

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: Senate Bill 795 (First Edition)

SHORT TITLE: Excellent Public Schools Act.

SPONSOR(S): Senators Apodaca, P. Berger, and Tillman

FISCAL IMPACT					
(dollars in millions)					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>
GENERAL FUND					
Revenues:	\$0	\$0	\$0	\$0	\$0
Expenditures:	\$46.0	\$83.1	\$102.8	\$98.7	\$105.8
POSITIONS					
(cumulative):	11	11	14	14	14
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: The Department of Public Instruction, local education agencies, the University of North Carolina, and the North Carolina Independent Colleges and Universities.					
EFFECTIVE DATE: See Bill Summary section					

BILL SUMMARY:

This bill would enact many changes related to the operation of North Carolina's public schools. The bill has twelve substantive Parts, including:

- **Part I:** Enacts the "North Carolina Read to Achieve Program," which makes numerous changes regarding K-3 literacy policy.
- **Part II:** Provides volunteer leave time for State employees to help with literacy programs in public schools.
- **Part III:** Assigns "A-F" grades to schools based on performance.
- **Part IV:** Requires annual assessments and final exams to be given within a certain time frame at the end of the course or school year.
- **Part V:** Makes adjustments to the school calendar start and end and dates.
- **Part VI:** Provides funding for five additional instructional days within the existing school calendar.

- **Part VII:** Establishes the NC Teacher Corps.
- **Part VIII:** Sets additional standards for teacher licensure.
- **Part IX:** Requires notice of the availability and coverage of State-funded liability insurance.
- **Part X:** Requires local boards of education to establish systems of performance pay.
- **Part XI:** Eliminates career status.
- **Part XII:** Eliminates public financing for elections of the Office of Superintendent of Public Instruction.

Part I: Improve K-3 Literacy

Section 1.(a): Under current law, the State Board of Education (SBE) is charged with developing a comprehensive plan to improve reading achievement in the public schools. The plan must be based on research-based practices and the reading programs that are developed must include systematic phonics instruction. As part of the comprehensive plan, the SBE can require modifications to the standard course of study, teacher licensure standards, and teacher education program standards. Section 1.(a) repeals this existing language.

Section 1.(b): Establishes the North Carolina Read to Achieve Program (“the Program”). The Program is established by adding nine sections to the General Statutes:

- **G.S. 115C-83.1A** states the Program’s goal of ensuring that every student read at or above grade level by the end of third grade, with continued improvement necessary for secondary education and career success.
- **G.S. 115C-83.1B** states the Program’s purposes, ensuring that (i) difficulty with reading development is identified early; (ii) students receive instructional and support services to address difficulty with reading development and remediation for reading deficiencies; (iii) students and parents are continuously informed of the students' academic needs and progress; and (iv) progression from one grade to another be based in part upon proficiency in reading.
- **G.S. 115C-83.1C** defines numerous terms in the Program including "difficulty with reading development", "reading proficiency", and "reading deficiency".
- **G.S. 115C-83.1D** requires the SBE to develop, implement, and continuously evaluate a comprehensive plan to improve reading based on practices that have strong evidence of effectiveness in current empirical research in reading development. When appropriate, the plan should modify the standard course of study, teacher licensure standards, and teacher education program standards. The SBE must report biennially to the Joint Legislative Education Oversight Committee on the implementation, evaluation, and revisions to the plan including recommendations for legislative changes.
- **G.S. 115C-83.1E** requires the SBE to ensure that each kindergarten student be given a developmental screening of early language, literacy, and math skills within 30 days of enrollment and given a kindergarten entry assessment within 60 days of enrollment. The results of both must be used to inform: (i) the status of children's learning at kindergarten entry; (ii) instruction for each child; (iii) efforts to reduce the achievement gap at kindergarten entry; and (iv) continuous improvement of the early childhood system.

- **G.S. 115C-83.1F** mandates that K-3 students must be given diagnostic assessments and difficulty with reading development must be addressed with instructional supports and services. Local school administrative units (LEAs) are encouraged to partner with community organizations and businesses for volunteers, mentors, and tutors to help enhance reading development and proficiency.
- **G.S. 115C-83.1G** requires that the SBE mandate that a student be retained in grade 3 if the student fails to demonstrate 3rd grade reading proficiency on a State-approved standardized test of reading comprehension. The test can be re-administered once prior to the school year. A student can be exempt from mandatory retention for good cause but must receive instructional supports and services and reading interventions. Good cause exemptions are limited to the following:
 - Limited English proficient students with less than two years of instruction in an English as a Second Language Program.
 - Students with disabilities whose individualized education program indicates the use of alternative assessments and reading interventions.
 - Students who demonstrate 3rd grade reading proficiency on an alternative test provided by the SBE.
 - Students who demonstrate 3rd grade reading proficiency through a student reading portfolio.
 - Students who have received reading intervention and previously have been retained more than once.

The superintendent of the LEA must determine whether a student may be exempt from mandatory retention on the basis of a good cause exemption. The teacher must submit documentation to the principal of the relevant exemption as well as evidence that promotion is appropriate based on the student's academic record. The principal must review the documentation and make an initial determination on promotion. If the principal determines the student should be promoted, the principal then must make a written recommendation of promotion to the superintendent for a final determination which must be in writing.

- **G.S. 115C-83.1H** requires enrollment in a summer camp and allowing promotion to 4th grade if the student shows reading proficiency on an alternative test of reading comprehension or reading portfolio after completion of the camp. If the student does not show proficiency then the student must be retained and:
 - Provided with a teacher with demonstrated student outcomes in reading proficiency;
 - Placed in an accelerated reading class or transitional 3rd and 4th grade class combination;
 - Provided at least 90 minutes of daily, uninterrupted, evidence based reading instruction; and
 - Given other appropriate instructional supports and services and reading interventions.

