

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

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 01/24/12
LAST UPDATED 1/30/12 **HB** 14/aHEC

SPONSOR Stewart

SHORT TITLE K-3 Plus Program to Public Education Dept. **SB** _____

ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
	*See Fiscal Implications	Recurring	K-3 Plus Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Public Education Department (PED)

SUMMARY

Synopsis of HEC Amendment

House Education Committee amendment to House Bill 14 eliminated the requirement to use the dynamic indicator of basic early literacy skills in kindergarten and in grades one through three and replaced it with the requirement to use an assessment approved and provided by the department that measures the acquisition of reading skills, including phonological awareness, phonics, spelling, reading fluency, vocabulary and comprehension.

Synopsis of Original Bill

House Bill 14 establishes the six-year “K-3 Plus” pilot project as a permanent program in the Public Education Department to provide funding for additional educational time for disadvantaged students, as measured by free or reduced-fee eligibility, in kindergarten through third grade. The bill will require that the department reimburse participating schools at a rate no less than 30 percent of the unit value per student, and requires school districts to use 2 percent of K-3 Plus funds received for student recruitment and to ensure regular student attendance. The department will be required to notify schools of their K-3 Plus awards no later than April 15 of the calendar year. The bill also establishes a K-3 Plus Advisory Committee appointed by the

secretary.

FISCAL IMPLICATIONS

K-3 Plus is currently funded as a flow-through appropriation to the Public Education Department. House Bill 2 and House Bill 3 both include appropriations for the K-3 Plus program in the amount of \$11 million for FY13. For FY12, the Legislature appropriated \$5.3 million for K-3 Plus. PED reimbursed schools districts for students participating at least 18 days at a rate between \$800 and \$850 per student – schools that had increased transportation costs received the larger per-child allocation. The department authorized 6,630 students for K-3 Plus funding in initial applications, though only 4,941 students registered. The department ultimately funded 4,564 students that attended at least 18 days, allocating approximately \$3.7 million to programs, leaving a balance of approximately \$1.6 million remaining from the FY12 appropriation.

This bill creates a new, non-reverting K-3 Plus Fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities. The bill transfers any unexpended or unencumbered balances of the FY12 appropriation for K-3 Plus to the K-3 Plus Fund.

The bill proposes to require the department reimburse participating schools at no less than 30 percent of the unit value per student. The General Appropriation Act requires the secretary of public education set a preliminary unit value for districts and charter schools to use to establish budgets for the next school year, then upon verification of statewide units for the fiscal year (after collection of the 40th day data), but no later than January 31 of the fiscal year, the secretary is required to establish a final unit value. For FY12, the preliminary unit value was set at \$3585.97 per unit on January 28, 2011, and the final unit value, released January 20, 2012, was set at \$3598.87. It is likely, based on the timing of the K-3 Plus program, that reimbursements will be based on the preliminary unit value. Based on the FY12 preliminary unit value, the per-student reimbursement rate would equal \$1,075.50.

SIGNIFICANT ISSUES

K-3 Plus adds a minimum of 25 instructional days for students in kindergarten and grades one through three beginning up to two months earlier than other classes. FY12 was the 5th year the program has been operated and funded. Extending the school year for high need students can be a cost effective strategy to improve literacy and numeracy skills, and increase the number of students that achieve third grade reading, writing and math readiness. In 2010 the U.S. Department of Education funded a randomized control trial evaluation of New Mexico's K-3 Plus program. Preliminary data from year one of the five year study (being conducted by Utah State University) indicates that K-3 Plus significantly boosts 3rd grade students' achievement scores in reading, math and writing. Third grade students who participate in K-3 Plus for at least one year prior to 3rd grade gained 7.5 points in reading, 43.8 points in writing, and 12.4 points in math compared to 3rd grade students who did not participate in K-3 Plus immediately prior to 3rd grade. Participation in K-3 Plus is likely to save the state money by avoiding the need for more costly remediation programs and retention in the 3rd grade.

