.40% 4.313% 4.387%	\$24,358,061 No Balance Outstanding	06/30/01 GF
Coachella Valley Unified	Administrators Trustee	06/16/92 01/26/93	\$5,130,708 <u>\$2,169,292</u> \$7,300,000	5.338% 4.493%	\$9,271,830 No Balance Outstanding	12/20/01 GF
West Contra Costa Unified (formerly Richmond Unified)	Trustee Administrator Trustee	08/1/90 01/1/91 07/1/91	\$2,000,000 \$7,525,000 <u>\$19,000,000</u> \$28,525,000	1.532% 2004 refi rate	\$47,688,620 No Balance Outstanding	05/30/12 I-bank

Source: California Department of Education

Staff Comments:

Based on the projected second interim reporting, negative and qualified certifications of LEAs are down significantly from their peak numbers in 2008-09 and 2011-12. Over the past few years, LEAs have seen significant increases in Proposition 98 General Fund as the economy rebounded from the recession. Additionally, the Legislature and Governor have enacted policy changes that have begun to pay down education debt, such as mandates or deferrals; the policy of deferring payments to LEAs that were completely paid off in 2015-16. These policies, along with changes to ongoing education funding under the Local Control Funding Formula, have resulted in an influx of funding to LEAs over the past few years with fewer restrictions for use than under the past system of categorical funds and revenue limits. Both the Department of Finance and the Legislative Analyst's Office (LAO) have projected that the Proposition 98 guarantee is likely to experience modest growth beginning in 2016-17. At the same time, LEAs may be using current funding levels to build back from the deep cuts to education since 2006-07, provide increased services to their neediest students, and absorb new costs, such as contributions to the State Teachers Retirement System and rising healthcare and minimum wage costs. The Legislature should continue to closely monitor reporting on the fiscal health of LEAs as these new policies continue to roll out over the next few years with slowing Proposition 98 growth.

Finally, the Legislature should also closely monitor the ongoing work at Inglewood Unified School District which, despite being under the purview of a state administrator and receiving an emergency loan, continues to struggle and remains on the negative certification list for 2016-17.

Suggested Questions:

- How has the work of FCMAT changed over the past few years to support LEAs under the Local Control Funding Formula?
- What are the common trends for LEAs in negative certification and those in qualified certification? What is being done to mitigate these problems going forward?
- What has the state learned from supporting LEAs that went into receivership and took emergency loans that can be applied going forward?
- Although LEAs have received an infusion of funds as the state rebounded from recession, LEAs have also experienced rising costs, including retirement and health care contributions, that will continue even as Proposition 98 growth slows. Should the Legislature be concerned about the impact of these rising costs on the fiscal health of school districts?

Staff Recommendation: Information only

6360 COMMISSION ON TEACHER CREDENTIALING**Issue 2: Commission Budget Overview (Information Only)****Description:**

The Commission on Teacher Credentialing (CTC) will provide background information for the agency, including an update on major activities and workload.

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing

Background:

Major Responsibilities. The CTC is responsible for the following major state operations activities, which are supported by special funds:

- Issuing credentials, permits, certificates, and waivers to qualified educators.
- Enforcing standards of practice and conduct for licensed educators.
- Developing standards and procedures for the preparation and licensure of school teachers and school service providers.
- Evaluating and approving teacher and school service provider preparation programs.
- Developing and administering competency exams and performance assessments.

Major Activities. In 2014-15, the CTC processed approximately 237,113 candidate applications for credential and waiver documents. In addition, the CTC currently administers, largely through contract, a total of six different educator exams annually. The CTC also monitors the assignments of educators and reports the findings to the Legislature.

In addition, the CTC must 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. This workload will be examined more fully in Issue 3 of this agenda. In 2014-15, the CTC averaged 2,469 open cases per month, with a total of 5,404 new cases opened in 2014-15. This is fairly consistent with caseload over the past three years.

Lastly, the CTC is responsible for accrediting 254 approved sponsors of educator preparation programs, including public and private institutions of higher education and, local educational agencies in California. (Of this total, there are 23 California State University campuses; eight University of California campuses; 56 private colleges and universities; 166 local educational agencies; and one other sponsor.)

Revenues. The CTC is a “special fund” agency whose state operations are largely supported by two special funds -- the Test Development and Administration Account (0408) and the Teacher Credentials

Fund (0407). Of the CTC’s \$27 million state operations budget in 2015-16, about \$22 million is from credential and accreditation fees, which are revenue sources for the Teacher Credentials Fund and \$5 million is from educator exam fees, which fund the Test Development and Administration Account. The CTC also received a small amount in reimbursement revenue.

