

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 3198 - A10**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Establishes the Early Literacy Success Initiative. Establishes or increases Other Funds expenditure limitation for the Oregon Department of Education and the Department of Early Learning and Care. Establishes the Birth Through Five Literacy Fund and the Early Literacy Success Community Grant Fund. Repeals the Oregon Early Reading Program and the Early Success Reading Initiative

Government Unit(s) Affected:

Department of Education, School Districts, Department of Early Learning and Care, Confederated Tribes of Grand Ronde, Confederated Tribes of Siletz, Confederated Tribes of Warm Springs, Burns Paiute Tribe, Confederated Tribes of Coos, Lower Umpqua and Siuslaw Indians, Confederated Tribes of Umatilla Indian Reservation, Coquille Indian Tribe, Cow Creek Band of Umpqua Indians, Klamath Tribes

Government Unit(s) Affected:

Oregon Department of Education, School Districts, Department of Early Learning and Care, Confederated Tribes of Grand Ronde, Confederated Tribes of Coos, Lower Umpqua and Siuslaw Indians, Confederated Tribes of Warm Springs, Klamath Tribes, Burns Paiute Tribe, Confederated Tribes of Siletz, Confederated Tribes of Umatilla Indian Reservation, Cow Creek Band of Umpqua Indians, Coquille Indian Tribe

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

	2023-25 Biennium	2025-27 Biennium
Oregon Department of Education		
Other Funds	\$94,895,835	\$115,199,055
<i>Total Funds</i>	\$94,895,835	\$115,199,055
<i>Positions</i>	14	14
<i>FTE</i>	12.88	14.00
Department of Early Learning and Care		
Other Funds	\$567,593	\$10,534,375
<i>Total Funds</i>	\$567,593	\$10,534,375
<i>Positions</i>	2	2
<i>FTE</i>	1.83	2.00
Total Fiscal Impact	\$95,463,428	\$125,733,430
<i>Total Positions</i>	16	16
<i>Total FTE</i>	14.71	16.00

Analysis:

House Bill 3198, as modified by the -A10 amendments, establishes the Early Literacy Success Initiative to increase early literacy for children from birth to grade three and increase access to literacy support. The goals of the initiative will be accomplished through the Early Literacy Success School Grant, the Birth Through Five Literacy Plan, and the Early Literacy Success Community Grant.

As part of the Early Literacy Success Initiative, the Oregon Department of Education (ODE) must establish and administer the Early Literacy Success School Grant program. Under the program, ODE will award annual grants to school districts and public charter schools that are elementary schools. The grants will be awarded from the Statewide Education Initiatives Account. School districts and public charter schools may apply for an Early Literacy Success School Grant to receive a distribution under the program.

Any school district or public charter school that is an elementary school may apply for a noncompetitive grant under the Early Literacy Success School Grant program, which requires a 25% local cash match. To be eligible for a grant, a school district or public charter school must submit an application to ODE that includes, among other things, an early literacy success plan. Each recipient of an Early Literacy Success School Grant must submit an annual report to ODE that details the school district's or public charter school's progress toward achieving the goals established in the early literacy success plan. Based on the annual report, ODE must monitor a school district or a public charter school's progress toward achieving the goals established in the early literacy success plan. If a school district or public charter school does not meet the goals established in the early literacy success plan, then ODE must intervene and help the school district or public charter school to develop a corrective action plan. ODE must establish timelines for the submission of applications, and the timelines must allow for the first distributions of grants to be made for the 2023-2024 school year. Grants received for the 2023-24 and 2024-25 school years may be used for the benefit of students in grades four and five, in addition to being used for the benefit of children and students in prekindergarten through grade three.

As part of the Early Literacy Success Initiative, the Department of Early Learning and Care (DELIC) must establish and implement the Birth Through Five Literacy Plan. The purposes of the plan are to expand culturally specific early literacy programs for children from birth through five years of age, including expanding and developing language revitalization efforts by federally recognized Indian tribes in this state. DELIC must distribute grants from the Birth Through Five Literacy Fund that align to the outcomes and indicators that exist across kindergarten readiness and culturally specific parent and child support programs. DELIC must submit a progress report on the Birth Through Five Literacy Plan to interim legislative committees related to early childhood by December 31 of each year. The measure establishes the Birth Through Five Literacy Fund. Moneys in the fund are continuously appropriated to DELIC to carry out the Birth Through Five Literacy Plan. ODE and DELIC must use moneys in the Early Learning Account to provide funding for the Birth Through Five Literacy Plan.

As part of the Early Literacy Success Initiative, ODE must establish and administer an Early Literacy Success Community Grant program. The purpose of this program is to expand culturally and linguistically responsive early literacy programs for children in early elementary grades. Under the program, ODE must distribute grants in accordance with rules that establish metrics of success, adopted in consultation with the nine federally recognized tribes in the state, and that align with the Early Literacy Success School Grant program. The measure establishes the Early Literacy Success Community Grant Fund. Moneys in the fund are continuously appropriated to ODE to carry out the Early Literacy Success Community Grant program. ODE must use funds in the Statewide Education Initiatives Account to provide funding for the Early Literacy Success Community Grant program.

