



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0352 - Provide targeted interventions to support 3rd grade reading proficiency (Barker, Brad)

Status: As Introduced - Revised

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$165,248	\$1,648,148	\$1,545,787	\$1,648,357
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$165,248)</u>	<u>(\$1,648,148)</u>	<u>(\$1,545,787)</u>	<u>(\$1,648,357)</u>

Description of fiscal impact: HB 352 establishes an early literacy targeted intervention program and establishes parameters and funding for three voluntary targeted early literacy programs. HB 352 appropriates \$1.5 million from the state general fund to the Office of Public Instruction (OPI) for FY 2025. The 2025 biennial cost to the state general fund would be approximately \$4.6 million.

FISCAL ANALYSIS

Assumptions:**Office of Public Instruction (OPI)**

1. HB 352 establishes an Early Literacy Targeted Intervention program beginning July 1, 2024, with an appropriation of \$1.5 million for FY 2025. Funding must be used for per-student costs of the home-based early literacy program created in the bill. It is the intent of the legislature that this funding would be part of the ongoing base funding for the OPI.
2. It is assumed for purposes of this fiscal note that funding for the children participating in a classroom-based program and the jumpstart program and counted for ANB would be included in the BASE Aid funding appropriation.
3. The purpose of this legislation is to provide parents with a voluntary early literacy interventions program that would increase the number of children who are reading proficient at the end of third grade.

4. The bill directs the Board of Public Education, the Office of Public Instruction, and school district trustees to implement and achieve the purposes of this bill by July 1, 2024. These entities are directed to collect, analyze, and report outcomes on an ongoing basis providing continual refining of interventions to increase efficacy and efficiency of each intervention.
5. Section 2 of the bill defines early literacy targeted intervention to mean any of the following:
 - a. a classroom-based early literacy program;
 - b. a home-based literacy program; or
 - c. an early literacy jumpstart program.
6. Early literacy interventions are defined in Section 3 of the bill allowing that a school district may provide eligible children with any of the interventions described.
7. Funding for the early literacy targeted interventions is defined in Section 4 as follows:
 - a. An eligible child participating in a classroom-based program must be counted in the enrollment count used for calculating ANB per 20-9-311, MCA.
 - b. An eligible child participating in a home-based program as defined in the bill may receive not more than \$1,000 per year. If the appropriated funding is not sufficient to fund all children participating in the home-based program in any year, the superintendent is to limit participation on a first-come, first-served basis.
 - c. An eligible child participating in a jumpstart program would be counted as quarter-time enrollment in the calculation of ANB per 20-9-311, MCA, for participation in the jumpstart program. This could mean this child could be counted as up to 1.25 in the enrollment count for ANB purposes if the child was also enrolled in school.
8. The bill directs schools offering an early literacy targeted intervention program to closely monitor and working in collaboration with the Superintendent of Public Instruction and report annually to OPI the efficacy of the program no later than July 15. The superintendent is to report annually to the Interim Budget Committee no later than September 1.
9. Exceptional circumstances are defined in this bill where current law has not had a definition. Section 6, 20-7-117, MCA, currently describes kindergarten and preschool programs. This bill deletes language allowing trustees to include children who have been “enrolled by special permission” and redefines the allowance to include children who have been “admitted through the exceptional circumstances provisions un 20-5-101”, MCA, which is newly defined in this bill.
10. Further changes in Section 6 include new definitions for the kindergarten program and the preschool program.
11. A kindergarten program is defined to mean a half-time or full-time 1-year program immediately preceding a child’s entry into 1st grade with curriculum and instruction selected by the Board of Trustees and aligned to the content standards established by the Board of Public Education.
12. A preschool program is defined to mean a half-time or full-time program to prepare children for entry into kindergarten and governed by standards adopted by the Board of Public Education.
13. OPI data in reference to students under 5 years of age attending kindergarten programs for the most recent five years is displayed in the following table:

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Count of Pupils	300	556	854	1,125	1,269
Count of Districts	55	66	73	89	93

14. For the purposes of this fiscal note, it is assumed that 1,200 students currently attending kindergarten programs would no longer be considered kindergarten students decreasing the amount of BASE aid funding distributed to schools for those students.