Student attendance over the duration of the program varies. For example, during the 2011 K-3

Plus program, the department initially authorized 6,630 students to participate in the program. However, only 4,941 students registered to participate, or 69 percent of the total students in initial applications. Of those students who enrolled in the program, only 4,564 students participate 18 or more days, or 92 percent and only 4,331 students participate 20 or more days, or 88 percent. Concerns persist about funding students for a voluntary program that don't attend the entire program. The department notes the bill does not provide any attendance requirements to qualify for the per-student reimbursement amount.

In addition to attendance issues, school districts and participating schools have struggled with recruiting students because of the timing they receive notice of funding. The K-3 Plus appropriation is made in Section 4 of the General Appropriation Act, is only able to be used during one fiscal year, and isn't allocated prior to July 1. Districts receive notice of funding from the department in May, at the end of the school year, generally making it difficult to recruit both students and teachers to participate in the program. The intent of establishing a non-reverting fund is to allow the department to retain appropriation amounts that would otherwise revert, and use those funds to support the K-3 Plus program at the end of the fiscal year. However, the department is currently able to do this if the department chose to withhold a portion of the total appropriation to support activities at the end of the fiscal year.

During the 2011 K-3 Plus program, the combination of decreased per-student funding and reimbursement for only those students who attended the program a minimum of 18 days resulted in at least one large district withdrawing from the program. Because reimbursement was based on attendance, the district was concerned about the ability to cover the fixed classroom costs associated with offering the program, i.e. teacher, educational assistant and administrator salaries, supplies and materials, and transportation costs.

PERFORMANCE IMPLICATIONS

Percent of third, fourth and eighth grade students who score proficient on the standards-based assessment in reading and math.

ADMINISTRATIVE IMPLICATIONS

The Public Education Department will be required to promulgate rules, develop and disseminate information on best practices in the areas of student recruitment, retention and academic success of early learners, and appoint a K-3 Plus Advisory Committee composed of representative school districts that participate in K-3 Plus and other stakeholders to advise the department on K-3 Plus implementation, and notify school districts of funding by April 15 of the calendar year. PED indicates notification by April 15 may be difficult to accomplish given the application and evaluation process following a 60-day legislative session.

TECHNICAL ISSUES

The bill requires per student funding be at a rate of no less than 30 percent of the unit value per student. The Public Education Department sets the unit value twice each year. Language should clarify that funding shall be based on the preliminary unit value.

Page 3, Section E requires school districts to use up to 2 percent of their K-3 Plus allocation for student recruitment and to ensure regular attendance. The bill does not include a similar

requirement for charter schools.

OTHER SUBSTANTIVE ISSUES

PED analysis indicates statutory language currently requires the use of the “dynamic indicator of basic early literacy skills” (DIBELS), a proprietary reading assessment, to assess student progress in literacy skills in kindergarten and grades one through three. The version of DIBELS currently being used is administered on “Palm Pilot” devices, but will not be available after the 2011-2012 school year. The latest version of DIBELS, “DIBELS NEXT”, requires a tablet computer, certain “smart phones”, an iPad or iPod Touch to administer. PED indicates purchase of these devices would significantly increase the cost of administering this assessment. PED is proposing a statewide, standardized early literacy assessment (HB 69). The contract for this statewide assessment will be awarded based on an RFP. Using DIBELS in addition to this statewide assessment would result in excessive testing for young students. In addition, if K-3 Plus is the only program using the DIBELS, the department would not have a control group to measure the growth of K-3 Plus students in relation to the growth of non-K-3 plus students. Wireless Generation, the contractor for DIBELS, was not able to supply comparative data for the fall 2011 assessment due to the small number of non-K-3 Plus students who were assessed. **House Education Committee Amendment to House Bill 14 addresses this issue by requiring an assessment approved and provided by the department to measure the acquisition of reading skills.**

RSG/svb:lj