



Legislative
Council Staff

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FINAL FISCAL NOTE

Drafting Number: LLS 19-0234
Prime Sponsors: Sen. Lundeen

Date: May 17, 2019
Bill Status: Postponed Indefinitely
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Bill Topic: SUPPORT FOR LITERACY ENRICHMENT FOR YOUNG STUDENTS

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> School District (<i>minimal</i>)
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill would have created the literacy enrichment scholarship program. The bill would have increased state expenditures, and workload and revenue for some school districts.

Appropriation Summary: The bill would have required a General Fund appropriation of \$152,855 in FY 2019-20.

Fiscal Note Status: This fiscal note reflects the introduced bill. The bill was not enacted into law; therefore, the impacts identified in this fiscal note do not take effect.

Table 1
State Fiscal Impacts Under SB 19-074

		FY 2019-20	FY 2020-21
Revenue		-	-
Expenditures	General Fund	\$152,855	\$6,058,247
	Centrally Appropriated Costs	\$5,703	\$9,789
	Total	\$158,557	\$6,068,063
	Total FTE	0.4 FTE	0.7 FTE
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

The bill creates the literacy enrichment scholarship program for students in kindergarten through third grades who have been identified as having a significant reading deficiency.

Administration. By January 1, 2020, CDE must utilize a request for proposals (RFP) process to select a nonprofit entity that will administer the program. The bill specifies requirements for the selected nonprofit, including creating individual student accounts and paying the scholarship money by money transfer (i.e. debit, electronic payment cards, etc.)

Eligibility. To be eligible, a student must be enrolled in kindergarten through third grade at a public school and have been identified with a significant reading deficiency, and the student's family income may not exceed 300 percent of the federal poverty guidelines for the previous year. The student remains eligible regardless of whether the family income increases in subsequent years.

Application. By September 30, 2020 and each year thereafter, CDE must provide information on the program to local education providers (LEPs), to be distributed to all parents of students in kindergarten through third grade and who have been identified with a significant reading deficiency. Parents of eligible students must apply directly to the selected nonprofit; the bill specifies what must be included on the application and that parents must submit a renewal application in subsequent years.

Payment. Scholarships must be awarded beginning in FY 2020-21. Once the selected nonprofit confirms that a student is eligible, it must notify CDE, which must transmit \$500 per year into the student's account. Interest on the scholarship money must be deposited into the account and may be spent on eligible uses. The scholarship and associated income does not constitute taxable income for the parent.

Any money left in the account may be spent in the subsequent years; however, parents may not spend more than \$1,000, plus interest, from an account in a single school year. Once the student has completed third grade, the account must be closed and balance transferred back to the CDE.

Uses of scholarship. Parents may use scholarship funds for literacy enrichment products or services, including instructional materials and fees for a tutor, as long as the tutor holds a valid educator license or bachelor's degree, or other programs designed to improve reading and literacy. If the nonprofit suspects that funds have been used for unauthorized purchases, it must refer the matter to CDE for investigation; the bill specifies violations for misuse of the scholarship.

Reporting. By January 1, 2022, and each year thereafter, the nonprofit must submit a report to CDE that includes the number of accounts, amount disbursed, and the products or services purchased. By January 31, 2023, CDE must evaluate the success of the program in improving the literacy level of participating students.

Fund. The bill creates the literacy enrichment scholarship program fund to contain any money appropriated for the program by the General Assembly. CDE may use up to one percent of the amount annually appropriated to contract with a nonprofit and implement the program.

The program is repealed July 1, 2025.

Data and Assumptions

Students with a significant reading deficiency. A student is identified as having a significant reading deficiency when he or she does not meet the minimum skill levels for reading competency, including phonemic awareness, phonics, vocabulary development, reading fluency, and reading comprehension, for the student’s grade level. During the 2017-18 school year, 40,533 students in kindergarten through third grade were identified as having a significant reading deficiency. This represents approximately 16 percent of the students assessed.

Income eligibility. For 2018, the federal poverty line for a family of four was \$25,100. To be eligible for the program, families must make no more than 300 percent of the federal poverty line, or \$75,300 for a family of four. Based on data from the U.S. Census Bureau, approximately 58 percent of households in Colorado have an annual income of less than \$75,000.

Participating students. Based on the above data, approximately 23,631 students, or 58 percent of the students who have been identified with a significant reading disability, are eligible for the program. The fiscal note assumes that in FY 2020-21, the first year scholarships are awarded, 11,815 (50 percent) of eligible students will participate.

State Expenditures

The bill increases state General Fund expenditures in CDE by \$158,557 in FY 2019-20 and \$6.1 million in FY 2020-21.

**Table 2
 Expenditures Under SB 19-074**

	FY 2019-20	FY 2020-21
Department of Education		
Personal Services	\$29,827	\$50,109
Operating Expenses and Capital Outlay Costs	\$5,178	\$665
RFP Process	\$17,850	-
Vendor Costs	\$100,000	\$100,000
Scholarships	-	\$5,907,500
Centrally Appropriated Costs*	\$5,703	\$9,789
FTE – Personal Services	0.4 FTE	0.7 FTE
Total Cost	\$158,557	\$6,068,063
Total FTE	0.4 FTE	0.7 FTE

* Centrally appropriated costs are not included in the bill's appropriation.

Personal services. In FY 2019-20, CDE requires 0.4 FTE to contract and work with the vendor, establish program rules, and set up initial parameters for data collection and evaluation. Beginning in FY 2020-21, CDE requires 0.7 FTE to manage and work with the vendor, provide resources to LEPs, evaluate and report on the program, and investigate violations referred by the vendor. The fiscal note assumes one percent of participants (118) will require an investigation and eight hours per investigation.

RFP and vendor costs. In FY 2019-20, CDE requires \$17,850 to conduct the RFP process. This amount is based on the standard costs of \$51 per hour for 350 hours. In FY 2020-21, the first year of the program, approximately \$100,000 is required to contract with a vendor to administer the program. The actual cost will depend on the current capabilities of the nonprofit.

Scholarships. In FY 2020-21, approximately \$5,907,500 is required for scholarships, based on an estimated 11,815 students participating and \$500 per scholarship.

Centrally appropriated costs. 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. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$5,703 in FY 2019-20 and \$9,789 in FY 2020-21.

School District Impact

The bill increases the workload for school districts to distribute program information to eligible families. To the extent that scholarships are used to pay fees for programs provided by the LEP, revenue for those LEPs will increase.

Technical Note

The bill specifies that CDE may use no more than one percent of the amount appropriated for the program for administration; however, the fiscal note estimates that beginning in FY 2020-21, approximately two percent of the appropriation will be required for administration.

Effective Date

The bill was postponed indefinitely by the Senate Education Committee on January 31, 2019.

State Appropriations

For FY 2019-20, the bill would have required a General Fund appropriation of \$152,855 for the Colorado Department of Education, and 0.4 FTE.

State and Local Government Contacts

Education