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FISCAL IMPACT REPORT

SPONSOR Sapient ORIGINAL DATE 02/18/15
 LAST UPDATED _____ HB _____

SHORT TITLE Reading Success Act SB 468

ANALYST Gudgel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$25,000.0	Recurring	General 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 Bill

Senate Bill 468 repeals Section 22-2C-6 NMSA 1978 of the Public School Code – Remediation programs; promotion policies; restrictions – and enacts the Reading Success Act. The Act requires administration of a reading screening assessment to kindergarten through third grade students at the beginning of the school year and development of reading improvement plans for students who are not proficient in reading.

The bill establishes a non-mandatory retention policy for kindergarten through eighth grade students that are unable to demonstrate reading proficiency that requires both the teacher and principal to recommend retention and requires parental consent to retention. A parent is able to waive retention once. Additionally, the bill provides four exemptions to the retention policy.

Senate Bill 468 appropriates \$25 million from the general fund to the state equalization guarantee for distribution in FY16 to implement the Reading Success Act. Any unexpended or unencumbered balance remaining at the end of FY16 shall revert to the general fund.

FISCAL IMPLICATIONS

The appropriation of \$25 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY16 shall revert to the general fund.

PED has not provided an estimate of potential costs, or savings, including estimates of fiscal impact to school districts and charter schools to implement effective interventions and remediation. PED notes the bill will require reading intervention for approximately 50,000 kindergarten through eighth grade students. Current provisions of law require intervention and remediation for first through eighth grade students who are not academically proficient, which is much broader than limiting intervention and retention policies to reading proficiency.

The bill requires a reading screening be given to all kindergarten through eighth grade students at the beginning of each year. These assessments would be provided by the school district pursuant to the provisions of the bill. PED's analysis states the bill does not provide specific funding for the cost of screening assessments. Current funding appropriated to PED for the Reads to Lead early reading initiative covers a reading assessment for kindergarten through third grade students. School districts and charter schools that choose to use the PED-adopted tool – DIBELS Next or IDEL – would not have additional costs for kindergarten through third grade. Additionally, the bill includes sufficient funding to cover assessment costs for fourth through eighth grade students.

House Bill 2 currently includes \$15 million for PED's early literacy initiative, Reads to Lead. The funding will support administration of the DIBELS Next and IDEL (Spanish reading assessment tool) to 106 thousand students at an estimated cost of \$12 per student, or almost \$1.3 million. During the 2014-2015 school year, approximately 100 thousand students participated, a significant increase over the previous school year as additional school districts participated. The remaining funding would be used to support school districts, charter schools, school administrators, teachers, reading coaches, and parents with professional development on evidence-based reading instruction and intervention aligned with new content standards, using formative assessment data to drive instruction, and strategies for parents to support students' reading acquisition at home; and reading coaches, professional development and reading intervention materials at school districts, charter schools, and regional education cooperatives.

PED has not targeted Reads to Lead funding to the state's lowest performing students nor the state's most at-risk students in FY13 (\$8.5 million), FY14 (\$11.5 million), or FY15 (\$14.5 million). In FY14, PED distributed funds to all school districts and charter schools that submitted an early literacy plan (except Las Cruces and Albuquerque Public Schools who received more in formula funding than the agreed-upon allocation of below-the-line funding).

Results from the first year of the initiative (FY13) show modest gains in reading proficiency above the statewide average. Students at school districts and charter schools that received the initiative funding in FY13 gained an average of only 3 percentage points on the New Mexico Standards-Based Assessment while the statewide average third-grade reading proficiency increased 2.8 percentage points. In FY14, the state saw a decrease in third-grade reading proficiency of 3.4 percentage points.

SIGNIFICANT ISSUES

During previous legislative sessions, PED indicated that the cost of identifying struggling readers early, implementing intervention and remediation programs, and implementing a mandatory retention policy could be absorbed by school districts and charter schools. Department testimony indicated districts receive \$225 million in federal funds that can be reprioritized for reading initiatives to support this bill, \$20 million in federal Title II funds for professional development, and that the state equalization guarantee (SEG) distribution includes \$10.5 million for professional development. It is reasonable to expect that districts should prioritize existing resources into strategies that are scientifically based and have proven success to increase reading achievement.

