

Colorado Legislative Council Staff Fiscal Note
STATE and LOCAL
REVISED FISCAL IMPACT

(replaces fiscal note dated February 29, 2012)

Drafting Number: LLS 12-0004	Date: April 30, 2012
Prime Sponsor(s): Rep. Massey; Hamner Sen. Johnston; Spence	Bill Status: Senate Appropriations
	Fiscal Analyst: Josh Abram (303-866-3561)

TITLE: CONCERNING LITERACY EDUCATION FOR STUDENTS ENROLLED IN KINDERGARTEN THROUGH THIRD GRADE, AND, IN CONNECTION THEREWITH, CREATING THE "COLORADO EARLY LITERACY ACT" AND MAKING AND REDUCING APPROPRIATIONS.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Transfers or Diversion		
Transfer from the Read-to-Achieve Cash Fund to the Early Literacy Fund	(\$906,806)	
Transfer from the Tobacco Master Settlement to the Early Literacy Fund	(4.5 million)	(\$4.4 million)
Diversion of interest from the Public School Fund (permanent fund) to the Early Literacy Fund		(16.0 million)
State Expenditures		
Read-to-Achieve Cash Fund	(\$5.4 million)	(\$4.4 million)
Early Literacy Fund — CDE	1.1 million	1.0 million
Early Literacy Fund — grants to LEPs	4.3 million	4.0 million
Early Literacy Fund — per pupil intervention moneys to LEPs		16.0 million
FTE Position Change	9.8 FTE	8.0 FTE
Effective Date: July 1, 2012.		
Appropriation Summary for FY 2012-2013: See State Appropriations section.		
School District Impact: See School District Impact section.		

Summary of Legislation

This bill, *as amended by the Senate State, Veterans, and Military Affairs Committee*, repeals, reenacts, and renames the Colorado Basic Literacy Act as the Colorado Reading to Ensure Academic Development (READ) Act. The bill replaces the Read-to-Achieve Grant Program with the Early Literacy Grant Program. No later than March 31, 2013, the State Board of Education (SBE) must adopt rules to implement the new act and grant program.

Each local education provider (LEP, i.e., school districts, Boards of Cooperative Educational Services or BOCES, charter schools) must provide to students in kindergarten through third grade the instruction and evidence based interventions necessary to ensure to the greatest extent possible that early-grade students develop the reading skills necessary to enable them to succeed in later grades.

Beginning in FY 2012-13, LEPs must report to the CDE the number of early-grade students with significant reading deficiencies. The SBE will define by rule what constitutes a significant reading deficiency. Beginning in the 2013-14 academic year, each LEP must measure reading competency for early-grade students using a combination of assessments approved by the Colorado Department of Education (CDE). CDE is required to create a list of approved instructional programs and professional development tools for LEPs to use to improve reading instruction. The department will also provide regional training, technical assistance, and coaching as necessary.

When a student with significant reading deficiencies is identified, the bill creates a process for teachers, parents, and other personnel to create a Reading to Ensure Academic Development (READ) plan. The READ plan is part of the student's academic record until the student achieves reading competency, and must follow the student if he or she enrolls in another school or district. The SBE must adopt additional rules to integrate READ plans with other individualized education plans and special education programs required by federal law.

The bill also creates a process for parents and educators to determine if the student should advance to the next grade level in the next academic year. If the student is completing third grade, the joint decision is subject to approval of the school district superintendent, or his or her designee. If the student does not advance, the LEP must provide more rigorous instructional services to the student. This new process only applies to children who enroll in kindergarten beginning in 2013-14, and not to children with disabilities, with limited English proficiency, or who have already been retained at grade level.

The bill creates the Early Literacy Grant Program in the CDE to provide funding to LEPs for literacy assessment, instructional support, and appropriate interventions for early-grade learners. The CDE will evaluate grant applications, and the SBE will award the grants.

The bill creates the Early Literacy Fund to support the implementation of the act and to provide a source of funds for the grant program. Beginning in FY 2012-13, any remaining money in the Read-to-Achieve Fund, and five percent of tobacco settlement moneys (up to \$8.0 million), are transferred into the fund. Beginning in FY 2013-14, the bill also diverts a portion of the interest earned on money in the Public School Fund (permanent fund) to the Early Literacy Fund. The CDE may use one percent of moneys appropriated from the fund for administrative costs. Beginning in FY 2013-14, the bill requires that the CDE use:

- \$1.0 million to provide literacy support on a regional basis to LEPs;
- \$4.0 million for the Early Literacy Grant programs; and
- the remaining money to fund LEPs using per-pupil intervention moneys (PPIM).

The PPIM is calculated by dividing the total amount of remaining funds available by the total number of early-grade students in public schools who have been identified as having a significant reading deficiency, and received services under a READ plan in the previous budget year. That per-pupil amount is then paid to an LEP based on the actual number of reading deficient early-grade students at that public school or district multiplied by the PPIM amount. An LEP that receives PPIM may use the funding to provide full-day kindergarten, operate a summer school literacy program, purchase tutoring, or to provide other targeted interventions.