The SBE must establish a mid-year promotion policy for retained students who demonstrate reading proficiency by November 1 of the school year. Parents of students retained once must be provided with a home reading plan and

participation in shared and guided reading workshops. Parents of students retained twice must be offered supplemental tutoring for the retained student outside of the instructional day.

- **G.S. 115C-83.1I** requires that parents be notified in writing that a student will be retained if the student is not demonstrating reading proficiency by the end of the 3rd grade unless there is a good cause exemption. The notice must be given when a kindergarten, 1st, 2nd, or 3rd grade student is demonstrating difficulty with reading development, is not reading at grade level, or has a personal education plan. Parents must also be given notice in writing if the student is not eligible for a good cause exemption as well as proposed reading interventions. For retained students, the parents must be given monthly written reports on the student's progress toward reading proficiency.
- **G.S. 115C-83.1J** directs local boards of education to annually publish on its LEA's website and submit in writing to the SBE each year the following information:
 - The number and percentage of 3rd graders showing and not showing reading proficiency on the State-approved test of 3rd grade reading comprehension;
 - The number and percentage of 3rd graders who take and pass the alternative test of reading comprehension;
 - The number and percentage of 3rd graders retained for not demonstrating reading proficiency; and
 - The number and percentage of 3rd graders exempt from mandatory retention due to a good cause exemption.

LEAs must also report annually to the SBE describing all reading interventions provided to the 3rd grade students retained for lack of reading proficiency. The SBE must annually compile the information provided by the LEAs and provide a State-level summary to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Joint Legislative Education Oversight Committee beginning with the 2014-2015 school year. The SBE and the Department of Public Instruction (DPI) must provide technical assistance as needed to assist LEAs to implement the Program.

Section 1.(c): Repeals existing language requiring school improvement plans for schools that serve kindergarten and 1st grade students to include a reading plan to prepare the students to read at grade level by 2nd grade.

Section 1.(d): Amends G.S. 115C-105.41, requiring LEAs to identify students at risk of academic failure and who are not progressing toward grade promotion and graduation beginning no later than kindergarten, as opposed to by 4th grade under existing law. Identification could be based on diagnostic and formative assessments required under Section 1.(b).

Section 1.(e): Under current law, the SBE has to provide developmentally appropriate assessments to LEAs for 1st and 2nd grades consistent with the Basic Education Program instead of standardized tests. LEAs have the option of using these assessments for 1st and 2nd grades but cannot use standardized tests except as required as a condition of receiving a federal grant. This Act would expand the requirements to grades K-3, and would require LEAs to use the assessments for K-3

students to assess progress, diagnose difficulties, and inform instruction and remediation needs.

Section 1.(f): Adds a new section to G.S. 115C-238.29F that would create the following additional requirements for charter schools:

- Requires charter schools to retain a student in the 3rd grade if the student fails to demonstrate 3rd grade reading proficiency on a State-approved standardized test of reading comprehension, consistent with traditional public school requirements in Section 1.(b).
- Requires charter schools to provide reading interventions to retained students which may include 90 minutes of daily evidence based reading instruction, accelerated reading classes, transition classes with 3rd and 4th grade students and summer reading camps, consistent with traditional public school requirements in Section 1.(b).
- Allows charter school to exempt students from mandatory 3rd grade retention for good cause, but they must continue to provide instructional supports and services, consistent with traditional public school requirements in Section 1.(b).
- Requires charter schools to provide notice to parents when a student is not reading at grade level and that if the deficiency is not remediated by the end of the 3rd grade, the student will be retained unless a good cause exemption applies. If the student is not eligible for an exemption, then the parents must be given information on the reading interventions that will be provided.
- Requires charter schools to publish annually on their websites and report to the SBE the following information on the prior school year:
 - The number and percentage of 3rd graders showing and not showing reading proficiency on the State-approved test of 3rd grade reading comprehension;
 - The number and percentage of 3rd grade students not demonstrating reading proficiency who do not return to the charter school for the following school year;
 - The number and percentage of 3rd graders who take and pass the alternative test of reading comprehension;
 - The number and percentage of 3rd graders retained for not demonstrating reading proficiency; and
 - The number and percentage of 3rd graders exempt from mandatory retention due to a good cause exemption.

Section 1.(g): Under current law, principals have the authority to grade and classify students. Under this Act, principals would maintain that authority, except when a student must be mandatorily retained in the 3rd grade for failing to demonstrate 3rd grade reading proficiency.

Section 1.(h): Makes conforming changes to G.S. 130A-440(b) regarding kindergarten developmental screenings.

Section 1.(i): Appropriates \$34,087,650 for FY 2012-13, and states the General Assembly's intent to increase this appropriation for FY 2013-14 to implement requirements that go into effect that year.

Section 1.(j): This Part is effective when it becomes law and applies beginning with the 2013-14 school year. The kindergarten entry assessments required under Section 1.(b) shall be administered beginning with the 2014-15 school year.

Part II: State Employee Literacy Volunteer Leave Time

Amends G.S. 126-4 to create an additional leave program allowing State employees to volunteer in literacy programs in public schools for up to five hours each month. This section is effective when it becomes law.

Part III: School Performance Grades

Under current law, the SBE must issue an annual report card for the State and each LEA assessing efforts to improve student performance.

Under this Act, the SBE would be required to award an overall school performance grade of A, B, C, D, or F to each school as a part of the annual report card process. The school performance grade must reflect student performance on annual subject-specific assessments, college and workplace readiness measures, and graduation rates. For schools serving K-8 students, separate performance grades must be awarded on the performance on literacy and mathematics. The report card for schools with 3rd grade students must include the number of students who take and pass the alternative reading assessment; were retained in 3rd grade for lack of reading proficiency, and were exempt from mandatory retention in 3rd grade because of a good cause exemption.