Commission on Teacher Credentialing 2015-16 Projected Revenue				
Teacher Credentialing Fees	Accreditation/ Other Fees	Assessment Related Fees	Reimbursements	Total
\$21.0 Million	\$852,000	\$4.7 Million	\$388,000	\$27.0 Million

Source: Commission on Teacher Credentialing

- 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 also requires, as a part of the annual budget review process, the Department of Finance to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the CTC, plus a prudent reserve of not more than 10 percent. In 2012-13, the credential fee, paid every five years, was increased from \$55 to \$70 due to a projected budget shortfall and drop in credentials. This action restored the fee to the statutory maximum (Education Code §44235). In the 2015-16 budget trailer bill, AB 104 (Committee on Budget and Fiscal Review), Chapter 13, Statutes of 2015, statute was amended and the credential fee was further increased to \$100 per applicant, with the additional revenue generated intended to support processing of teacher misconduct caseload. Since 1998-99, credential fees had been below the statutory maximum, reaching a low of \$55 in 2001-02 based on high demand for applications. However demand for applications has generally tracked with changes in the economy and began decreasing in 2007-08 as the state economy slowed. In addition to credential application fees, the Budget Act of 2014 and related trailer bill legislation included authority for the CTC to begin assessing fees on teacher preparation programs to cover the cost of accrediting these programs. These fees were established through regulations and the CTC began assessing fees in 2013-14.
- 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), the California Subject Examinations for Teachers (CSET), the California Teachers of English Learners (CTEL), and the California Preliminary Administrative Credential Examination (CPACE). The CTC has statutory authority (Education Code §44235.1) for reviewing and approving the examination fee structure, as needed, to ensure that the examination program is self-supporting. 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. Similar to demand for credential applications, the number of examinations has fallen in past years. The CTC has made a number of adjustments in recent years based upon the demand for the various exams. Most recently, in 2012-13, the CTC increased fees for most exams. No exam fee adjustments were implemented for 2015-16, or currently proposed for 2016-17.

2016-17 Expenditure Authority. The Governor’s budget includes \$835,000 in workload adjustments for the CTC budget in 2016-17 and \$459,000 in workload adjustments for 2015-16. The Governor’s 2016-17 budget also includes the removal of one-time General Funds resources from the 2015-16 year.

Commission on Teacher Credentialing Expenditure Authority					
Budget Year	General Fund	Teacher Credentials Fund	Test Development and Administration Account	Reimbursements	Total
2015-16 Budget Act	\$7,467,000	\$20,986,000	\$4,980,000	\$388,000	\$33,821,000
2016-17 Governor's Budget	\$2,533,000	\$22,282,000	\$4,460,000	\$308,000	\$29,583,000

Source: Department of Finance

Teacher and Administrator Assessment Development. The 2015-16 Budget Act included \$5 million in one-time General Fund (\$4 million in 2015-16 and \$1 million in 2016-17) for the development and revision of teacher preparation assessments, including the Teacher Performance Assessment and the Administrator Performance Assessment.

Senate Bill 1209, (Scott) Chapter 517, Statutes of 2006, required that as of July 1, 2008, all new teacher candidates take a Teaching Performance Assessment (TPA) as part of the teacher preparation program. Prior to this legislation, the TPA requirement was dependent on an appropriation in the annual budget act. The TPA is intended to measure the mastery of California’s Teaching Performance Expectations for beginning teachers and consists of four performance tasks: (1) Subject-specific pedagogy (single or multiple subject), (2) designing instruction, (3) assessing learning, and (4) a culminating teaching experience. The TPA is administered by teacher preparation programs. There are currently four versions of the TPA used in California, including the CTC-developed TPA or “CalTPA”. Teacher preparation programs may use any of the four commission-approved TPA models. Each teacher preparation program locally scores the TPA using trained assessors. The results of the TPA are included in the recommendation of a new teacher candidate for a credential and may inform the new teacher candidate’s areas of focus in a beginning teacher induction program.

Based on funding in the annual budget act, in 2015-16, the CTC began a process to update and improve the TPA. In December 2014 the CTC adopted TPA Design Principles and TPA Assessment Design Standards for the next generation of TPA models that both specify the use of a centralized scoring model. A fully operational assessment is anticipated to be available by 2017-18. When the new TPA is completed, the CTC could potentially approve additional versions of the TPA for use if they meet the new TPA standards.

The CTC also recently approved new program standards for the Preliminary Administrative Services Credential Program and voted to require the passage of an Administrative Performance Assessment (APA) for preliminary licensure, once one has been developed for this purpose. Also based on the 2015-16 budget act, the CTC began the process of developing an APA. This assessment is on track, with the CTC anticipating field testing in the spring of 2018.

Accreditation Data System. The 2015-16 budget act included \$5 million in one-time General Fund (\$3.5 million in 2015-16 and \$1.5 million in 2016-17) for the development of a new accreditation data system.

The CTC is responsible for accrediting approved sponsors of educator preparation programs, including public and private institutions of higher education and, local educational agencies in California. Once the program is approved, it enters a seven year accreditation cycle to ensure continuous outcome accountability, consistent adherence to the CTC standards for teacher preparation programs, and alignment with the state's academic content standards. The accreditation cycle includes biennial reporting, site visits, and program assessments.

In 2015-16, based on an approved Feasibility Study Report (FSR) from the California Department of Technology, the CTC began the work of updating the accreditation system, requiring fewer inputs into the system and relying more on output measures. This plan included:

- 1) Development and implementation of candidate, employer, and other surveys regarding preparation program effectiveness.
- 2) Development of reporting mechanisms so sponsors can improve or expand existing practices.
- 3) Development of data dashboards to inform decision making, provide transparency, and provide reliable data for other public uses.
- 4) Security enhancements for existing and newly updated online pieces of the plan.

