

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 (www.nmlegis.gov). 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 02/14/13

SPONSOR SEC _____ LAST UPDATED 03/02/13 HB 310/SECS _____

SHORT TITLE K-3 Program Eligibility SB _____

ANALYST Gudgel _____

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

The Senate Education Committee substitute for House Bill 310 (HB 310) amends the Public School Code to define “high poverty schools” eligible to participate in the Kindergarten-Three-Plus program as elementary schools with at least 80 percent of the enrolled students eligible for free or reduced-fee lunch or an elementary school with a D or F school grade the previous year. The bill bases funding of the program on enrollment on the 10th day of the program and establishes notification requirements. The bill requires the Public Education Department (PED) to notify districts no later than February 1 that applications will be due March 15th and will be accepted by electronic, mail, or other delivery. The bill also eliminates specific assessment requirements of K-3 Plus students and generally requires student progress to be measured through formative and summative assessments. The bill includes an emergency clause.

FISCAL IMPLICATIONS/

House Bill 2 includes \$16 million for the Kindergarten-Three-Plus program for FY14, and includes language to extend eligibility to schools with a D or F school grade.

The PED indicates under the current eligibility criteria, 210 schools are eligible to participate in K-3 Plus. These schools enroll 45,800 students in kindergarten through third grade. Currently,

75 schools, or about 35.7 percent of those eligible, are participating in the program. These schools served 7,163 students in the summer 2012, which is approximately 15.6 percent of the total students in kindergarten through third grade in all eligible schools. HB 310 lowers the eligibility requirement from having at least 85 percent of the students in a school eligible for free or reduced-fee lunch to 80 percent. HB 310 also extends eligibility to any school that received a D or F grade in the previous year. Under the eligibility criteria in HB 310, a total of 285 schools enrolling 62,662 students in kindergarten through third grade would be eligible for K–3 Plus.

Funding for FY13 was \$11,000,000 with 4 percent, or \$440 thousand, set aside for administrative and professional development costs. Districts were awarded \$1,100 for each student that participated in the program.

SIGNIFICANT ISSUES

Allowing public elementary schools that Do not qualify for the K-3 Plus program pursuant to the “high-poverty” standard but that have a school grade of D or F will increase the number of schools that are eligible to apply for K-3 Plus funding. The PED estimates an additional 16,900 students will be eligible to participate. Recently reported student performance data indicates positive and statistically significant gains for children who received the 25 days of additional instruction in the areas of early numeracy and early literacy (reported by the Utah State University).

Additionally, the bill changes notification provisions, requiring the Department to notify all school districts and charter schools no later than February 1 that applications will be accepted until March 15. The bill also establishes that applications can be submitted electronically or by other means. In 2012, the Department gave schools districts and charter schools one week notice that applications for June start up programs were due, and the Department prohibited applications from being emailed. Notification provisions will establish a consistent application process that does not change year-to-year that will give school districts sufficient time to submit applications and the Department sufficient time to review applications.

The bill establishes a reporting date for funding purposes. Prior to the 2012 K-3 Plus program, school districts received full funding for all students reported regardless of the number of days students participated. In some instances this resulted in districts receiving funding for students that did not attend a majority of the days. The Department changed the funding policy during the 2012 program to require students to participate a minimum number of days in order for a school district or charter school to receive any funding for that student. Participating school districts voiced concern that this hindered their ability to adequately fund the fixed costs associated with the program. As a result, the Legislature made the K-3 Plus program permanent during the 2012 legislative session and required funding to be reimbursed at 30 percent of the unit value established in the public school funding formula. Requiring funding to be based on a specific reporting date is consistent with the methodology used to distribute formula funding.

PERFORMANCE IMPLICATIONS

Students who participate in K-3 Plus show statistically significant improvement in numeracy and literacy.

TECHNICAL ISSUES

The bill should reference the A-B-C-D-F School Ratings Act on page 2, line 14. “...an elementary school with a D or F grade **pursuant to the A-B-C-D-F School Ratings Act** the previous **school** year.”

OTHER SUBSTANTIVE ISSUES

Mastery of reading by third-grade is a critical milestone in a student’s academic career. Students shift from learning to read to reading to learn in the third grade. Early reading proficiency is well-established as a strong predictor of high school graduation rates and future earning potential. Research shows that students who fail to achieve this critical milestone often struggle in later grades and are at greater risk of dropping out before graduating. The K-3 Plus program extends the school year by a minimum of 25 instructional days before the school year begins for participating kindergarten through third-grade students in high-poverty schools. Increased time in kindergarten and the early grades narrows the achievement gap between disadvantaged students and other students, increases cognitive skills, and leads to higher test scores for all participants. K-3 Plus is a cost-effective way to improve student outcomes and close the achievement gap, costing approximately \$1,100 per student for an additional five weeks of school. Roughly 28 percent of eligible students are funded to participate in K-3 Plus. Statewide, more than 33 thousand students attend eligible elementary schools. Recognizing the return on investment, the Legislature made the pilot program permanent during the 2012 session.

The LFC’s evaluation, *Developing Early Literacy in New Mexico* (July 2012), noted K-3 Plus was developed in 2007 to narrow the achievement gap by extending the school year by a minimum of 25 days at schools with at least 85 percent of students qualifying for free or reduced price lunch. New Mexico appropriated \$11 million to the K-3 Plus program for use in FY13. More students who enroll in K-3 Plus are poor, Hispanic, Native American, or English-language learners than the overall third-grade population.

A 2011 evaluation of K-3 Plus conducted by Utah State University found positive effects on third-grade reading, writing, and math SBA performance and estimated the benefits from reduced grade retention and remediation services offset all of the costs to fund K-3 Plus. Additionally, students who receive two years of K-3 Plus outperformed students who attended one year of K-3 Plus. Controlling for student demographics, students who attended K-3 Plus a second year are estimated to score 0.8 scaled score points higher than students who attended K-3 Plus for one year.

The report can be found at:

<http://www.nmlegis.gov/lcs/lfc/lfcdocs/perfaudit/Developing%20Early%20Literacy%20in%20New%20Mexico.pdf>

RSG/blm:svb