Under this Act, local boards of education or the charter school would be required to place the overall school performance grades for each school in its LEA on the website for the LEA or charter school. Notice would be provided in writing to parents of students enrolled in schools that obtain a grade of D or F.

This section would become effective when it becomes law and applies beginning with the 2012-13 school year.

Part IV: Maximize Instructional Time

Under current law, there are limitations on how much time that schools can devote to practice tests as well as limitations on when field tests and national tests can be administered.

Under this Act, annual tests adopted by the SBE and all final exams for courses would have to be administered within the final ten instructional days of the school year for year-long courses and within the final five instructional days of the school year for semester courses. Exceptions would be allowed for individualized education plans and Section 504 plans.

This section would become effective when it becomes law and applies beginning with the 2012-13 school year.

Part V: Adjustments to School Calendar Start and End Dates

Under current law, the opening date for students cannot be before August 25 and the closing date cannot be after June 10, except for certain limited exceptions.

Under this Act, schools could not open for students before the next to last Monday in August and the closing date could not be after the second Friday in June.

This section would become effective when it becomes law and applies beginning with the 2012-13 school year.

Part VI: Funding for the Addition of Five Instructional Days Within the Existing School Calendar

The Appropriations Act of 2011, S.L. 2011-145, added five additional instructional days to the school calendar resulting in a requirement for 185 days and 1025 hours of instruction. This Part appropriates \$1,200,000 for FY 2012-13 for costs related to additional substitute teachers, and \$10,150,000 for FY 2012-13 for additional student transportation requirements. This section would become effective July 1, 2012.

Part VII: Establish NC Teacher Corps

Establishes the NC Teacher Corps (Corps) in General Statute to recruit and place recent college graduates and mid-career professionals as teachers in high-needs public schools. Collaboration would be required between the SBE, the Board of Governors of The University of North Carolina and the North Carolina Independent Colleges and Universities. The SBE would be directed to develop and administer the Corps including establishing the application criteria and identifying the LEAs with unmet recruitment needs and high-needs schools as well as coordinating placement of Corp members in those schools. An intensive summer training institution must be developed and ongoing support through coaching, mentoring, and professional development must be provided. Corps members would be given lateral entry teaching licenses.

This section would become effective when it becomes law and the SBE must recruit and place an initial cohort of Corps members no later than the 2012-13 school year.

Part VIII: Strengthen Teacher Licensure

Under current law, the SBE sets the licensure requirements for applicants for teaching positions and may require a minimum score on a standard exam. The SBE, in consultation with the Board of Governors of The University of North Carolina, must develop requirements for continuing licensure and align them with quality professional development programs. For teacher preparation programs, the SBE, in coordination with the Board of Governors of The University of North Carolina and the State Board of Community Colleges, sets the standards for approval and must include competencies in the education of children with disabilities and positive behavior management.

Under this Act, elementary education (K-6) teachers would be required to achieve a prescribed minimum score on subtests or standard exams specific to reading and language arts and mathematics. For continuing licensure, at least three continuing education credits related to literacy must be taken by elementary and middle school teachers. The standards for approval of teacher preparation programs must also require elementary education programs to show competencies in the teaching of reading, assessment and diagnosis of areas of difficulty, and appropriate application of instructional supports and services.

This section would become effective when it becomes law and applies beginning with the 2013-14 school year.

Part IX: Proof of State-Funded Liability Insurance

Amends G.S. 115C-12 to require that the SBE annually notify public school employees of the availability and coverage of professional liability insurance.

This section would become effective when it becomes law and applies beginning with the 2012-13 school year.

Part X: Pay for Excellence

Directs local boards of education to establish a system of performance pay for all licensed personnel. The licensed employees would be eligible to receive bonuses or adjustments to base salary for meeting certain performance criteria. These criteria must include, but are not limited to, the following:

- annual growth in student achievement assigned to a teacher's classroom, when applicable;
- annual growth in student achievement of students assigned to a specific school;
- assignment of additional academic responsibilities;
- assignment to a hard-to-staff school; and
- assignment to a hard-to-staff subject area.

The plans must be submitted to the SBE no later than March 1, 2013. The SBE must submit these plans for consultation to the Fiscal Research Division and to the Joint Legislative Commission on Governmental Operations by April 15, 2013.

This section would become effective when it becomes law.

Part XI: End Tenure

Under current law, teachers are eligible for career status when they have been employed by a local board of education for four consecutive years. Once the teacher has obtained career status, if he or she moves to another LEA, the new local board of education may grant career status immediately upon employing the teacher or after the first year of employment. Obtaining career status provides that the career employee may not be dismissed, or demoted except if one or more statutory grounds are found. Certain procedures must be followed to dismiss or demote a career status teacher, including a right to a hearing in front of the local board of education with a further right of appeal to superior court. The procedure for the dismissal of career status teachers in schools that have been identified as low-performing by the SBE and that have been assigned assistance teams varies in that the SBE has the authority to dismiss career status teachers due to inadequate performance. Hearings must still be granted by the SBE in these cases, and there are further rights to judicial review under Chapter 150B of the General Statutes.

This Act would eliminate career status in North Carolina. All teachers would be employed by their local boards of education through an annual contract upon recommendation of the superintendent. Teachers could not be dismissed or demoted during the term of the contract except for one of the statutorily listed grounds. If the superintendent decides against recommending a renewal of a

contract, the teacher would have the right to petition the local board of education for a hearing but whether to grant the hearing would be in the local board's discretion.