While districts are free to spend distributions from the SEG as they choose, it is critical that decisions are strategic, focusing on highly effective programs with proven results. Districts need to become more flexible and willing to implement a coherent improvement strategy, targeting resources to achieve the maximum benefit to improve student achievement and reading proficiency. Given the current economic climate, now is the time to look closely at how districts and charters are spending current revenues, what programs are working and should be prioritized, and what programs have little success and should be terminated.

In addition to the cost of educating a student for an additional year, school districts and charter schools can be expected to have increased costs associated with remediation programs, including summer and after school remediation programs, professional development for underperforming teachers, assessments, curriculum, student assistance teams, and additional third grade classrooms and teachers needed. While existing funds may be able to be reprioritized, there will be actual increased costs to districts to implement and pay for the costs of remediation programs in kindergarten – districts are not statutorily required to do this currently. These costs are not easily estimated, as data on kindergarten student proficiency is not readily available.

There are a number of programs and interventions that could be used to address reading proficiency and reading interventions, including:

- K-3 Plus, an extended school year program, has shown success in increasing reading skills of reading deficient students;
- Programs to increase parental involvement;
- Elementary breakfast;
- Prekindergarten, also proven to improve student achievement;
- Extended learning opportunities, including after school reading programs and the 21st Century After School Programs;
- Principal and school leadership programs; and
- The use of Title 1 funds for district wide reading programs, including programs that extend the school year like K-3 Plus.

The state may want to be more prescriptive in requiring research-based remediation measures such as extended learning opportunities, and increased time-on-task, like the state's K-3 Plus extended school year program that adds an additional 25 instructional days for at-risk students. For example, the Legislature could choose to implement a mandatory statewide K-3 Plus program for all students scoring at the lowest level of reading proficiency or in all high poverty

schools to address third-grade proficiency. K-3 Plus has several years of history in New Mexico and preliminary evidence of success.

K-3 Plus may be a relatively inexpensive remediation program because it builds on existing infrastructure. The average annual cost of K-3 Plus is approximately \$1,231 per student and is based on the funding formula unit value. If the state mandated K-3 Plus for the lowest scoring students, it is likely almost 26 thousand kindergarten through third grade students would need reading intervention. At the current per-student cost, LFC staff estimates it would cost \$32 million to reach those 26 thousand students. Current K-3 Plus funding of \$21.2 million funds more than 18 thousand students; therefore, \$10.8 million in additional funding could be used to reach students at risk of retention pursuant to this bill.

In the alternative, if the Legislature chose to implement a mandatory K-3 Plus program in all high-poverty schools, LFC staff estimates it would cost a total of approximately \$61.3 million to provide K-3 Plus to all kindergarten through third-grade students in each currently eligible elementary school – schools that earn a D or F school grade or at least 80 percent of the enrolled students are eligible for free or reduced-price lunch. The FY15 appropriation totals little more than \$21.2 million.

House Bill 2 includes \$23.7 million for K-3 Plus for FY16. The expectation would be to see fewer students held back in the third grade because they are deficient in reading. This would decrease the additional funding required to educate these students for an additional year.

It is expected that an effective third-grade intervention and retention policy would have the effect of increasing early student success, resulting in positive fiscal effects in the future. Costs associated with increased professional development, targeted remediation and interventions, and retention could be offset by increased student achievement. It would be expected that some of the costs associated with retention would be offset by reduced identification of special education students, increased graduation rates, and increased college and career readiness, including decreased postsecondary remediation rates. Other costs, such as those associated with juvenile and adult criminal activity would also be expected to decrease. While these are financial savings that would not be immediately realized, they are important to consider. However, any savings would be dependent on the effectiveness of implementation.

PROVISIONS OF THE BILL ARE AS FOLLOWS:

Provisions of the bill are effective beginning with the 2015-2016 school year.

