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SB 19-199

**REVISED
FISCAL NOTE**

(replaces fiscal note dated April 2, 2019)

Drafting Number: LLS 19-0962 **Date:** April 18, 2019
Prime Sponsors: Sen. Todd; Rankin **Bill Status:** Senate Appropriations
Rep. McCluskie; Wilson **Fiscal Analyst:** Josh Abram | 303-866-3561
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Bill Topic: READ ACT IMPLEMENTATION MEASURES

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> School District

The bill makes modifications to the READ Act, the annual appropriation for the Early Literacy Grant Program, and distributions of per-pupil intervention money. The bill modifies expenditures and allocations of READ Act funding on an ongoing basis.

Appropriation Summary: The bill requires an appropriation of \$39.4 million to the Colorado Department of Education. See State Appropriations Section for details.

Fiscal Note Status: This revised fiscal note reflects the bill as amended by the Senate Education Committee.

**Table 1
New State Fiscal Impacts Under SB 19-199***

		FY 2019-20	FY 2020-21
Revenue		-	-
Total Appropriation Required*		\$39,378,678	Not estimated
New Expenditures	Cash Funds	\$4,277,126	\$4,288,239
	Centrally Appropriated	\$47,952	\$52,521
	Total	\$4,325,078	\$4,340,760
	Total FTE	3.2 FTE	3.5 FTE
Transfers		-	-
TABOR Refund		-	-

* Total appropriations required for READ Act are \$39.4 million. See Background Section and State Appropriations Section for details.

Summary of Legislation

The bill makes several statutory changes to the Colorado Reading to Ensure Academic Development Act (READ act) and its implementation by the Colorado Department of Education (CDE), public schools, and school districts.

Local education providers. Under current law, each local education provider (LEP) must ensure that early grade learners receive the instructional programming and services necessary to ensure the required reading skills for academic success in later grades. This bill requires that the programming and services be evidence-based and focus on reading competency in the areas of phonemic awareness, phonics, vocabulary development, reading fluency, and reading comprehension. If a student's reading skills are below grade-level expectations or the student is identified as having a significant reading deficiency, LEPs must employ multi-tiered systems of support, which at a minimum must include a daily literacy block of research-based instruction.

No later than July 1, 2020, the bill requires that LEPs include additional information, including designated curriculum and intervention programs, in the annual READ plan the LEP submits to CDE. No later than the beginning of the 2021-22 school year, each LEP that receives per-pupil intervention money or grants from the Early Literacy Grant Program, must ensure that each early grade teacher successfully completes evidence-based training in teaching reading. The specified training may be included in a teacher preparation or literacy program at an institution of higher education, provided by the CDE, or provided by the LEP. If requested by an LEP, the CDE must provide the training at no cost. LEPs must submit evidence to the CDE that teachers have successfully completed the training.

State Board of Education (SBE). The SBE must adopt additional rules for the READ Act that address time frames and procedures for LEPs to submit specified information to the CDE concerning the use of per-pupil intervention money.

Colorado Department of Education. The CDE must add technology tools to an existing advisory list of evidence-based instructional programming and professional development for reading instruction. The bill adds selection criteria for professional development programs included in the advisory list. Under current law, the CDE provides technical assistance related to READ Act implementation to LEPs upon request. This bill requires that CDE provide this assistance to LEPs that are accredited with a turnaround plan, or are required to adopt a turnaround plan.

Public information campaign. Beginning in FY 2019-20, the CDE must contract with an outside entity to develop and implement a public information campaign related to the importance of reading and to highlight LEPs that are achieving success.

Professional evaluation. No later than October 1, 2019, the CDE must issue a request for proposals to contract with an entity to act as an independent evaluator of the use of per-pupil intervention money and money received through the Early Literacy Grant Program, and to conduct a multi-year evaluation to determine whether the student outcomes achieved by LEPs meet the goals of the READ Act. The bill specifies criteria for selecting the evaluator and components that must be included in the performance evaluation. The evaluation must be completed by July 1, 2021, and included in the CDE's 2021 SMART Act report.