15. According to source data from the National Center for Education Statistics [Grade 4, Reading: Percent of students at or above proficient - USAFacts](#) Montana’s grade 4 reading proficiency rates were 36.35% in 2019, the most recent year of available data.
16. In FY 2022, on average, a grade size for Montana elementary programs was approximately 11,650 students. According to the OPI Growth & Enhancement of Montana Students (GEMS) warehouse 2022 data, approximately 7,660 students were home-schooled. For this fiscal note, it is estimated that an elementary home-school grade size is 650 students. Applying the 36.35% proficiency base, this leaves approximately 7,415 school students eligible and 414 homeschooled students eligible. Because the programs are both voluntary and permission is necessary for testing, 20% of these children would be assumed as participants in these programs. The following table is provided to illustrate these assumptions:

	Enrollment per grade	63.65%	20%
Average Elementary Grade Size	11,650	7,415	1,483
Home-schooled Grade Size	650	414	83
Total	12,300	7,829	1,566

17. The following table illustrates the estimated annual participation in the following branches of the program(s) and at the assumed aggregate hours and years. (Note: Home-based does not equate to Home-schooled.)

Program Branch	U5	K	1st	2nd	3rd	Total
Classroom-Based 4YO	1125					741 X halftime = 370 enroll for ANB
Home-based 4YO – 2 nd Grade	375	375	375	375		Approp \$1.5M, \$1,000 per enrolled
Jumpstart 5YO – 3 rd Grade		1125	1125	1125	1125	4,500 X 1/4 time = 1,125 enroll for ANB

18. The OPI estimates that approximately 50 teacher FTE would need to be hired at school sites for the classroom-based program or $741/15 = 49.4$ FTE. The Quality Educator Payment is calculated using the count of FTE from the prior year, so the additional 50 teachers in FY 2025 would not affect school funding until FY 2026. Based on Quality Educator Payment rates per educator, this would increase state BASE Aid support as follows:

	FY2026	FY2027
Quality Educator Payment	\$3,783	\$3,865
Entitlement	\$189,150	\$193,250

19. The OPI estimates it would need 2.0 FTE to include an Instructional Coordinator and a Research Analyst to administer the Early Literacy Program, the home-schooled distributions, and data management. The Instructional Coordinator would cost \$73,008 for salary and benefits beginning in FY 2024. The operating budget for this position is \$6,300 (which includes \$2,800 of one-time-only costs for new employee office package and computer equipment), and indirect costs at 17%.
20. The Research Analyst would cost \$68,140 for salary and benefits beginning in FY 2024. The operating budget for this position is \$6,300 (which includes \$2,800 of one-time-only costs for new employee office package and computer equipment), and indirect costs at 17%.

21. Salaries and operating expenses remain the same in FY 2024 and FY 2025 and grow by 1.5% in FY 2026 and 1.5% in FY 2027. The following table show the costs associated with the 2.0 FTE:

	FY 2024	FY 2025	FY 2026	FY 2027
Personal Services	\$141,148	\$141,148	\$143,265	\$145,414
Operating Expenses	\$12,600	\$7,000	\$12,789	\$12,981
Indirect Costs (17%)	\$26,137	\$25,185	\$26,529	\$26,927
Total	\$179,885	\$173,333	\$182,583	\$185,322

- 22. The bill requires the OPI evaluate children, with guardian permission, to determine need for early learning intervention. The bill also requires ongoing evaluation through a child’s time in the program. Data is to be collected from school districts providing early intervention programs and OPI is to report to the Interim Budget Committee annually. The OPI reached out to several possible providers regarding software development and management, training, and ongoing costs and determined the cost estimate to be \$1.6 million to initiate the program. Ongoing maintenance and training costs are estimated at \$1.2 per year.
- 23. For purposes of this fiscal note, it is assumed that OPI will implement the data system with ARPA data modernization funding appropriated in HB 630 and HB 632 passed by the 2021 Legislature and these costs are not included in the fiscal impact of this bill.
- 24. HB 352 appropriates \$1.5 million for the home-based program beginning in FY 2025 and is intended to be included as a portion of the OPI base budget in future years. It is assumed in previous assumptions that 375 children per year for four years would participate in the home-based program utilizing the entire appropriation.