Kindergarten Through Third Grade

At the beginning of each school year, kindergarten through third grade students will be administered a screening assessment with a school district- or charter school-determined and developmentally appropriate assessment that measures the acquisition of reading skills, including phonological awareness, phonics, reading fluency, vocabulary, and comprehension. If the assessment indicates the student is not proficient in reading, the student's parent will be notified and the student will be provided with intensive targeted instruction. The bill defines reading proficiency as a score on a valid and reliable assessment that is school-district determined and developmentally appropriate. The bill does not establish a statewide standard of proficiency to trigger targeted instruction. PED's analysis notes using a single, statewide is important because New Mexico students are often mobile. If the screening tool varies district to district, PED notes

there is risk that intervention support could “start” and “stop” as a student moves across districts as the identification of students may vary significantly. A statewide tool ensures consistency across school districts. PED’s analysis also notes the potential use of different assessments across the state may create different expectations for students across the state.

The chart below shows reading proficiency of third-grade students by subgroup and proficiency level on the state’s standards-based assessment (SBA). During the 2013-2014 school year, 25,462 third-grade students were tested. Of those students 24.3 percent or 6,187 students tested at beginning steps, the lowest level. However, another 23.9 percent, or 6,085 third-grade students tested were not proficient, testing at nearing proficiency.

Third-Grade Reading Proficiency - 2013-2014					
Group	Number Tested	Beginning Step	Nearing Proficient	Proficient	Advanced
All Students	25,462	24.3%	23.9%	45.3%	6.5%
Female	12,534	20.2%	23.8%	48.3%	7.7%
Male	12,926	28.2%	23.9%	42.5%	5.4%
Caucasian	6,333	14.6%	18.0%	55.5%	12.0%
African American	574	26.3%	25.6%	43.4%	4.7%
Hispanic	15,672	26.3%	25.4%	43.5%	4.8%
Asian	354	9.9%	13.8%	57.3%	18.9%
American Indian	2,522	37.6%	30.1%	30.1%	2.2%
Economically Disadvantaged	18,926	28.7%	26.4%	40.7%	4.1%
Students w Disabilities	3,645	62.8%	18.1%	14.7%	4.4%
English Language Learners, Current	5,633	38.9%	27.4%	31.3%	2.4%
Source: PED					

The bill defines intensive targeted instruction as extra instruction means extra instruction either for individual students or small groups of students that shall be no less than twenty minutes per day and five days per week or the equivalent. For students who are not demonstrating reading proficiency, the student assistance team will be required to develop a reading improvement plan for the student, including specific strategies for a parent to use in helping the student achieve reading proficiency by the 80th day of the school year (generally October). PED notes concerns related to waiting until October to develop a reading improvement plan, stating waiting this long may diminish a struggling student’s change of achieving proficiency.

The bill requires school districts and charter schools to establish baseline assessment data on reading proficiency for kindergarten through third grade students, though the bill does not specify a timeline for doing this.

Fourth through Eighth Grade

The bill requires school districts and charter schools to establish baseline assessment data from the prior school year to determine the reading proficiency of fourth through eighth grade students. This provision may be problematic in the 2015-2016 school year as assessments may not have been administered during the 2014-2015 school year.

For students that are not demonstrating reading proficiency, the student assistance team will be required to develop a written reading improvement plan including for the student, including

specific strategies for a parent to use in helping the student achieve reading proficiency by the 80th day of the school year (generally October). Each school district and charter school will be required to maintain a student intervention file for fourth through eighth grade students who do not demonstrate reading proficiency that includes the written notice given to the parent and a description of the intervention. The file will be maintained as part of the student's permanent record.

Promotion and Retention Policy for Kindergarten through Eighth Grade

At the end of each school year the following will happen to students based on reading proficiency:

- Students proficient in reading will enter the next higher grade;
- Student not proficient in reading participate in a differentiated reading program and:
 - promoted to the higher grade upon achieving reading proficiency;
 - has not achieved reading proficiency, with recommendation of teacher and school principal:
 - subject to retention with written parent approval for one school year
 - promoted if the parent refuses to allow the student to be retained and participates in another differentiated remediation program and reading improvement plan
 - Students who do not achieve reading proficiency at the end of the second school year may be retained for one school year.

PED's analysis notes concerns that promotion and retention policies will be made based on different assessments across the state. The department states the policy will not provide consistent expectations and data across districts resulting in inconsistent statewide promotion and retention policies. The department also notes the approach could cause double testing of students. If a school district or charter school decides not to use the annual accountability assessment to make promotion and retention decisions that may mean a student is administered a separate, duplicative assessment as they are still required to participate in the state accountability assessment

After Eighth Grade

- The student assistance team will be required to design a high school graduation plan for students who have not achieved reading proficiency at the end of eight grade.