READ Act funding. Under current law, the CDE uses \$1.0 million of the annual READ Act appropriation to provide professional development to LEPs, up to \$5.0 million for grants from the Early Literacy Grant Program, and up to one percent for administrative overhead.

In addition to these allocations, for FY 2019-20, the bill requires that the CDE use up to \$500,000 for the public information campaign and no more than \$2.0 million to contract with a qualified independent evaluator. Of the amount that remains after these allocations, the CDE must use 10 percent to award grants through the Early Literacy Grant Program, and 90 percent for per-pupil intervention funding to LEPs.

Beginning in FY 2020-21, and for each fiscal year thereafter, the CDE may use up to one percent of the annual appropriation for administration, up to \$500,000 for a public information campaign, up to \$2.0 million for professional evaluation, at least \$4.0 million for early literacy grants, and the remaining appropriation distributed as per-pupil intervention money.

Per-pupil intervention money. To receive per-pupil intervention money, LEPs must annually report specified information to the CDE, including a budget with a narrative explanation for the use of per-pupil intervention money. In order to receive the per-pupil intervention money, an LEP must submit to the CDE evidence that the LEP is in compliance with teacher training requirements and, subject to approval by the CDE, the specified uses of intervention funding. Throughout the fiscal year, the CDE must monitor and, if necessary, audit each LEPs' use of per-pupil intervention money. The bill specifies the approved uses of per-pupil intervention money by LEPs. LEPs may retain up to 15 percent of annual per-pupil intervention money for use in the following budget year; if the LEP retains more than this amount, the CDE must reduce the following budget year allocation to the LEP by the excess amount retained.

Early Literacy Grant Program. Finally, this bill modifies the Early Literacy Grant Program to permit the State Board of Education to award a grant to a school district or to individual schools in a district. The bill also modifies award criteria used to select grant recipients. The SBE may renew a grant award only if an independent evaluator determines that the program has been effective, and the LEP requests an extension. If the evaluation determines the program is not effective, the SBE may not extend or renew the grant. The bill expands some of the reporting requirements for LEPs receiving an early literacy grant.

Background

The READ Act is currently funded with an annual transfer of \$34.0 million from the State Education Fund to the Early Literacy Cash Fund, and a direct appropriation of \$5.4 million from the Marijuana Tax Cash Fund. Appropriations for the READ Act are typically provided in the annual appropriations act (the Long Bill). For FY 2019-20, the Long Bill does not contain this funding, which instead must be appropriated either in this bill, or another bill. New state expenditures identified in this fiscal note are assumed to be part of the total appropriation.

State Expenditures

The bill requires the entire amount of READ Act funding totaling \$39,3789,678 in FY 2019-20. Of that total appropriation, about \$4.3 million and 3.5 FTE are new expenditures as a result of this bill, which change the allocation of the remaining appropriation in per-pupil intervention funding and grants from the Early Literacy Grant Program. New state expenditures are displayed in Table 2 and described below. New allocations of the full appropriation are displayed in Table 3.

**Table 2
 New Expenditures Under SB 19-199**

	FY 2019-20	FY 2020-21
Colorado Department of Education		
Personal Services	\$264,198	\$289,781
Operating & Capital Outlay	\$16,959	\$3,325
CDE Evidence-Based Training	\$2,702,557	\$2,702,557
Travel and Expense Reimbursements	\$43,413	\$42,577
Public Information Campaign	\$500,000	\$500,000
External Program Evaluator	\$750,000	\$750,000
Centrally Appropriated Costs*	\$47,952	\$52,521
Total Cost	\$4,325,079	\$4,340,761
Total FTE	3.2 FTE	3.5 FTE

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

Personal services. The bill increases personal service costs and related operating and capital outlay for the CDE to provide evidence-based training in teaching and technical assistance to LEPs accredited with a turnaround plan. The CDE must also monitor the creation and implementation READ Act plans, receive and process additional data collected from LEPs, and review and approve plans for all school districts, charter schools, and boards of cooperative educational services. Additional program staff are required to manage an expanded Early Literacy Grant Program, and to manage two additional external contracts for a public information campaign and a professional program evaluator.