The following procedures would be required for dismissal or demotion for cause during the contract term:

- Notice: The superintendent must give written notice by May 15 to the teacher of his or her intention to recommend to the local board of education that the teacher be dismissed or demoted and provide the grounds upon which the recommendation is being made. The superintendent must also meet with the teacher and (i) give written notice of the charges against the teacher; (ii) an explanation of the basis for the charges; and (iii) an opportunity to respond. The notice must also inform the teacher that he or she may request a hearing before the local board of education within 14 days of the receipt of the notice.
- Request for a Hearing: The teacher may file a written request for a hearing before the local board of education within 14 days after receipt of the notice of recommendation of the superintendent. The board shall set a time and place for the hearing which is not less than 10 days or more than 30 days after notification is given to the teacher by the board unless the parties agree to an extension.
- No Request for Hearing: If the teacher does not request a hearing before the board within 14 days of receipt of the recommendation, the superintendent may submit his or her recommendation to the board. The board may (i) reject the recommendation or (ii) accept or modify the recommendation.

Under this Act, all hearings before a local board of education must be private, and must meet various criteria, as detailed by new additions to statute in G.S. 115C-325.7 and G.S. 115C-325.8.

The Act would eliminate the right to appeal superior court decisions of a local board of education regarding the terms or conditions of employment or employment status of a school employee.

If a teacher resigns following recommendation for dismissal, then (i) the superintendent must report the matter to the SBE; (ii) the teacher is deemed to have consented to the placement in his or her personnel file of the written notice of the superintendent's intention to recommend dismissal and the release of this fact that the teacher has been reported to the SBE and prospective employers upon request; and (iii) the teacher is deemed to have voluntarily surrendered his or her license pending an investigation by the SBE in determination of whether to seek action against the teacher's license. If a teacher who has not been recommended for dismissal decides to resign, he or she must provide at least 30 days' written notice, or the SBE may revoke the teacher's license for the remainder of the year.

The procedure for the dismissal of administrators or teachers in low-performing residential schools would remain substantially the same as it is under current law, but would move authority to make dismissals from the Secretary of Health and Human Services over to the SBE, reflecting the administrative transfer of these schools to the SBE in FY 2011-12.

The procedure for the dismissal of administrators or teachers in low-performing schools would remain substantially the same as it is under current law, but the Act would eliminate the provision

that allowed the teacher or school administrator to judicial review under Chapter 150B of the General Statutes of a final decision of the SBE.

Part XII: Eliminate Public Financing for Superintendent of Public Instruction

Under current law, the North Carolina Voter-Owned Elections Fund is authorized to provide a source of campaign financing for candidates for Council of State offices of Auditor, Superintendent of Public Instruction, and Commissioner of Insurance. This Part would remove the Superintendent of Public Instruction from the list of offices eligible to receive campaign financing from the North Carolina Voter-Owned Elections Fund.

ASSUMPTIONS AND METHODOLOGY:

Part I: Improve K-3 Literacy

Part I of this Act creates 15 new requirements which might potentially have a fiscal impact. Each of these new requirements will be addressed individually below, with a summary table to follow.

Each requirement in this Part is assumed to be a State responsibility. Section 1.(i) appropriates \$34,087,650 to implement the requirements of this Part in FY 2012-13, and states the General Assembly's intent to increase the appropriation in future fiscal years to implement the additional requirements of this Part.

Requirement 1: Continuously Evaluate the Comprehensive Plan to Improve Reading Achievement

A high-quality evaluation of a program of this size would likely require a contract with an independent research organization of at least \$500,000 per year, beginning with the 2013-14 fiscal year. This would be a conservative estimate compared with similarly-sized program evaluation contracts for the Connectivity Initiative (initially \$650,000 per year), DSSF (\$500,000), and More at Four (over \$1 million per year).

Requirement 2: Solicit Impact from Stakeholders in Developing Statewide Plan

This analysis assumes a nonrecurring cost of \$80,000 in FY 2012-13 in order to facilitate regional meetings to solicit impact from the public regarding the State's literacy plan. In particular, this analysis assumes a cost of \$10,000 per meeting to cover rental space, as well as travel expenses for DPI staff, and that there would be at least one meeting in each of the State's eight educational regions.

Requirement 3: Formative Diagnostic Reading Assessments for All Students in Grades K-3

Annual costs for formative and diagnostic reading assessments for all students in grades K-3 will vary throughout the five-year time horizon of this analysis. Data from North Carolina's Student Diagnostic and Intervention Initiative indicate the following cost requirements:

- Software subscriptions: \$20.50 per student. Over the next five years, average daily membership (ADM) in grades K-3 is anticipated to grow from 469,000 students to approximately 503,000 students.
- Student materials ("kits") for each teacher: \$400 per teacher. 6,360 kits have already been purchased in prior years. Assuming a total of 21,485 teachers in grades K-3, North Carolina would still need to purchase 15,125 kits.

- Handheld devices (hardware): \$400 per teacher. According to DPI’s analysis, 18,501 teachers in grades K-3 do not currently have devices. This analysis assumes that devices would need to be refreshed after four years.
- Substitute teachers to cover required training: This one-time cost would cover the cost of substitutes while teachers attend training sessions. This analysis assumes two teachers per school at 870 schools would receive the training over a three-day period.

Requirement 4: Retain Students Who Score at Level I or Level II on Third Grade Reading EOG

Additional retention of students in grade 3 is anticipated to cost approximately \$20.5 million in FY 2014-15, decreasing to \$14.2 million by FY 2016-17.

Students in grade 3 have a greater fiscal cost than students in grade 4 due to:

1. Classroom teachers: classroom teachers are allotted on the basis of one teacher for every 17 students in grade 3; one for every 22 students in grade 4; and
2. Teacher assistants: allotment of teacher assistants based on K-3 ADM. Fourth graders do not generate teacher assistant allotments.

The cost differential is that, on average, a grade 3 student costs \$1,152 more than a grade 4 student, on a per student basis. This analysis assumes there would be 17,824 additional students in grade 3 in FY 2014-15 as a result of this bill, decreasing to 14,906 by FY 2016-17.