Each LEP must report specified information concerning reading deficiencies in early-grade students, instructional interventions, and student progress toward reading competency. LEPs that receive grants have additional reporting requirements. The CDE will analyze the reported data from the LEPs and prepare an annual summary report for the SBE, the Governor, and the education committees of the General Assembly.

Background

The Public School Fund consists of proceeds from state school lands, a federal endowment of land assets held in perpetual public trust for the support of public schools. State school lands are administered by the Colorado State Land Board. The Public School Fund is forever inviolate and only the interest and income earned on investments may be spent by the General Assembly. For this reason, the fund is known as the permanent fund. In each fiscal year, the first \$11.0 million of interest income from the permanent fund is transferred to the State Public School Fund, which along with the State Education Fund and the General Fund, are the principal funds used for school finance. From FY 2008-09 through FY 2012-13, all the additional interest income above the \$11.0 million is transferred to the State Public School Fund. Beginning in FY 2013-14, all the interest income above \$11 million would remain in the permanent fund; however, under this bill, the additional interest income is instead transferred to the Early Literacy Fund.

State Transfers

In FY 2012-13, this bill transfers approximately \$906,806 in unspent money from the Read-to-Achieve Cash Fund to the newly created Early Literacy Fund.

Beginning in FY 2012-13, master settlement tobacco money that was transferred to the Read-to-Achieve Cash Fund will instead be transferred to the Early Literacy Fund. The Early Literacy Fund will receive five percent of master settlement money, up to \$8.0 million annually. The amount of settlement money available for transfer is not anticipated to exceed \$4.5 million in the next two fiscal years.

Beginning in FY 2013-14, a portion of interest income earned on the Public School Fund (permanent fund) is diverted from the permanent fund to the Early Literacy Fund. The amount of interest income diverted is estimated at \$16.0 million annually. As the size of the permanent fund increases, and as interest rates rise, the amount of interest income available to divert will increase; however, not retaining the interest in the permanent fund will cause the fund to grow more slowly than under current law.

State Expenditures

In FY 2012-13, the CDE will incur expenses of \$5.4 million and 9.8 FTE. In FY 2013-14, expenditures are \$20.9 million and 8.0 FTE.

Under the existing Colorado Basic Literacy Act and Read-to-Achieve Grant Program, state expenditures for reading instruction are limited to grants provided to LEPs. The current administrative effort to administer that grant program is approximately \$126,000 and 1.0 FTE. Under this bill, the CDE will:

- develop and implement a statewide literacy program;
- provide centralized leadership and regional and district level support;
- coordinate with regional and district-level literacy trainers;
- provide weekly, monthly, and quarterly meetings and workshops to improve reading instruction, assessment, and remediation;
- create a list of approved assessments, instructional programs, evidence based literacy interventions, and professional development tools;
- administer a grant program to assist district-level implementation of the act;
- calculate and distribute Per Pupil Intervention Moneys; and
- collect and analyze district data and report results.

The CDE will add staff to implement the new program and assist the SBE to adopt rules. Total expenditures for the department and for grants to LEPs are displayed in Table 1.

Table 1. Expenditures Under HB 12-1238		
Cost Components	FY 2012-13	FY 2013-14
Personal Services	\$701,390	\$582,223
FTE	9.8	8.0
Operating Expenses and Capital Outlay	55,399	7,600
Travel/Outreach/Printing	355,200	355,200
Subtotal — CDE Administration	\$1,111,989	\$945,023
Early Literacy Grants	\$4,300,000	4,000,000
Per-Pupil Intervention Moneys		16,000,000
GRAND TOTAL	\$5,411,989	\$20,945,023

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under HB 12-1238*		
Cost Components	FY 2012-13	FY 2013-14
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$60,407	\$49,327
Supplemental Employee Retirement Payments	\$37,395	\$35,737
TOTAL	\$97,802	\$85,064

*More information is available at: <http://colorado.gov/fiscalnotes>

School District Impact

Beginning FY 2012-13, this bill provides approximately \$4.3 million in grant money to LEPs. Beginning FY 2013-14, the bill provides an additional \$20.0 million in intervention moneys to LEPs.

The bill greatly increases the responsibility of LEPs to provide reading instruction and intervention to early-grade students identified with a reading deficiency. School-level interventions will require additional licensed staff, literacy experts, and reading instruction coaches. Each LEP must develop a process for increased communication with and involvement of parents, and must establish, manage, and revise a READ plan for students identified with a reading deficiency. These activities also increase workload and expenditures for LEPs. The bill maintains a grant program and provides per-pupil intervention moneys to assist these school-level interventions.

Pursuant to Section 22-32-143, C.R.S., as specified by House Bill 11-1277, school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: <http://www.colorado.gov/lcs>

State Appropriations

For FY 2012-13, this bill requires an appropriation of \$5,411,989 and 9.8 FTE from the Early Literacy Fund to the Colorado Department of Education.

Departments Contacted

Education