Evidence-based training. The bill requires that the CDE offer evidence-based training in teaching reading at no cost to LEPs that request it. There are about 21,500 teachers in kindergarten through third grade that must successfully complete an evidence-based training in teaching reading. Some districts will use institutions of higher education or arrange for this professional development out of existing district budgets. This analysis assumes that 25 percent (5,375) of these teachers will receive evidence-based training from the CDE, increasing state costs to purchase training materials, compensate trainers, reimburse participants for travel and expenses, rent venues and provide catering, and reimbursing LEPs for substitute teachers. These expenses are assumed to be spread evenly across FY 2019-20 and FY 2020-21.

Public information campaign and professional evaluator. The bill requires that an outside contractor implement a public information campaign, and that the CDE contract with a professional evaluator. The public information contract is estimated at \$500,000 annually. The bill anticipates up to \$2.0 million for the professional evaluator; however, this expense is estimated at \$750,000 annually. The CDE will have some additional expenses related to procurement, and staff support of these contracts. Those expenses are assumed to be paid within these amounts.

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 \$47,952 in FY 2019-20, and \$52,521 in FY 2020-21.

New READ Act funding distribution. Table 3 displays the total appropriation for READ Act implementation, new expenditures under SB19-199, and the resulting distribution of funding between per-pupil intervention funding and grants from the Early Literacy Grant Program for FY 2019-20.

**Table 3
 New Expenditures and New Allocations
 READ Act Funding
 FY 2019-20**

Total Appropriation FY 2019-20	\$39,378,678
New CDE Administrative Expenses (Personal/Operating/Travel)	\$324,570
New Evidence-Based Training	\$2,702,557
New Public Info Campaign	\$500,000
New Professional Performance Evaluation	\$750,000
New State Expenditures	\$4,277,127
Allocation of Early Literacy Grants (current law)	\$5,000,000
Allocation of Regional Literacy Professional Development (current law)	\$1,000,000
Subtotal Required Expenses	\$10,277,127
Total Appropriation Minus Required Expenses = Remaining	\$29,101,551
10 % of Remaining Allocated to Early Literacy Grants	\$2,910,155
90 % or Remain Allocated to Per-Pupil Intervention Funding	\$26,191,396
Total Appropriation FY 2019-20	\$39,378,678

School District Impact

The bill increases workload and costs for all LEPs. The bill requires that LEPs prepare and submit additional information in their annual READ Act plan, report data to the CDE related to student reading competency and uses of per-pupil intervention funding, and provide a minimum amount of reading intervention services to students who are reading below grade level. These provisions increase staff needs in most districts, charter schools, and boards of cooperative educational services that run public schools.

Although the bill requires that CDE provide a evidence-based training for reading education, some LEPs will chose to provide this training without state assistance, increasing costs for LEPs to provide this training or arrange for outside professional development for their early grade educators.

Technical Note

Under current law, the CDE may retain up to 1 percent of the annual appropriation from the Early Literacy Grant Fund to implement the READ Act. Current law also requires that the General Assembly annually transfer \$34.0 million from the State Education Fund and \$5.0 million from the Marijuana Tax Cash Fund to the Early Literacy Grant Fund, the majority of which is distributed to LEPs as per-pupil intervention funding. Pursuant to current law, the CDE may retain about \$340,000 annually for administrative expenses; however, with the expanded requirements of this bill, the department's administrative expenses now exceed the one percent limit.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2019-20, the bill requires a total appropriation of \$39,378,678 in the following amounts:

- \$34.0 million from the Early Literacy Cash Fund to the Colorado Department of Education and 3.2 FTE; and
- \$5,378,678 from the Marijuana Tax Cash Fund to the Colorado Department of Education.

State and Local Government Contacts

Education School Districts