The CTC completed a progress report by January 1, 2016, as required by supplemental reporting language adopted along with the 2015-16 budget act that provided additional information on progress made to date and future activities. The CTC notes that project development will take place in four phases. The first includes creating a data warehouse and completing data visualizations, the first of which, focused on assignment monitoring, is currently accessible on the CTC website. The next phase includes linking the CTC's existing credentialing systems to the data warehouse. Phase three is the update of the CTC website to accommodate the new data dashboard. Finally, the CTC will put into place a backup recovery system for critical applications. In addition, ongoing annual costs, beginning in 2017-18, are anticipated to be \$758,022. CTC staff note that the project is currently on budget and meeting projected timelines with an expected completion date of June 2017. The chart below shows the CTC's timeline for each phase of the project.

Overview of the Phases of the Accreditation Data Project		
Phase	How the Work will be completed	Timeline
1: Data Warehouse and Visualization Development	Contractor with Commission Staff	August 24, 2015 - June 6, 2016
2: CASE (Credential Data System) and CTC Online Enhancements	Contractor with Commission Staff	November 12, 2015 - June 20, 2017
3: Commission Website Revision	Contractor with Commission Staff	March 1, 2016 - February 28, 2017
4: Development of Program Quality Data Dashboards	Commission Staff	2016-17

Source: Commission on Teacher Credentialing

Alignment of Assessment with New Science Standards. The 2015-16 budget act also provides for \$600,000 from the Test Development and Administration Account reserve to align the California Subject Examinations for Teachers (CSET) with the Next Generation Science Standards (NGSS). The CSET is used to verify subject matter competence for both single and multiple subject teaching credentials and passage of the appropriate exam(s) is one of the requirements for a preliminary credential. Science is included in both the multiple subject subtests and in stand-alone single subject competence exams. The CSET is periodically updated to comply with state academic content standards through augmentations to the assessment contract. In addition, the required content of the state's teacher preparation programs is specified by CTC-adopted standards that are updated to align with state academic content standards.

The NGSS were adopted by the State Board of Education in September of 2013, pursuant to SB 300 (Hancock), Chapter 625, Statutes of 2011. The NGSS describe the key scientific ideas and practices that all students should learn by the time they graduate from high school. The NGSS detail performance expectations for kindergarten through grades 8 and high school.

The CTC's February meeting included an item that provided a progress update for the alignment of the CSET with NGSS. As of February 2016, the CTC had convened subject matter advisory panels of California content experts and began the process to develop and review subject matter requirements which will ultimately guide a review of the test item bank and the need for additional test items.

New Substitute Teacher Credential. The CTC is also in the process of developing regulations for a Temporary Permit for Statutory Leave (TPSL). Currently substitute teachers are only permitted to be in the classroom for 30 days (20 days for special education). This statutory requirement has the unintended consequence of LEA's hiring multiple short-term substitutes when full-time teachers are on leave. This permit would allow a substitute TPSL to teach for an extended period when a regular teacher is out on approved leave. The requirements for the TPSL include specific education and training that increases each time the permit is renewed. The TPSL would be applicable to only the employing agency. The public comment period on these regulations is anticipated in June 2016, with a potential adoption date of October, 2016.

New Teacher Induction. The 2015-16 budget act included a requirement for the CTC to report back to the budget and policy committees of each house of the Legislature, the Legislative Analyst's Office, and the Department of Finance by September 1, 2015, on options for streamlining and reforming beginning teacher induction, including findings and funding recommendations. In this report the CTC made the following recommendations; however, did not include specific funding recommendations:

- Focus induction standards on the California Standards for the Teaching Profession.
- Focus induction primarily on high quality mentoring, with an emphasis on meeting the new teacher's immediate needs and supporting long-term teacher growth through ongoing reflection on and analysis of teaching practice.
- Determine the nature and scope of each new teacher's induction program through an Individualized Learning Plan (ILP) that is guided by the candidate's current assignment, career aspirations, and local and state initiatives.
- Streamline the commission's accreditation system to eliminate unnecessary and time-consuming documentation activities and increase reliance on outcome data to determine the quality and effectiveness of programs.
- Ensure that the Local Control and Accountability Plan (LCAP) prioritizes the induction of new teachers.
- Conduct surveys of employers, new teachers and induction program sponsors on the mentoring services made available to new teachers they have hired.
- Ensure that new teachers receive appropriate support and mentoring in their first years of teaching regardless of the type of contract (temporary or probationary) under which the individual is employed, and that this mentoring be without cost to the new teacher.

Work on some of the recommendations is currently underway. For example, the CTC is streamlining the accreditation system and when completed, this system will also track the quality and outcomes of teacher induction programs. Also the CTC continues to survey commission-approved teacher induction programs to track participation and cost. At the time of this agenda, 126 programs out of 165 commission-approved programs provided information. Survey data reveals that the number of participating teachers grew from 2013-14 to 2014-15 and is anticipated to grow slightly in 2015-16. Of the survey participants, approximately 11.5 percent of districts were charging a fee to participants in 2014-15.