An additional fiscal impact will be experienced outside of the scope of this fiscal analysis. Under this bill, the majority of retained students will require an additional year of public schooling that they otherwise would not have had. However, the fiscal impact would not affect the State until FY 2023-24, when the first cohort of third graders would have been expected to have graduated from high school.

Requirement 5: Develop Uniform Reporting Requirement for LEA Reports on Programmatic Information, Compile Information, and Report to the General Assembly

There would be no additional cost to implement this requirement, as data collection and reporting costs would be included as part of the program evaluation costs discussed in Requirement 1 of this section.

Requirement 6: Provide Technical Assistance to LEAs to Implement the Program Locally

Total costs for providing technical assistance to LEAs ranges from \$1.0 million in FY 2012-13 to \$1.3 million in FY 2016-17.

This analysis assumes that providing technical assistance to LEAs will require approximately 11 additional positions at DPI:

- Nine field-based consultants: \$70,000 base salary, \$3,600 for “medium” level of travel¹, plus benefits
- One section chief: \$90,000 base salary, \$3,600 for “medium” level of travel, plus benefits

¹ This travel number was developed during DPI’s budgeting process for Race to the Top, and assumes 10 overnights per month, subsistence for those 10 days, and approximately 600 average miles per month.

- One administrative assistant: \$30,000 base salary, plus benefits

The Department indicates that the most appropriate comparison is the federal Reading First program, which had 14 consultants, 1 section chief, and 2 administrative assistance. However, implementation of Reading First required additional budgeting and program auditing responsibilities that would be above and beyond the staff responsibilities that would be required under this bill.

Requirement 7: Kindergarten Entry Assessment for all Entering Kindergarten Students Beginning FY 2014-15

This analysis assumes it will take a total of approximately \$18.5 million to ensure statewide implementation of a new kindergarten entry assessment by 2014-15. Costs include professional development, and substitute teacher costs. This analysis assumes that professional development would occur over two years, or \$9.25 million per year in FY 12-13 and 13-14, followed by a recurring \$750k to ensure continuing capacity (i.e., training of new teachers). Professional development services would be contracted.

North Carolina's Race to the Top Early Learning Challenge grant budgets \$8.8 million to develop a new kindergarten entry assessment. This new assessment will be implemented in 65 North Carolina elementary schools defined as "lowest-performing" schools under the federal Race to the Top program. As there are approximately 1,300 elementary schools, the Early Learning Challenge funding only provides the kindergarten entry assessment and appropriate professional development to a small portion of the State's elementary schools.

Requirement 8: Kindergarten Developmental Screening of Early Language, Literacy, and Math Skills

Providing developmental screening of all kindergarten students for early language, literacy, and math skills would cost \$728,139 in FY 2012-13, and approximately \$200,000 per year in subsequent years.

This pricing estimate is based off of the cost of the DIAL-3 (Developmental Indicators for the Assessment of Learning) screening tool from Pearson.² The DIAL-3 costs \$295.90 for every 50 students in FY 2012-13 (includes cost of instruction manuals and DVDs), and \$80.00 for every 50 students in subsequent fiscal years (administration forms, record forms, cutting cards, and parent questionnaires).

Requirement 9: Summer Reading Camp for Students not Demonstrating Reading Proficiency

Summer reading camps administered by LEAs for all students not demonstrating reading proficiency are estimated to cost approximately \$27.6 million per year beginning in FY 2013-14.

² Additional information about the DIAL-3 can be found here:
<http://www.pearsonassessments.com/HAIWEB/Cultures/en-us/Productdetail.htm?Pid=PAa13700>.

The best available data for estimating the cost of summer academic programs is the Wallace Foundation's Out of School Time Cost Calculator.³ This database aggregates data from 111 programs in six cities (Boston, Charlotte, Chicago, Denver, New York and Seattle) to provide estimates of programs with given characteristics, adjusted for local cost-of-living.

For the purposes of this estimate, the assumption is that one camp would need to be funded for every two elementary schools, or approximately 650 camps.⁴ This works out to an estimated 50 reading-deficient students per camp (assuming a 90% uptake rate of students not demonstrating reading proficiency). The following assumptions are used in generating an estimate:

- Program focus: academic
- Nearest metro area: Burlington, NC
- Program location: in a school
- Slots: 50
- Hours per week: 25
- Weeks: 7

Based on these assumptions, the Wallace instrument provides a median cost estimate of approximately \$40,500 per site. Because the Wallace instrument focused on large, urban programs, it likely underestimates the transportation costs that would be faced by the average program in North Carolina. As a result, the estimate provided by the Wallace instrument is increased by 5% to account for the additional transportation costs faced by North Carolina's less-urban districts.

Requirement 10: LEAs Provide Alternative Reading Assessment for Third Graders Who Have a Reading Deficiency

Provision of alternative reading assessments for third graders who have a reading deficiency is estimated to cost approximately \$250,000 per year over the five-year horizon of this analysis, beginning in FY 2013-14

The bill defines "reading deficiency" as not reading at the third grade level by the end of the student's third grade year. Approximately 36,000 third grade students fail to achieve grade-level proficiency on State-administered end-of-grade tests (EOGs).

The Pearson TORC-4 alternative reading assessment provides the best estimate of potential costs.⁵ The TORC-4 costs \$347 for every 50 students. Based on the number of students anticipated to have reading deficiencies, this equates to a total cost of approximately \$250,000 per year.

Requirement 11: Parents of Retained Students Shall be Provided with a Plan for Reading at Home, Including Participation in Reading Workshops for the Parent

³ The Wallace Foundation Out of School Time Cost Calculator can be found here:

<http://www.wallacefoundation.org/cost-of-quality/cost-calculator/Pages/cost-calculator.aspx>.

⁴ In practice, the number of "feeder schools" for each summer camp would vary across the State, with low-performing rural districts likely to have fewer feeder schools for each summer camp, while higher-performing urban districts might be able to operate a single summer camp serving multiple elementary schools.

