

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 16, 2008
POSITION: Oppose

BILL NUMBER: SB 1532
AUTHOR: D. Steinberg

BILL SUMMARY: High School Graduation and Supplemental Instruction

This bill would change the statewide target graduation rate to 90 percent for purposes of meeting federal Adequate Yearly Progress (AYP) under the No Child Left Behind (NCLB) Act and revise graduation rate growth targets for schools and local educational agencies (LEAs). Also, the bill would change the students eligible for the Grades 7-12 Supplemental Instruction Program from those who have not passed the California High School Exit Exam (CAHSEE) to those who have not made sufficient progress towards high school graduation.

FISCAL SUMMARY

This bill would create Grades 7-12 Supplemental Instruction Program costs in the millions of Proposition 98 General Fund for two reasons: (1) more students would be eligible for program funding than are eligible under current law and (2) the Governor’s Budget proposes program funding levels that have been updated to reflect current, narrow eligibility requirements. We note that it is difficult to calculate an exact cost of the bill because the Grades 7-12 Supplemental Instruction Program is a mandated entitlement program whose annual costs vary significantly (between \$180 and \$230 million). Moreover, program costs could significantly increase depending on how LEAs currently, and would prospectively, define eligibility, coursework, and credit requirements. Although we cannot estimate an exact cost, the bill would expand Program eligibility statewide, which would increase costs in the millions.

Increasing statewide graduation rate targets and revising graduation rate growth targets for schools and LEAs would have no state fiscal impact. However, because the bill would make it more difficult for some schools and LEAs to meet AYP graduation rate targets, it is likely that more schools and LEAs would fail AYP sooner than expected, which would create additional pressure for limited federal school improvement funds.

COMMENTS

Finance is opposed to this bill for the following reasons:

- The bill would expand a state program and create costs in the millions of Proposition 98 General Fund and a time of limited General Fund resources.
- The Administration believes that the CAHSEE is a key component of the state and federal accountability systems and believes that Grades 7-12 Supplemental Instruction Program resources should continue to be prioritized to help students pass the CAHSEE requirement. Instead, this bill would blur that focus and place an emphasis on students meeting local graduation requirements.

Analyst/Principal (0363) R. Storm	Date	Program Budget Manager Jeannie Oropeza	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

D. Steinberg

April 16, 2008

SB 1532

COMMENTS (continued)

- The bill is premature. The U.S. Department of Education is expected to develop and release a formula for national graduation rates in April 2008 for public comment, with final adoption of regulations later this year. For purposes of meeting federal AYP measures, federal regulations would supersede any changes to the state's graduation rate targets. Therefore, waiting for final adoption of federal regulations would provide the state the opportunity to align state statute with federal requirements and possibly avoid confusion over differing national and state graduation rate targets.

Specifically, this bill increases the statewide graduation rate target to 90 percent, and modifies the criteria for a school or LEA to make AYP for graduation rates to: 1) meet the statewide graduation rate target or 2) make a ten percent reduction in the difference between a school or LEA's graduation rate and the statewide target every two years. If NCLB is not reauthorized, or graduation rates are no longer required, the bill would make the statewide graduation rate target a requirement under state law. Also, the bill would require the State Department of Education to publicly report four-year graduation rates of all numerically significant pupil subgroups at the school and LEA level when data is available through the California Longitudinal Pupil Achievement Data System (CALPADS). Also, the bill would allow districts to include completion of course units and academic courses necessary for graduation in determining whether a student has made sufficient progress toward high school graduation requirements for purposes of the Grades 7-12 Supplemental Instruction Program.

Currently, the statewide graduation rate target used for AYP calculations is 82.9 percent. In order to meet AYP, schools and LEAs must meet this target, show one-year improvement of 0.1 percent, or show a two-year average improvement of 0.2 percent. The graduation target is set to increase 0.1 percent per year until 2013-14. Currently, the state graduation rate is 83.3 percent, using a formula approved under NCLB, until four-year graduation rate data is available through CALPADS.

The Grades 7-12 Supplemental Instruction Program currently serves students who have not demonstrated significant progress towards passing the CAHSEE. Statute requires significant progress be determined by way of state assessments, student's grades, and other academic indicators designated by LEAs. The program was tailored for students not on track to pass the CAHSEE when the CAHSEE requirement was established in 1999.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	
6110/Dept of Educ	LA	Yes		-----	See Fiscal Summary	-----			0001