Credential Processing within Statutory Timeframes. Provisional language in the annual budget act requires the CTC to submit biannual reports to the Legislature, the Legislative Analyst's Office and the Department of Finance on the minimum, maximum, and average number of days taken to process the following:

- Renewal and university-recommended credentials.
- Out-of-state and special education credentials.
- Service credentials and supplemental authorizations.
- Adult and career technical education certificates and child center permits.

- Substitute, intern, and short-term staff permits.
- Percentage of renewals and new applications completed online.

This provisional language was added to the budget in 2004-05 in order to provide updates on the credential processing time workload and efforts to address a significant backlog of credential applications. AB 469 (Horton), Chapter 133, Statutes of 2007, revised the application processing time from 75 working days to 50 working days, effective January 1, 2008. Based on the most recent CTC report, released March 1, 2016, covering September 2015 through January 2016, approximately 80 percent of applications are being processed within 10 working days with almost 97 percent of applications processed within the required 50 working day processing time requirement.

Suggested Questions:

- How will the new accreditation data system provide information for teachers, employers, policymakers, and other stakeholders?
- How are institutions and programs that provide teacher preparation being prepared for additional data requirements of the new accreditation data system?
- Has the increased credential fee had any impact on the number of credentialed applicants?
- Will the proposed Temporary Permit for Statutory Leave impact the teacher shortage some LEAs are facing?

Staff Recommendation: Information only

6360 COMMISSION ON TEACHER CREDENTIALING**Issue 3: Teacher Misconduct Workload (Information Only)****Description:**

The Commission on Teacher Credentialing (CTC) is charged with enforcing professional conduct standards and monitors the conduct of credential applicants and holders. The CTC has the authority to discipline applicants or holders for misconduct, and cases that are not resolved at the CTC may be referred to the Office of the Attorney General for an administrative hearing. This issue covers the process for reviewing teacher misconduct, the existing caseload and the use of additional funding resources provided in the 2015-16 budget act.

Panel:

- Kimberly Leahy, Department of Finance
- Nanette Rufo, Chief Counsel and Director, Division of Professional Practices
- Julie Weng-Gutierrez, Senior Assistant Attorney General, Office of the Attorney General

Background:

Role of the CTC. The CTC is charged with monitoring the moral fitness and professional conduct of teacher credential holders and applicants. The CTC may take disciplinary action based on immoral or unprofessional conduct, evident unfitness for service, refusal to obey laws regulating certified duties, unjustified refusal to perform under an employment contract, addiction to intoxicating beverages or controlled substances, commission of any act of moral turpitude, or intentional fraud or deceit in an application.

Under the direction of the CTC, a Committee of Credentials (COC) meets monthly to review misconduct cases. The COC is made up of seven members, three credential holders employed in public schools, one school board member, and one public member. Within the CTC, the Division of Professional Practices investigates alleged misconduct and presents the information to the COC. The COC may close an investigation based on the evidence or recommend disciplinary action. Actions by the COC are subject to final approval by the CTC. A credential holder or applicant may challenge and appeal any disciplinary action. Generally the process begins when the Division of Professional Practices receives a report from an employing school district, complaint from knowledgeable source, report of criminal conviction from the Department of Justice, or self-disclosure on a credential application.

Role of the Attorney General. A credential holder or applicant may challenge a disciplinary action and request an administrative hearing. The Attorney General's Office then represents the CTC before an administrative law judge who issues a proposed decision to the CTC. The CTC can then adopt the decision, reduce the penalty, or reject the proposed decision, review the transcript and issue a CTC decision.

Bureau of State Audits (BSA) Recommendations. 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”.

Overall, the BSA audit found that the CTC revealed weaknesses in the educator discipline process and in hiring policies and practices. Key findings from the audit include 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. The CTC has addressed the findings and recommendations of the 2011 BSA audit and provided progress updates to the BSA and Legislature, as required. At the September 2012 CTC meeting, the State Auditor announced that the commission had fully addressed all of the findings and recommendations of the 2011 BSA review.

In June 2014, the BSA returned to the CTC to do a follow-up review of the actions taken in response to the 2011 BSA audit. The BSA found that the CTC had followed up and fully implemented all of the BSA’s recommendations or taken alternative actions to appropriately resolve concerns raised by the BSA.

As a result of CTC changes in procedure, the number of open cases has remained fairly consistent over the past three years, at about 2,300 – 2,600 at any given time, down from a high of 3,374 in October of

2011. The Division on Professional Practices has increased the number of cases it moves to the COC, and is now stable at around 90 per month. In addition, the division was able to increase the number of cases placed on the COC's consent calendar due to CTC policy changes,

Remaining Backlog. Despite continuing efforts by the CTC, there continues to be a backlog of cases, however this backlog is in open cases at the Office of the Attorney General. The CTC has been seeing an increase in caseload due to high profile incidents that have increased district vigilance in reporting. The CTC noted in June 2014 that the caseload of those seeking an administrative hearing has been steadily increasing since 2011-12.