The measure makes various budgetary adjustments to ODE and DELIC, including:

- An increase of \$90,000,000 Other Funds expenditure limitation from the Statewide Education Initiatives Account to ODE for Early Literacy Success School Grants;
- A \$1 Other Funds expenditure limitation to DELIC from funds transferred from the Early Learning Account by ODE for grants distributed from the Birth Through Five Literacy Fund;
- An increase of \$567,592 Other Funds expenditure limitation to DELIC from funds transferred from the Early Learning Account by ODE for administration of the Birth Through Five Literacy Plan;
- An increase of \$567,593 Other Funds expenditure limitation to ODE for the transfer of funds from the Early Learning Account to DELIC for administration of the Birth Through Five Literacy Plan;
- A \$1 Other Funds expenditure limitation to ODE for payments from the Statewide Education Initiatives Account for grants distributed from the Early Literacy Success Community Grant Fund; and

- An increase of \$4,328,241 Other Funds expenditure limitation to ODE from the Statewide Education Initiatives Account for administration of the Early Literacy Success School Grant program and the Early Literacy Success Community Grant program.

The measure also repeals the Oregon Early Reading Program and the Early Success Reading Initiative, and provides that rules developed for the Early Literacy Success School Grant program prioritize schools with the lowest rates of proficiency in literacy.

The measure includes various operative dates and takes effect on passage.

Oregon Department of Education

The measure requires ODE to establish and administer the Early Literacy Success School Grant program. Under the program, the department shall award annual grants to school districts and to public charter schools that are elementary schools to implement various aspects of the Early Literacy Success Initiative.

Since there are 197 school districts and approximately 90 public charter schools that are potentially eligible for grant-in-aid under the Early Literacy Success Initiative, ODE anticipates needing to hire 14 permanent, full-time positions (12.88 FTE) in the 2023-25 biennium, as this initiative requires active school district and charter school monitoring, grant management, technical assistance, and annual reports to the Legislative Assembly. These positions include one Manager 3, three Program Analyst 4 positions, two Program Analyst 2 positions, four Education Specialist 2 positions, one Training and Development Specialist 2, one Administrative Specialist 2, one Operations and Policy Analyst 4, and one Procurement and Contract Assistant. The estimated cost of these positions is \$4,328,241 Other Funds in the 2023-25 biennium and \$4,664,680 Other Funds in the 2025-27 biennium. The remaining funds will be budgeted as special payments to provide grant-in-aid to school districts and public charter schools. ODE will provide estimated grant-in-aid of \$90 million in 2023-25 and \$100 million in 2025-27.

The total estimated fiscal impact to ODE is \$94,895,835 Other Funds in 2023-25 and \$115,199,055 Other Funds in 2025-27.

Department of Early Learning and Care

The measure requires DELC to establish and administer the Birth Through Five Literacy Plan. Under the program, DELC must distribute grants from the Birth Through Five Literacy Fund that align to the outcomes and indicators that exist across kindergarten readiness and culturally specific parent and child support programs to expand culturally specific early literacy programs for children from birth through five years of age.

To implement the Birth Through Five Literacy Plan, DELC anticipates needing two permanent, full-time positions (1.83 FTE), which include one Program Analyst 3 position and one Operations and Policy Analyst 3 position, beginning in the 2023-25 biennium.

The estimated fiscal impact to DELC to implement and administer the Birth Through Five Literacy Program is \$567,592 Other Funds in 2023-25 and \$534,375 Other Funds in 2025-27. However, this estimate only covers DELC's administrative costs; it does not include the cost of providing grant-in-aid to school districts and public charter schools.

School Districts

The fiscal impact to school districts is indeterminant. The measure adds the Early Literacy Success School Grant program as an allowable use in the Statewide Education Initiatives Account of the Fund for Student Success and provides Other Funds expenditure limitation of \$90,000,000 for early literacy success school grants. The measure authorizes school districts to apply for grant-in-aid under the programs established by the Early Literacy Success Initiative, but it does not require school districts to do so. For school districts that apply and receive grant-in-aid under the Early Literacy Success Initiative, the measure would provide additional resources to recipient school

districts and would require additional staff time to manage the reporting requirements. For those districts that do not apply or receive grant-in-aid, the measure would not necessarily have a fiscal impact as the measure does not require school districts to participate in the Early Literacy Success Initiative.

Nine federally recognized Tribes

The measure is anticipated to have no fiscal impact on the nine federally recognized Tribes in Oregon.

Total Fiscal Impact

In total, the measure establishes or increases expenditure limitation by \$95,463,428 Other Funds in the 2023-25 biennium, which includes \$94,895,835 Other Funds to ODE and \$567,593 Other Funds to DELC. The established \$1 expenditure limitations for ODE and DELC are placeholder amounts tied to budget notes that direct both agencies to develop plans for spending the grant moneys and report their plans and funding recommendations to the Legislative Assembly by no later than December 30, 2023.

Currently, the total estimated fiscal impact in the 2025-27 biennium is \$115,199,055 Other Funds and includes 16 positions (16.00 FTE), though this amount may vary once ODE and DELC report their plans and funding recommendations to the Legislative Assembly, per the budget notes associated with this measure.