

June 29, 2005

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

This letter provides our fiscal analysis of the initiative on pupil testing (SA2005RF0078) as required by Elections Code section 9005.

Background

The Standardized Testing and Reporting (STAR) requires all public schools to test students in grades 2 through 11 in mathematics and English each year. In addition, students in other specific grades may be tested in science and history/social sciences. As a result, students may take up to four standards-aligned STAR tests each year. Parents may choose to opt their children out of these tests. The tests currently result in a numerical score and a performance level that describes a student's performance relative to the state's goals for achievement. One of the existing performance levels is labeled "proficient" (currently the second highest ranking). Depending on grade and subject tested, between 14 percent and 50 percent of students taking a specific test in a specific grade achieve at the STAR proficient or higher level. Generally, students in the lower grades are more likely to achieve at the proficient level.

Proposal

The measure requires the state to provide a grant of \$1,000 to the parent or guardian of each student who scores at a proficient level (or higher) on all standards-aligned STAR program tests each year. The measure requires the Superintendent of Public Instruction (SPI) to determine the score needed to establish the proficient level of performance on the STAR tests. Because the measure requires the SPI to establish the proficient level for the purposes of this grant program, the SPI could set a level of performance for the grant program that is higher or lower than the existing proficient level in STAR.

The measure annually appropriates money from the General Fund to pay for the \$1,000 per-student performance grants. Under the California Constitution, the state is required to spend a minimum amount each year for the support of K-14 education programs and

services. It is not clear whether this appropriation would count towards the minimum funding guarantee. However, a similar program established by the Legislature—the Governor’s Scholars Awards, which provided \$1,000 scholarships based on student STAR scores—did not count toward the funding guarantee.

Fiscal Effect of the Initiative

The cost of the initiative would depend on two factors. First, the SPI’s definition of proficient would establish the performance level needed to qualify for a grant. Setting proficiency at a high level of performance would result in fewer students qualifying for a grant and, therefore, smaller costs to the state. Conversely, using a lower score for proficiency would result in more students qualifying for grants and higher state costs.

Second, the cost of the measure would be affected by how well students performed on the annual tests. Since the initiative would provide grants only to students who achieve a proficient score “on all portions of the standards-based” STAR tests, students would have to perform well on up to four tests to qualify for a grant. The California Department of Education, however, does not currently have data to determine whether a student scored at or above a particular level on *each STAR test the student took* in 2004. Without that data, we cannot accurately estimate the number of students who might qualify for a grant using different definitions of proficient. In 2004-05, about 4.8 million students in grades 2 through 11 were assessed. If 10 percent of these students tested met the performance criteria determined by the SPI, grant costs would total about \$500 million. If 20 percent of students met the SPI’s criteria, costs would reach about \$1 billion.

Summary of Fiscal Effects

The measure would have the following major fiscal effect:

- Annual state costs in the hundreds of millions of dollars to over \$1 billion to provide grants to families of students performing well on standardized tests.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

Tom Campbell
Director of Finance