Open Cases Assigned to the Attorney General												
FY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2011-12	114	110	107	106	106	110	102	100	95	90	86	89
2012-13	82	81	82	82	85	87	91	92	97	97	104	127
2013-14	126	134	141	145	147	147	151	156	159	166	169	179
2014-15	182	185	194	215	210	223	215	230	228	219	228	229
2015-16	238	238	244	249	250	254	266	265				

Source: Commission on Teacher Credentialing

In order to address this backlog, the 2015-16 budget act included an increase in credentialing fees. The revenue generated by this is used to support additional legal staff, with approximately \$5.1 million budgeted annually for the commission's costs for the Attorney General and the Office of Administrative Hearing. These additional resources are available in the current year, however, the state has yet to see a decrease in caseload.

The Office of the Attorney General reports that they are in the process of hiring additional staff attorneys who are dedicated to teacher misconduct caseload. In the past these cases were handled by more generalized staff and, depending on other caseload, they may not have been given priority as priority of any case was generally driven by litigation and court deadlines. According to the Office of the Attorney General, a case generally takes two years and with dedicated resources, some progress on the backlog should be made by the end of 2016-17.

Staff Comments:

The CTC and the Office of the Attorney General have seen increasing teacher misconduct caseload for multiple years and continue to struggle to ensure cases are closed in a timely manner. The monitoring of teacher misconduct is vitally important to ensuring students have competent, appropriate staff in their classrooms. The Legislature and Governor have been monitoring this important function of the CTC for several years, resulting in a BSA audit in 2011. The Legislature may wish to continue to monitor the ability of the CTC and the Office of the Attorney General to prioritize the closure of these cases and may wish to request additional reporting. With the increase in resources budgeted in the 2015-16 and 2016-17 year, the Legislature should expect to see results in the next year.

Suggested Questions:

- As of the 2015-16 budget act, the Administration estimated that the increase in the credentialing fee would generate up to \$5.5 million in revenue in 2015-16. Does the

Department of Finance or the CTC have an updated estimate? How much of this increase has been expended?

- When does the Office of the Attorney General estimate that teacher misconduct caseload will return to a “normal” level? Are any of the new staffing resources for teacher misconduct caseload at the Office of the Attorney General provided on a temporary basis to deal with the existing backlog?
- Does the CTC or the Office of the Attorney General have any plans to further streamline processes between the two offices?

Staff Recommendation: Information only

6360 COMMISSION ON TEACHER CREDENTIALING**Issue 4: Teacher Workforce Supply and Demand (Information Only)****Description:**

This item will examine current trends in the state's teacher workforce, including areas of potential shortage and possible solutions.

Panel:

- Dan Kaplan, Legislative Analyst's Office
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing

Background:

California currently has approximately 295,000 teachers, about half in elementary schools, 40 percent in middle and high schools, and almost 10 percent in alternative schools, adult schools or other education settings. Many of California's teachers have been in the classroom a long time, on average they have 14 years of experience, with almost one-third of teachers over the age of 50.

There are a variety of paths to becoming a teacher in California, however, most new teachers first obtain a preliminary credential, which is issued for up to a five year period, and then meet the requirements for a clear credential. The general requirements are as follows:

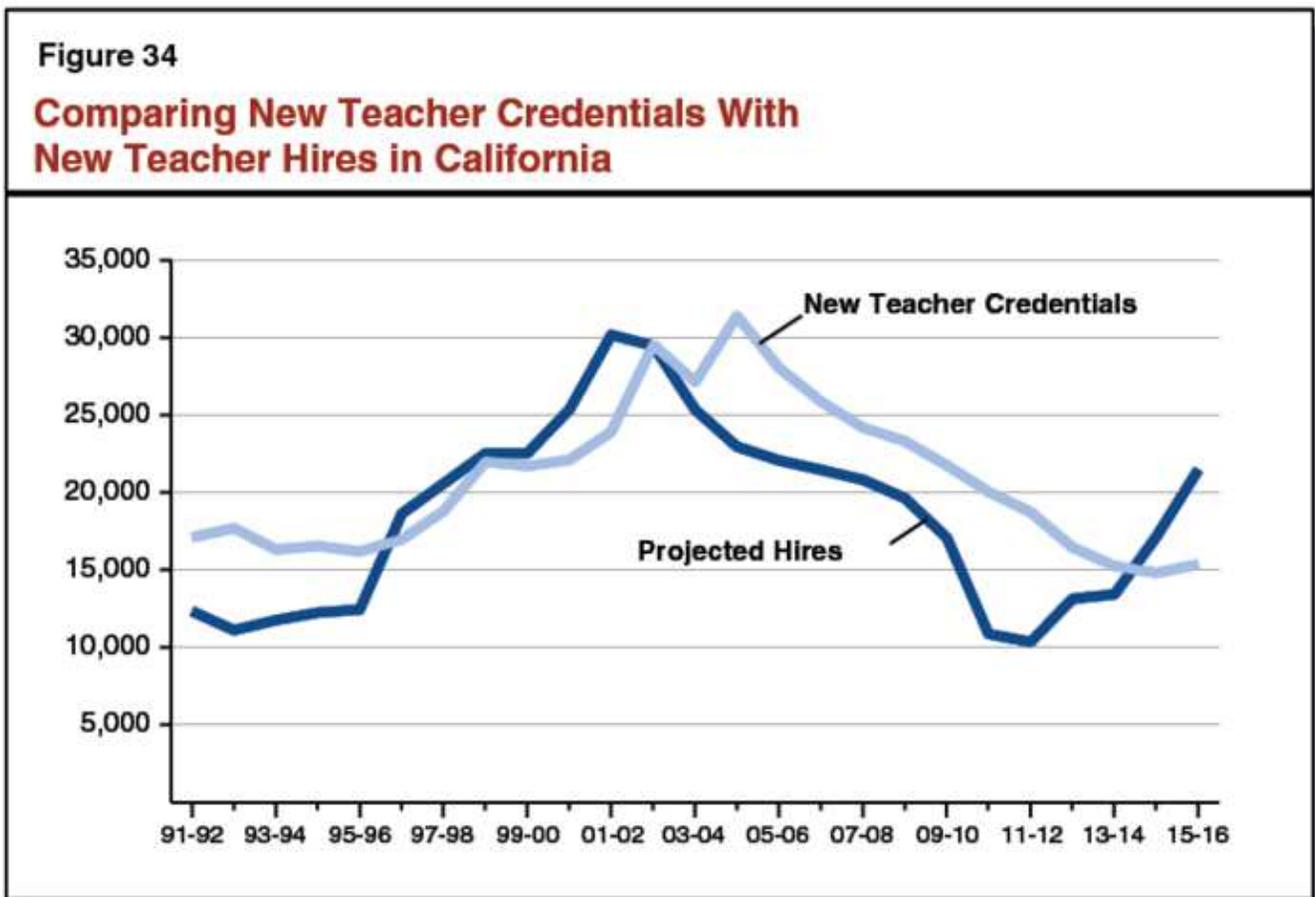
For a preliminary credential, applicants must satisfy all of the following:

- Complete a baccalaureate or higher degree, except in professional education, from an accredited college or university.
- Satisfy the basic skills requirement.
- Complete a teacher preparation program including successful student teaching, and obtain a formal recommendation for the credential by the California college or university where the program was completed. The Teacher Performance Assessment (TPA) is a required indicator of recommendation for a credential.
- Verify subject matter competence through achieving a passing score on the appropriate subject matter examination(s).
- Pass the Reading Instruction Competence Assessment (RICA), or satisfy this requirement through a teacher preparation program.
- Satisfy the Developing English Language Skills requirement.
- Complete a course on the U.S. Constitution or pass an examination given by an accredited college or university.
- Complete basic computer technology course work that includes the use of technology in educational settings.

For a clear credential, new teachers generally must complete a CTC-approved General Education Induction Program. Induction programs are most often sponsored by, or in partnership with, the school district or county office of education employing the teacher; however, colleges and universities, and other school districts and county offices of education, may also provide these programs. The induction program is intended to provide support to a new teacher and should be tailored to his or her needs and the needs of the employer.

Teachers may also hold internship credentials, valid for two years, or one-year permits under certain circumstances.

Teacher Supply and Demand Data. According to the LAO, the supply of, and demand for, new teachers is driven by a variety of factors, including changes in credentialing requirements, Proposition 98 school funding, state policies regarding class sizes, and teacher pay among other things. There are a variety of data sources that may be considered when determining whether the supply of teachers is adequate to meet demand. New teacher credentials are one indicator, but generally lag behind hiring trends as shown in the chart below. The teacher workforce is also made up of former teachers re-entering the profession, and some new credential holders do not enter the profession.

