

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 37

SHORT TITLE: High Quality Literacy Instruction Act

SPONSOR: Sen. Stewart/Rep. Garratt

LAST UPDATE: _____ **ORIGINAL DATE:** 1/23/26 **ANALYST:** Liu _____

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
PED		Indeterminate but minimal	\$10,876.2 - \$14,560.0	\$10,876.2 - \$14,560.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to an appropriation in the General Appropriation Act

Sources of Information

LFC Files

Legislative Education Study Committee (LESC) Files

Agency or Agencies Providing Analysis

Public Education Department

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive some analyses from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of Senate Bill 37

Senate Bill 37 (SB37) requires instructional materials to be consistent with the science of reading and prohibits use of the three-cueing model for literacy instruction in early grades, for supplemental instruction or interventions in all grades, and for student teaching experiences overseen by teacher preparation programs. Beginning in FY28, the bill requires schools to administer a Public Education Department (PED) approved literacy assessment for all students between kindergarten and third grade and requires parental notification if their student is identified as having a reading difficulty. The notification will include a plan for providing school and home supports. Additionally, PED must assign a literacy instructional coach to each public elementary school in the lowest quartile of reading proficiency statewide for three years. The bill further includes provisions to address literacy development in English and home languages. This

bill is endorsed by Legislative Education Study Committee (LESC).

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

The bill does not contain an appropriation but could create significant operational costs beginning in FY28 to place literacy instructional coaches at elementary schools statewide. According to PED, the state has 462 elementary schools, meaning the department could assign as many as 115 coaches to serve the bottom quartile of elementary schools each year. The department estimates the costs of hiring these coaches at \$14.6 million.

Currently, PED contracts for 27 literacy coaches and a coordinator through Regional Education Cooperative 10 for \$3.7 million out of its \$14 million structured literacy appropriation. If these coaches meet the qualifications outlined in the bill and can be reassigned to support a low-performing elementary school, the costs of implementation would decrease.

In recent years, Mississippi has shown significant sustained growth in national test performance, moving its ranking from the bottom to near the national average on reading and math proficiency. Provisions of this bill that deploy literacy coaches across the state appear to mimic one of Mississippi's strategies, although the state only hired 24 coaches after its literacy act passed in 2013. Initially, over 600 individuals applied for 75 literacy coach positions, showing the state focused more on the quality of coaches rather than the quantity of coaches. In 2025, Mississippi employed 38 coaches and signaled an intent to hire 22 more to support its 441 elementary schools.

SIGNIFICANT ISSUES

Laws 2019, Chapter 256 (Senate Bill 398), established universal dyslexia screening for first grade students, interventions for students with dyslexia, and required schools to develop plans to provide structured literacy training for all elementary teachers. The Legislature appropriated \$1.7 million to PED for a statewide literacy initiative in FY21 to support educators in teaching elementary students to read. In FY23, the Legislature expanded this appropriation to \$8 million and appropriated another \$8 million through the state equalization guarantee (SEG) distribution for schools to support structured literacy implementation through operational funds. PED has sponsored Language Essentials for Teachers of Reading and Spelling (LETRS) training through the department's allocation to train all elementary school teachers at no cost to schools, and many teachers have leveraged professional development time to complete the LETRS modules. For FY27, the executive, LFC, and LESC budget recommendations include \$14 million to PED for this recurring initiative, flat with the prior year. The executive further recommends \$14.6 million from a nonrecurring appropriation for the literacy coaches in this bill.

Laws 2025, Chapter 149 (House Bill 156) raised teacher minimum salary levels and also required New Mexico's public postsecondary teacher preparation programs to integrate instruction on the science of reading into their curricula so that new level 1 licensure applicants would be better prepared to teach literacy effectively. The law defined "high-quality instruction materials," "structured literacy," "scientifically based reading instruction," and "science of reading" and detailed what teacher preparation programs must offer, including relevant