⁵ Additional information about the TORC-4 can be found here:

<http://www.pearsonassessments.com/HAIWEB/Cultures/en-us/Productdetail.htm?Pid=PAtorc4&Mode=summary>.

Providing reading workshops for parents of retained students is estimated to cost approximately \$23.0 million in FY 2013-14, decreasing to \$16.3 million in FY 2016-17.

The existing State program that provides the best comparison is the Motherhead program provided through Smart Start. Motherhead offers classes to teach parents how to be reading role models for their children. Classes are held in many different community settings, including community colleges, schools, community centers, and churches. Classes are appropriate for all adults, but are specifically designed for low-literacy, low-income parents. According to data provided by the North Carolina Partnership for Children, Inc., this program is estimated to cost approximately \$1,080 per parent.

The number of retained students (and, therefore, the number of parents that would need to be targeted for workshops) is anticipated to be approximately 21,304 in FY 2013-14, decreasing to approximately 15,130 by FY 2016-17. Multiplying the number of retained students by the per-parent program cost of \$1,080 provides an estimated total cost of \$23.0 million in FY 2013-14, decreasing to \$16.3 million in FY 2016-17.

Requirement 12: Supplemental Tutoring for Students Who Have Been Retained Twice

Provision of tutoring services to students who have been retained twice is estimated to cost approximately \$9 million per year, beginning in FY 2014-15.

According to data from Florida,⁶ approximately 0.7% of students are retained twice under their similar third grade literacy program. In North Carolina, that would equate to approximately 850 students being retained twice, beginning in FY 2014-15. This analysis assumes that each student would receive 2 hours of tutoring services per day, with the tutor being paid \$30 per hour, consistent with certified teacher salaries in North Carolina.

Requirement 13: Providing Parental Notification That a K-3 Student Is Not Reading at Grade Level, or That a Third Grade Student is Being Retained

This analysis assumes these requirements for written notification can be handled within existing funds at the LEA level. LEAs routinely provide students with report cards. Indication that a student is not reading at grade level, or that a student is being retained could be included with existing report cards at no additional fiscal cost.

Requirement 14: Providing Monthly Progress Reports to Parents of Retained Students

This analysis estimates that provision of monthly progress reports to parents of retained students would cost approximately \$160,000 in FY 2014-15, decreasing to approximately \$133,000 in FY 2016-17.

As explained above (Requirement 12), the number of retained students is anticipated to be approximately 21,304 in FY 2013-14, decreasing to approximately 15,130 by FY 2016-17. Printing and postage are estimated to be \$0.75 per report, per student, times 10 times per year.

⁶ All Florida data provided by the Foundation for Excellence in Education: <http://www.excelined.org/>.

It is important to note that, depending on the thoroughness of the monthly progress report, this requirement could create a significant new paperwork burden on third grade teachers, particularly those teaching low-performing students.

Requirement 15: Annually Collect and Publish Read to Achieve Data on LEA Website

The bill requires certain data related to the Read to Achieve program to be published annually on LEA websites. As each LEA in North Carolina has a functioning website, this additional data should be able to be added to LEA websites at no cost.

Part I: Summary Tables

The tables below summarize the cost elements related to Part I of this bill, the Read to Achieve Program.

Estimates of the various requirements of this Part rely largely on estimated student data over the next five fiscal years. In particular, the analysis requires estimating the total number of students in grades K-3, the number of third graders below grade level, the number of students expected to be retained (both under current and proposed policies), and the number of third graders anticipated to be retained twice as a result of this bill.

Estimated Student Data

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
K-3 ADM	468,502	476,935	485,520	494,259	503,156
Grade K ADM	123,038	125,253	127,507	129,802	132,139
Grade 3 ADM	110,446	116,000	118,088	120,214	122,377
Students Scoring at Level I or Level II	33.00%	32.00%	31.00%	30.00%	29.00%
K-3 Reading Deficiency	154,606	152,619	150,511	148,278	145,915
Grade 3 Reading Deficiency	36,447	37,120	36,607	36,064	35,489
Actual % of Reading Deficient Students Retained in Florida*	N/A	57.39%	46.36%	49.00%	42.63%
% of all 3rd Graders Retained	3.00%	18.37%	14.37%	14.70%	12.36%
Number of 3rd Graders Retained	3,313	21,304	16,972	17,671	15,130
Number of <i>Additional</i> 3rd Graders Retained Because of S795	N/A	17,824	13,430	14,065	11,458
# of 3rd Graders Retained Twice Under Read to Achieve	N/A	N/A	827	841	857
Additional third graders			17,824	14,256	14,906

*These are the actual percentages of reading deficient students from Florida who were retained in the first four years of the Florida program.

The estimated student data informed the fiscal estimates for the various new State or LEA responsibilities found within this Part. The fiscal impact of the additional responsibilities is summarized in the following table:

**Estimated Program Costs - Read to Achieve
(Part I of the Excellent Public Schools Act)**

Requirement Number	Requirement Description	2012-13	2013-14	2014-15	2015-16	2016-17
1	Continuously evaluate the comprehensive plan to improve reading achievement	\$0	\$500,000	\$500,000	\$500,000	\$500,000
2	Solicit input from stakeholders in developing statewide plan	\$80,000	\$0	\$0	\$0	\$0
3	Formative diagnostic reading assessments for all students in grades k-3	\$23,576,691	\$9,777,168	\$11,146,757	\$10,132,314	\$18,954,696
4	Retain students who score at Level I or Level II on third grade Reading EOG	\$0	\$0	\$20,536,590	\$16,426,415	\$17,175,400
5	Develop uniform reporting requirement for LEA reports on programmatic information, compile information, and report to the General Assembly	\$0	\$0	\$0	\$0	\$0
6	Provide technical assistance to LEAs to implement the program locally	\$1,007,812	\$1,078,610	\$1,143,456	\$1,206,266	\$1,261,399
7	Kindergarten Entry Assessment for all entering kindergarten students beginning FY 14-15	\$9,250,000	\$9,250,000	\$750,000	\$750,000	\$750,000
8	Kindergarten developmental screening of early language, literacy, and math skills	\$728,139	\$200,404	\$204,012	\$207,684	\$211,422
9	Summer reading camp for students not demonstrating reading proficiency	\$0	\$27,641,250	\$27,641,250	\$27,641,250	\$27,641,250
10	LEAs provide alternative reading assessment for third graders who have a reading deficiency	\$0	\$257,613	\$254,055	\$250,285	\$246,297
11	Parents of retained students shall be provided with a plan for reading at home, including participation in reading workshops for the parent	\$0	\$23,007,944	\$18,330,263	\$19,085,109	\$16,340,092
12	Supplemental tutoring for students who have been retained twice	\$0	\$0	\$8,927,453	\$9,088,147	\$9,251,734
13	Providing parental notification that a K-3 student is not reading at grade level or that a third grade student is being retained	\$0	\$0	\$0	\$0	\$0
14	Providing monthly progress reports to parents of retained students	\$0	\$0	\$159,777	\$127,293	\$132,535
15	Annually collect and publish Read to Achieve data on LEA website	\$0	\$0	\$0	\$0	\$0
TOTAL COSTS		\$34,642,642	\$71,712,989	\$89,593,613	\$85,414,763	\$92,464,825

Part II: State Employee Literacy Volunteer Leave Time

There is no estimate for the fiscal impact of creating an additional leave program allowing State employees to volunteer in literacy programs in public schools for up to five hours each month. The fiscal impact would be the foregone work product of employees utilizing the additional availability of leave time. Unfortunately, no data exists regarding potential usage rates that would provide a useful indication of the fiscal impact of this requirement.

Part III: School Performance Grades

There is no fiscal impact related to this Part of the Act. The SBE is already required under G.S. 115C-12(9)c1 to issue an annual “report card” for the State and for each LEA. In addition to issuing annual State- and LEA-level report cards, the SBE issues school-level report cards.⁷

This Part changes how school performance will be designated. Currently, schools receive designations such as School of Excellence, School of Distinction, School of Progress, or Priority School. This Part requires instead that each school receive a letter grade of A, B, C, D, or F.

This Part also changes how school performance is measured, defining which school-level data elements contribute to a school’s letter grade. These data points are already collected by DPI, and can be compiled to calculate school grades within existing funds.

Part IV: Maximize Instructional Time

There is no fiscal impact related to this Part of the Act. This Part requires that annual tests adopted by the SBE and all final exams for courses would have to be administered within the final ten instructional days of the school year for year-long courses and within the final five instructional days of the school year for semester courses. This Part does not create any additional requirements for LEAs, and there is no fiscal impact related to which day of the school year a test is administered.

Part V: Adjustments to School Calendar Start and End Dates

There is no fiscal impact related to this Part of the Act. This Part provides LEAs with additional flexibility with regards to school calendar start and end dates. LEAs complying with the existing law could leave their school calendar start and end dates unchanged if this Act were to become law. It does not create any additional requirements for LEAs.

Part VI: Funding for the Addition of Five Instructional Days Within the Existing School Calendar

The fiscal impact of this Part is equal to the amounts appropriated in this Part. It is important to note that this Part does not create any new requirements. The addition of five instructional days was included in the Appropriations Act of 2011, S.L. 2011-145. This Part simply appropriates \$1,200,000 for FY 2012-13 for costs related to additional substitute teachers, and \$10,150,000 for FY 2012-13 for additional student transportation requirements. This analysis assumes that such appropriations would be recurring.

These figures represent the average daily expenditure for substitute teachers and transportation in FY 2011-12, multiplied by five days.

⁷ North Carolina school report cards can be found at: <http://www.ncreportcards.org/src/>.

Part VII: Establish NC Teacher Corps

The establishment of the NC Teacher Corps is anticipated to cost the State approximately \$1.9 million in FY 2014-15, increasing to approximately \$2.1 million in FY 2016-17.

Funding for the NC Teacher Corps is currently provided through the federal Race to the Top grant. This funding expires at the end of FY 2013-14. The establishment of this program in General Statute indicates that the State intends to continue the program after the expiration of the federal Race to the Top funding. As such, there will be a fiscal impact to the State beginning in FY 2014-15.

Based on current implementation, the NC Teacher Corps requires program staff, recruitment activities, reimbursement payments for licensure and certain coursework, summer enrichment programs, and professional development for Corps members. The analysis below assumes that 100 Corps members will be first-year teachers in FY 2013-14. Subsequent cohorts are expected to have 150 Corps members.

The table below summarizes expected program costs:

North Carolina Teacher Corps - Estimated Fiscal Impact

	Race to the Top		State General Fund		
	2012-13	2013-14	2014-15	2015-16	2016-17
Program Staff: 1 Director, 1 Consultant, 1 Admin (salary, benefits, travel, supplies)	\$261,700	\$279,635	\$296,063	\$311,975	\$325,716
Recruitment: Costs related to visits to job fairs and colleges and printing of materials	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Tuition and Licensure Reimbursement: Corps members reimbursed for PRAXIS fees and courses for full licensure	\$570,000	\$896,250	\$939,563	\$985,041	\$1,032,793
Summer Enrichment Programs: Corps members will be matched with a highly-qualified teacher (who will receive a stipend), as well as attend a 19-day summer program	\$128,895	\$203,010	\$213,160	\$223,818	\$235,009
Professional Development: Funding for PD activities and participation stipend for 1st and 2nd year Corps members	\$80,000	\$215,000	\$349,500	\$395,100	\$403,605
TOTAL	\$1,060,595	\$1,613,895	\$1,818,286	\$1,935,934	\$2,017,123

Part VIII: Strengthen Teacher Licensure

There is no fiscal impact related to this Part of the Act.