Exemption for Kindergarten through Eighth Grade Students

- Students are not subject to the retention policy, development of a high school graduation plan, or referral to an alternative program if:
 - They are able to score at least at the 50th percentile on a department-approved, norm-referenced assessment or at the proficient level on an alternative school-district approved, criterion-referenced assessment;
 - is an English language learner who demonstrates annual growth on a school-district-approved English language assessment; provided that, after four successive school years of taking, or upon mastering, the English language assessment, the student no longer shall be considered an English language learner,

the student's reading proficiency shall be determined using the assessment administered to students who are not English language learners;

- is a student with a disability; or
- is a student who has already been retained for one school year.

Other General Requirements

- Students who are unable to achieve reading proficiency for two successive school years will be referred for placement in an alternative program designed by the school district or charter school.
- Promotion and retention of special education students must be made pursuant to their individual educational plan (IEP).

Reporting Requirements

The bill requires each school district and charter school to provide a report to the Public Education Department by September 30 of each school year a professional development plan that includes proposals for teachers to receive professional development to adopt effective reading instruction methodologies. Each school district and charter school will be required to include the following in its accountability report by May 15 annually

- the number and percentage of students identified as requiring intervention;
- the number and percentage of students who received intervention and differentiated remediation programs and:
 - achieved reading proficiency within the school year; or
 - did not achieve reading proficiency within the school year, were recommended for retention and: 1) were retained in the same grade; or 2) were not retained in the same grade due to a parental waiver;
- reading proficiency data for students who did not achieve reading proficiency and were promoted to the next higher grade due to a parental waiver; and
- student assistance team promotion and retention decisions for students who previously were promoted to the next higher grade due to a parental waiver.

PED will be required to develop a report of this information to present to the Legislative Education Study Committee

PERFORMANCE IMPLICATIONS

The number of third, fourth, and eighth graders scoring proficient or above on the standards-based assessment, the percentage of students who graduate, and the number of students needing remediation in college could be affected.

ADMINISTRATIVE IMPLICATIONS

The bill will increase PED and public school duties. PED will need to ensure department rules conform to the changes proposed in this bill, and will be required to approve a screening assessment.

While school districts are already required to identify and provide remediation to first through

eighth grade students who are not proficient, districts and charter schools will be required to develop remediation for kindergarten students.

CONFLICT

SB 66, HB 41, SB 560, and SB 724 conflict with this bill.

TECHNICAL ISSUES

The bill has a definition for “educational plan for student success” that is never used in the bill.

The bill requires school districts and charter schools to establish baseline assessment data on reading proficiency for kindergarten through third grade students, though the bill does not specify a timeline for doing this. See Subsection A on page 4. The Legislature may wish to establish a timeline for establishing baseline data.

OTHER SUBSTANTIVE ISSUES

Traditionally students learn to read in kindergarten through third grade so they can read to learn in the upper grades. Early reading proficiency is a leading indicator of future academic success. A child who cannot read by the fourth grade will continue to fall behind their peers and, without remediation, academic proficiency will continue to decline as reading improvement changes most dramatically in the early years. Long term effects include failing classes, dropping out, and the inability to compete in higher education and the workforce. Ensuring students can read is critical to improving student achievement and closing the achievement gap.

Current law requires school boards to approve district-developed remediation and academic improvement programs to provide special instructional assistance to students in first through eighth grade who do not demonstrate academic proficiency. Despite this statutory requirement, a large percentage of students fail to achieve proficiency on the state’s standards-based assessment each year. During the 2014-2015 school year, only 51.8 percent of third graders scored proficient or above on the standards-based assessment in reading. Research indicates that passing students on to the next grade when they are unprepared neither increases student achievement nor properly prepares students for college and future employment. At the same time, research also shows that holding students back to repeat a grade without changing instructional strategies may be ineffective. Retention and social promotion, if not accompanied by effective programmatic intervention, fail to provide long-term benefits for low-performing students.

Districts must have academic improvement programs that are effective and provide targeted remediation. While a retention policy is intended to increase student achievement and ultimately lead to better outcomes, reports indicate some negative effects of retention if not coupled with effective interventions. In some instances where targeted remediation programs were lacking, retained students have been shown to have behavioral problems, to show lower levels of academic achievement, to be less likely to receive a high school diploma, and to be more likely to drop out of high school.