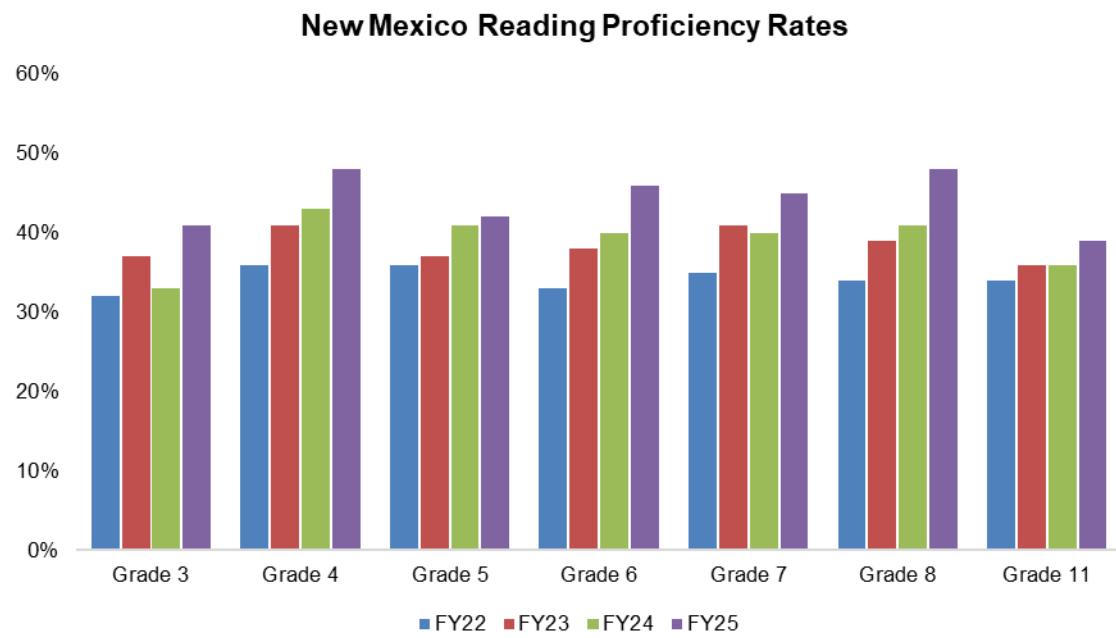
coursework and at least 100 hours of supervised field experience in classrooms utilizing science of reading methods. Additionally, PED was required to develop standards related to the five components of the science of reading instruction, monitor program compliance, conduct evaluations of course content, faculty qualifications, and graduate effectiveness and may require corrective action. Teacher preparation programs must also submit annual reports detailing alignment with these standards, candidate performance data, and their graduates' impact on student literacy outcomes.

In the last century, teachers providing instruction on reading have been using either a structured literacy (explicit phonics and decoding skills) approach or a balanced literacy (phonics alongside strategies like visual cues, context, and exposure to rich and varied texts) approach. In 1997, the U.S. Congress asked the National Institute of Child Health and Human Development to form the National Reading Panel (NRP) to determine what methods best taught students to read. After reviewing a large body of research, NRP published a report in 2000 that highlighted five key components of reading instruction: phonemic awareness, phonics, fluency, vocabulary, and comprehension. The report discredited whole language approaches and supported structured literacy approaches. Even after the NRP report, many teachers and teacher preparation programs continued to teach balanced literacy approaches. Now many states are enacting science of reading legislation, which often bans balanced literacy approaches.

Importantly, structured literacy and the science of reading are closely related, but they are not the same thing. Structured literacy is an approach to reading instruction that is rooted in the science of reading, which refers to a large body of research on how the brain learns to read. Balanced literacy is grounded in the idea that reading is a natural process, but the science of reading has found that unlike speaking, reading is not a natural process. So, while some students seem to pick it up without effort, many need to be explicitly taught, and this includes children who are exposed to books and reading from a young age. That's why the balanced literacy tool of three-cueing, which has students guessing words they don't know based on cues like context or pictures, seems to work quite well for young readers, but doesn't work as well when texts become more complicated. Groups advocating for reading instruction for dyslexic students support structured literacy, but the approach is useful for most students. As LESC notes in a 2024 policy brief, 50 percent to 65 percent of students need explicit literacy instruction to learn to read.

PERFORMANCE IMPLICATIONS

Provisions of this bill may affect reading proficiency rates across the state. For FY25, about 43 percent of students in New Mexico tested proficient on grade-level math, which has increased over the last several years. About 24.7 percent of students statewide scored at performance level 1 (novice) and 31 percent at performance level 2 (nearing proficiency) in FY25, meaning about 36.4 thousand students would likely need more intensive interventions than the average.



Source: PED

ADMINISTRATIVE IMPLICATIONS

Provisions of the bill will require teacher preparation programs to ensure student teachers are using instructional materials during field experiences that are aligned with PED's academic standards and approved adoption list.

The bill will require schools to ensure instructional materials used for reading instruction in early grades and supplemental instruction in all grades aligns with the science of reading and excludes the three-cueing model, provided materials for English language learners in bilingual or dual language programs or similar settings shall support literacy development in English and home languages, if otherwise appropriate.

Beginning in FY28, schools must begin assessing students' reading performance using a literacy screening assessment for all students between kindergarten and third grade. Schools must analyze test scores and notify parents of the results if their student is at risk of not achieving grade-level proficiency within 30 days of determination. The notice must include information about the student's reading difficulty and skill deficits, interventions provided by the school, monthly monitoring of the student's progress, and a read-at-home plan for parents to address skill deficits at home. Schools must then provide differentiated core instruction or targeted interventions for the student.

The bill also requires PED to develop a template for the parental notification and read-at-home plan, which must include information about daily reading activities and encouragement of home language development and biliteracy for English language learners.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to several appropriations in the General Appropriations Act, including \$14 million for PED early literacy supports, \$29 million for summer reading programs, \$30 million

Senate Bill 37 – Page 5

for a literacy institute building, and \$15.6 million for a three-year pilot to train secondary educators on the science of reading.

SL/sgs/dw/sgs