Board of Public Education (board)

- 25. The Board of Public Education (board) would be the agency charged with creating and implementing Early Literacy Targeted Interventions. The board does not have the resources or expertise required to perform these duties, therefore outsourcing would be required and funding would be necessary to carry out the requirements of this bill in the short timeframe required.
- 26. The board would need to determine an evaluation methodology for schools to use to determine reading readiness in students.
- 27. Developing a home-based literacy program would be the responsibility of the board.
- 28. The board would need to gather and analyze available outcome data to effectively implement Sections 1-4 of HB 352. To accomplish this, the board would need to outsource much of this work and convene a group of stakeholders. An advisory group of stakeholders would be developed and brought together throughout FY 2024 to accomplish the requirements of developing the different elements of this program for implementation by July 1, 2024, as mandated in this bill. This would cost approximately \$10,000 to outsource, convene in person meetings, and potentially travel to gain expertise from experts in the field.
- 29. For purposes of this fiscal note, the board used the annual cost of convening the seven-member Certification Standards and Practices Advisory Council (CSPAC) which meets four times per year at a cost of \$5,500 per year. A new group of experts or stakeholders would likely meet more than four times during the year and there would likely be more than seven members. The board anticipates that education organizations could cover their own costs. The board will supplement in-person meetings with remote meetings should the cost exceed \$10,000.
- 30. The board would need to revise Title 10, Chapter 63 – Early Childhood Education Standards, as it relates to this bill. In 2014, the total cost of the Title 10, Chapter 63 revisions were roughly \$1,200. It is anticipated the cost of future revisions would be slightly higher at approximately \$1,500.
- 31. It is estimated that the cost to implement this legislation for the board would be \$11,500 in FY 2024 with no expected ongoing expense.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE (OPI)	2.00	2.00	2.00	2.00
<u>Expenditures:</u>				
Personal Services (OPI)	\$141,148	\$141,148	\$143,265	\$145,414
Operating Expense (OPI)	\$12,600	\$7,000	\$12,789	\$12,981
Operating Expense (BPE)	\$11,500	\$0	\$0	\$0
Local Assist (Current 4 YO in kinder)	\$0	\$0	(\$6,042,730)	(\$6,187,118)
Local Assist (Early Literacy Pgm)	\$0	\$0	\$5,743,313	\$5,983,830
Local Assist (Quality Teacher Pmt)	\$0	\$0	\$189,150	\$193,250
Home-based Program Grants	\$0	\$1,500,000	\$1,500,000	\$1,500,000
TOTAL Expenditures	<u>\$165,248</u>	<u>\$1,648,148</u>	<u>\$1,545,787</u>	<u>\$1,648,357</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$165,248	\$1,648,148	\$1,545,787	\$1,648,357
TOTAL Funding of Exp.	<u>\$165,248</u>	<u>\$1,648,148</u>	<u>\$1,545,787</u>	<u>\$1,648,357</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$165,248)	(\$1,648,148)	(\$1,545,787)	(\$1,648,357)

Effect on County or Other Local Revenues or Expenditures:

Office of Public Instruction

- Beginning in FY 2026, local property taxes could increase approximately \$840,000 statewide annually in association with the creation of the early literacy program where enrolled students will contribute to ANB. Additionally, beginning in FY 2026 local property taxes could decrease approximately \$840,000 statewide annually in association with the provision restricting kindergarten programs to a single year of attendance. Although there will be regional effects these offsetting costs net approximately a \$0.00 property tax impact on a statewide basis.
- There are possible additional immeasurable local impacts such as building costs, supply needs, and other costs associated with this bill proposal. Many of these unknown costs could increase local property taxes.

Technical Notes:

Office of Public Instruction

- Due to the current recruitment and retention situation in the state of Montana, school districts' ability to hire teachers with early education endorsements to administer these programs may be onerous.

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date

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Budget Director's Initials

2-15-23

Date