The SBE already requires that teachers achieve a prescribed minimum score on a standard examination in order to receive a license. This Part simply requires the SBE to establish minimum subset scores for reading and language arts and mathematics for teachers in grades K-6.

This Part does not require any additional teachers to take any additional continuing education credits, it only mandates that at least three of the credits are related to literacy for elementary and middle school teachers. Continuing education credits related to literacy do not have a materially differing cost from other types of continuing education credits.

Finally, this Part requires that the standards for approval of teacher preparation programs must also require elementary education programs to show competencies in the teaching of reading, assessment and diagnosis of areas of difficulty, and appropriate application of instructional supports and services. The SBE already has authority to establish standards for approval of institutions of teacher education. The institutions of higher education providing these teacher education programs have the option of whether or not to meet such standards.

Part IX: Proof of State-Funded Liability Insurance

There is no fiscal impact related to this Part of the Act. The SBE has already notified public school employees of the availability and coverage of professional liability insurance in FY 2011-12 via employee email lists, and the establishment of a website at: <http://www.professionalliabilitync.com/>. The SBE can continue to notify public school employees via similar means in future fiscal years within existing funds.

Part X: Pay for Excellence

There is no State fiscal impact related to this Part of the Act. This Part of the Act does not obligate the State to change the system of pay for licensed school personnel.

There is an indeterminate local fiscal impact for LEAs in developing performance pay plans. The time and resources spent in developing performance pay plans could vary significantly between LEAs. While the requirements of this Part could certainly be met within existing resources in all LEAs, certain LEAs might re-deploy existing resources in order to develop more extensive plans, or to seek stakeholder participation.

Part XI: End Tenure

There is an indeterminate fiscal impact related to this Part of the Act. From the State perspective, it is unclear what impact, if any, the changes in this Part will have on the composition of North Carolina's population of teachers (or other certified personnel). It is possible that this Part will – on average – result in dismissal of more experienced (higher-paid) teachers who would then be replaced with less experienced (lower-paid) teachers. It is also possible that this Part will result in teachers with lower experience or credentials suffering a higher rate of dismissal, shifting North Carolina's teacher population towards teachers with greater experience and credentials.

From a local perspective, the changes in this Part could increase or decrease LEA costs related to hearings. While certified personnel might have additional rights to hearings upon dismissal under existing law, it is possible that the changes proposed in this Part could result in additional dismissals compared to current practice.

Part XII: Eliminate Public Financing for Superintendent of Public Instruction

G.S. 163-278.99(b)(4) establishes that the minimum amount of funds to be distributed from the North Carolina Voter-Owned Elections (VOE) Fund to a candidate in a general election is \$300,000. Currently, the balance of the VOE Fund is approximately \$428,000, which is insufficient to meet this requirement if more than one candidate qualifies for funding. Thus, per G.S. 163-278.99(c), the available balance would be apportioned among all eligible candidates.

For the 2012 General Election, two candidates have qualified for funding from the Voter-Owned Elections (VOE) Fund: one candidate for State Auditor and one candidate for Superintendent of Public Instruction. Removing the Superintendent of Public Instruction from the list of candidates eligible to receive funding from the VOE Fund would result in only one candidate (for State Auditor) eligible for VOE funding in 2012. With one eligible candidate, the current balance of approximately \$428,000 would be sufficient to provide the statutory minimum of at least \$300,000 to the candidate for State Auditor.

Fiscal Impact Summary - Excellent Public Schools Act

	2012-13	2013-14	2014-15	2015-16	2016-17
Part I: Improve K-3 Literacy	\$34,642,642	\$71,712,989	\$89,593,613	\$85,414,763	\$92,464,825
Part II: State Employee Literacy Volunteer Leave Time	No Estimate Available				
Part III: School Performance Grades	\$0	\$0	\$0	\$0	\$0
Part IV: Maximize Instructional Time	\$0	\$0	\$0	\$0	\$0
Part V: Adjustments to School Calendar Start and End Dates	\$0	\$0	\$0	\$0	\$0
Part VI: Funding for the Addition of Five Instructional Days	\$11,350,000	\$11,350,000	\$11,350,000	\$11,350,000	\$11,350,000
Part VII: Establish NC Teacher Corps	\$0	\$0	\$1,818,286	\$1,935,934	\$2,017,123
Part VIII: Strengthen Teacher Licensure	\$0	\$0	\$0	\$0	\$0
Part IX: Proof of State-Funded Liability Insurance	\$0	\$0	\$0	\$0	\$0
Part X: Pay for Excellence	\$0	\$0	\$0	\$0	\$0
Part XI: End Tenure	No Estimate Available				
Part XII: Eliminate Public Financing for Superintendent of Public Instruction	See Assumptions & Methodology				
TOTAL	\$45,992,642	\$83,062,989	\$102,761,898	\$98,700,697	\$105,831,947

SOURCES OF DATA:

DPI, the Foundation for Excellence, the North Carolina Partnership for Children, Inc., the Wallace Foundation

TECHNICAL CONSIDERATIONS:

Part I: The appropriation in this Part (\$34,087,650) does not exactly match the estimated fiscal impact for FY 2012-13 (\$34,642,642). The discrepancy could be managed as part of the normal appropriations process.

Additionally, sponsors might clarify which portion of the FY 2012-13 appropriation is going to DPI to expand department capacity, and which funds are to be distributed by DPI to the LEAs.

Part X: This Part does not state the General Assembly’s intent with regards to providing additional funding, or with regards to changing the method for funding classroom positions. LEAs might have better clarity in developing systems of performance pay if the language is amended to clarify General Assembly intent on these issues.

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