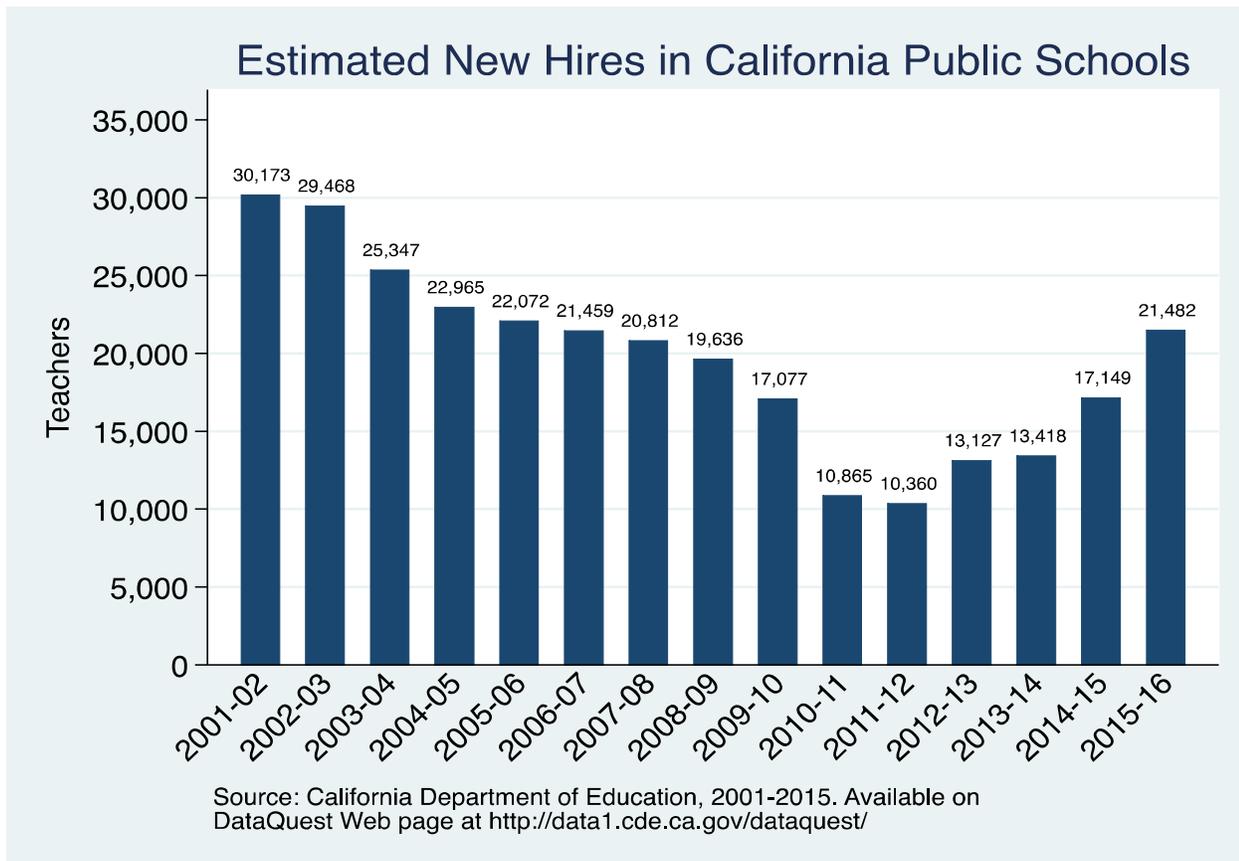


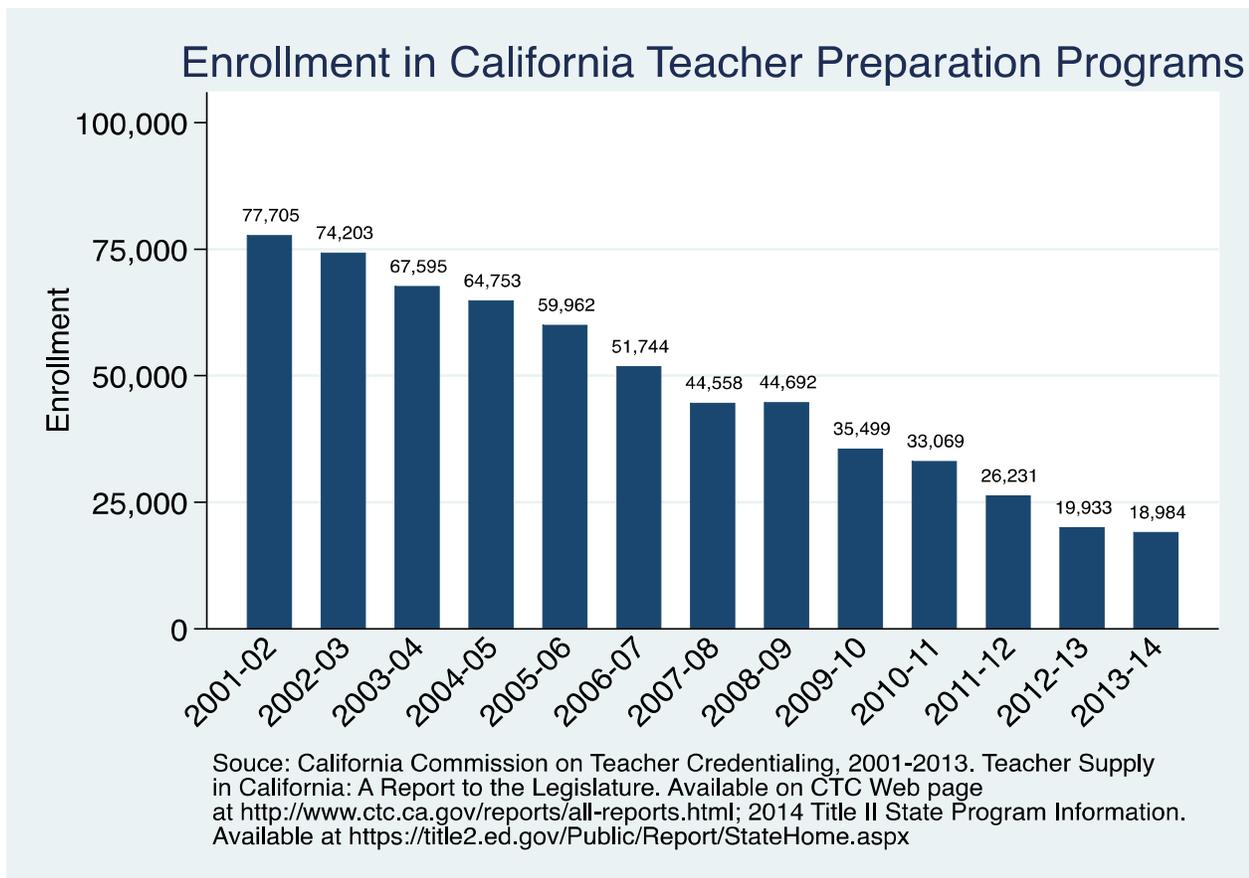
Source: Legislative Analyst’s Office

Teacher Shortage. As LEA’s have experienced an influx of funding as the state has recovered from the last recession, teacher hiring and compensation has increased, and policies have been put in place to ensure small class sizes, posting of available teacher jobs on EdJoin (the statewide educator job portal).

During the economic recession, LEA’s laid-off significant numbers of teachers, deferred providing raises, and often left teachers uncertain, for months at a time, of having a job the following year. The effects of the economic recession contribute towards the enrollment trends in teacher preparation programs, restricting the future pipeline of teachers.

The LAO notes that statewide trends in credentialing and teacher preparation programs only provide some of the data on what is happening statewide. The LAO finds that the statewide market for teachers appears to be in the process of correcting itself, though persistent shortage areas remains. The more common shortage areas in California are science, bilingual education, special education, and math. Low-income and urban schools often face higher rates of turnover and difficulty filling positions, although some rural areas may also face difficulties filling positions for a variety of reasons.





Legislative Analyst's Office Recommendations:

The LAO's February 18, 2016 report, *The 2016-17 Budget: Proposition 98 Analysis*, analyzes the types of solutions used in the past to address periods of significant teacher shortages. While the LAO does not offer specific recommendations, they note the following, drawn from limited available research:

- Perennial shortages occur in specific subject areas (special education, science, and math) and types of schools (low-income, central-city, and certain rural schools).
- Some fiscal incentives are effective: higher base salaries can improve supply and retention, and one-time bonuses can attract teachers to areas of need, though are less effective at retaining teachers than base salary increases.
- Support programs are generally effective: Beginning teacher support programs that include specific components, such as mentoring, administrative support, and curriculum autonomy, contribute to the retention of teachers in the workforce.
- Out-of-state recruitment is effective: Some states produce more credential holders than can be hired in the state, some of these could potentially be recruited to teach in California.

Learning Policy Institute Report. The Learning Policy Institute, a non-profit education policy research firm has also released a report in 2016, *Addressing California's Emerging Teacher Shortage: An Analysis of Sources and Solutions*, that provides additional data on the teacher workforce. Report findings inform the discussion of a teacher shortage and include:

- Ed-Join teacher position listings for two months after the school year began had doubled in October 2015 from the same period in 2013, to 3,900.
- In 2014-15, provisional and short-term permits tripled from the number issued in 2012-13, to over 2,400.
- The number of teachers hired on substandard permits and credentials almost doubled from 2012-13 to 2014-15, to 7,700.
- Estimated teacher hires for 2015-16 increased by 25 percent from the prior year, while preliminary credentials and enrollment in teacher education programs experienced very modest growth.
- Shortages and under-prepared/credentialed teachers are particularly prevalent in the areas of special education, mathematics and science, and in schools serving low-income and minority students.

The report also makes specific policy recommendations to address the teacher shortage including:

- Reinstate the CalTeach program to increase teacher recruitment.
- Create incentives to attract candidates to high-need locations and subject areas, such as loan assumption programs or teacher fellowships.
- Create innovative pipelines into teaching, such as through high school career pathways.
- Increase access to high-quality preparation programs to support teacher success, particularly in high-need locations and subject areas.
- Ensure that all beginning teachers have access to high-quality support and mentoring programs.
- Provide incentives for teachers to stay or re-enter the profession, such as financial supports and streamlining of administrative processes to stay credentialed.
- Improve teacher conditions by supporting administrator training.

Related Legislation. There are several pieces of legislation that could potentially impact the recruitment and retention of teachers, including:

- Senate Bill 62 (Pavley) would allow up to 1,000 loan assumption agreements for teachers, in specified circumstances, to be awarded in a fiscal year dependent on funding in the budget through the Assumption Program of Loans for Education (APLE).
- Senate Bill 915 (Liu) would re-establish the California Center for Teaching Careers (Cal Teach), a program to recruit teacher candidates from colleges, other careers, and other states.
- Senate Bill 933 (Allen) would establish the California Teacher Corps program to provide matching grants to LEAs to create or expand teacher residency programs.

Suggested Questions:

- What statewide data is available currently, or is needed to inform the discussion of teacher shortage?

- What are the barriers to recruiting new teachers into the profession and retaining those already teaching? How does this differ by subject area?
- Will the CTC's new accreditation data system as discussed in Issue 2 of this agenda, provide additional insight into the teacher workforce pipeline and future trends?

Staff Recommendation: Information only.