Florida

Florida implemented a mandatory retention law in 2002 that prohibited the promotion of third graders who did not score at a Level One, the lowest of five levels on the reading portion of the Florida Comprehensive Assessment Test (the Florida standards-based assessment). The Florida plan allowed five “good cause exemptions” in which third graders who were not reading at Level One could be promoted to the next grade. Florida has approximately 2.59 million total students.

Based on school year 2002-2003 data, the first year of implementation in Florida, 14 percent of Florida third grade students were not promoted to fourth grade.

Florida appropriated \$107 million in FY07, \$134.7 million in FY08, \$123.3 million in FY09, \$106.5 million in FY10, and \$104.6 million in FY11 for the Just Read, Florida program and formula funds to school districts for comprehensive reading programs.

The Just Read, Florida program required the following:

- Establish statewide standards for P-12 school reading programs based on latest scientific research;
- Operate Reading Academies to train teachers and reading coaches in scientifically based reading instruction;
- Develop and monitor reading competencies that must be demonstrated for teacher licensure, reading endorsement and reading certification, including:
 - Elementary licensure (five competencies encompassing 61 indicators must be documented);
 - Secondary licensure (two competencies encompassing 26 indicators);
 - Reading endorsement for reading interventionists (six competencies encompassing 74 indicators); and
 - Reading certification (30 graduate semester hours or a master degree or higher in reading and a passing score on the state K-12 reading subject area test).
- Approve postsecondary teacher preparation programs based on proof that programs cover the required reading competencies;
- Develop screening, diagnostic and progress-monitoring assessments for instruction in reading;
- Support Florida Family Literacy Initiative; and
- Promote public-private partnerships, family involvement programs and volunteer initiatives to help children and adults to learn to read.

Legislation was passed in Florida in 2005 requiring districts to provide retained students with intensive interventions in reading to address the specific reading deficiency identified by a valid and reliable diagnostic assessment, including:

- A minimum of 90 minutes daily of intensive, uninterrupted scientifically based reading instruction;
- A summer reading camp;
- Appropriate teaching methodologies;
- A high performing teacher as determined by student performance data and above satisfactory performance appraisals; and

- Either supplemental tutoring; a Read at Home plan; or a mentor or tutor with specialized reading training.

Texas

From 1999 to 2002, Texas implemented a reading initiative that cost approximately \$75 million to train approximately 79,000 teachers in Grades K-3. Texas implemented a mandatory 4-day summer Teacher Reading Academy based on common curriculum. The training was research-based and very prescriptive, included video clips illustrating teachers working with students, and focused on individualized instruction based on each student's needs. Eventually, the state trained all K-8 teachers at an average cost of \$950 per teacher. The Texas initiative had several components, including:

- Developing a statewide consensus framework for reading instruction based on reading research;
- Creating assessments for student diagnosis and placement;
- Developing training curricula for all teachers who teach reading or language arts;
- Providing four-day summer Teacher Reading Academies, face-to-face or on-line;
- Developing a reading curriculum scope and sequence (C-Scope), with suggested materials and exemplary lessons for use statewide;
- Providing ongoing teacher support and technical assistance;
- Evaluating all students on standardized instruments and providing mandated interventions for struggling students; and
- Enacting a bar on social promotion at grades 3, 5 and 8.

After teachers had been trained through 3rd grade, the first group of 3rd graders was subject to retention if they scored at the basic level on the 3rd grade Texas standards-based assessment in reading. Students who test at basic or nearing proficiency are required to receive intensive interventions.

New York

School officials in New York have added \$2,000 per student for remediation efforts, in a district whose average general education spending per pupil is about \$13,000 – and have seen positive gains.

ALTERNATIVES

Require implementation of evidence-based programs and strategies to improve literacy scores, including better preparation of elementary teachers, pairing low-performing students with the most effective teachers, and providing continuous professional development to elementary school teachers on effective teaching strategies.

Additionally, the Legislature could require retention decisions to be based on more than a single data point, similar to the teacher evaluation system, including short-cycle assessments, classroom work, classroom test scores, and teacher observations.