

Impact Analysis

Rule Title: 16NCAC 06D .0508 NC GENERAL ASSEMBLY’S READ TO ACHIEVE PROGRAM

Agency: Department of Public Instruction
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Authority: G.S. 115C-83.1, 115C-83.3, 115C-83.7 and 115C-83.8
Eff. June 30, 2013

| | | |
|-----------------|------------------------------|-----|
| Impact Summary: | Federal Government: | No |
| | State Government: | Yes |
| | Local Government: | Yes |
| | Substantial Economic Impact: | Yes |

Background/Purpose

In the 2011-2012 Session, Senate Bill 795, Excellent Public Schools Act, created the Read to Achieve Program and made changes to N.C.G.S. 115C-83. The provisions of this bill were later included in Part VII-A of Session Law 2012-142. As a result, the North Carolina Department of Public Instruction is required to ensure that the Read to Achieve Program is followed by all Local Education Agencies (LEAs); charter school participation in the program is optional. The purpose of the proposed rule (see rule text in Appendix A) is to notify the LEAs that the State Board of Education requires implementation of the Read to Achieve Program.

Alternatives Considered

This rule was originally more specific on requirements set by the Department of Public Instruction. The Office of Administrative Hearings reviewed several drafts of the proposed rule and requested that it be limited to two sentences (see Appendix A). Alternatives considered did not result in varying economic impact since all the requirements are set in the legislation.

Impact

The following economic impact analysis includes requirements necessary to meet the legislative mandate. Table 1, Estimated Student Data, below informed the impact estimates for the various new State or LEA responsibilities.

Table 1

| | Allotted | | Projected | | |
|---|----------|---------|-----------|---------|---------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| K-3 ADM ① | 468,502 | 482,642 | 489,824 | 490,781 | 485,774 |
| Grade K ADM ① | 123,038 | 125,024 | 121,097 | 116,736 | 115,557 |
| Grade 3 ADM ① | 110,446 | 115,299 | 119,498 | 123,723 | 127,448 |
| Students Scoring at Level I or Level II ② | 33% | 32% | 31% | 30% | 29% |
| K-3 Reading Deficiency ③ | 154,606 | 154,446 | 151,846 | 147,235 | 140,875 |
| Grade 3 Reading Deficiency ④ | 36,448 | 36,896 | 37,045 | 37,117 | 36,960 |
| Actual % of Reading Deficient Students Retained in Florida ⑤ | N/A | 57.39% | 46.36% | 49.00% | 42.63% |
| % of all 3rd Graders Retained ⑥ | 3% | 18.36% | 14.37% | 14.70% | 12.36% |
| Number of 3rd Graders Retained ⑦ | 3,314 | 21,169 | 17,172 | 18,188 | 15,753 |
| Number of <i>Additional</i> 3rd Graders Retained because of Read to Achieve ⑧ | N/A | 17,711 | 13,588 | 14,477 | 11,930 |
| # of 3rd Graders Retained Twice Under Read to Achieve ⑨ | N/A | N/A | 837 | 867 | 893 |
| Additional 3rd Graders ⑩ | | 3,314 | 21,169 | 18,009 | 19,055 |

① The ADM numbers are projections made by DPI experts. These numbers include 25% ADM for participating charter schools.

② The 2012-2013 estimate is based on current student scores. Future year estimates assume student scores will improve as a result of the program.

③ Calculated by multiplying K-3 ADM by the percentage of students scoring level I or level II.

④ Calculated by multiplying Grade 3 ADM by the percentage of students scoring level I or level II.

⑤ These are the actual percentages of reading deficient students from Florida who were retained in the first three years of the Florida program.

⑥ The percent of 3rd graders retained in 2012-13 is based on current actual numbers. For future percentages, the percentage of students scoring level I or level II was multiplied by the actual percentage of reading deficient students retained in FL.

⑦ Calculated by multiplying Grade 3 ADM by the percentage of 3rd graders retained.

⑧ Calculated by taking the number of 3rd graders retained and subtracting the number of 3rd graders traditionally retained (3% of Grade 3 ADM).

⑨ Assumes 0.7% of students in 3rd grade will be retained twice.

⑩ The number of additional 3rd graders retained because of this Read to Achieve in the previous year.

To derive the estimate the number of students impacted by the Read to Achieve program, this analysis made a series of assumptions:

- Currently, about a third of the K-3 students score at Level I or Level II in reading, which suggest deficiency. The analysis assumes, based on the Excellent Public Schools Act fiscal note performed by the Fiscal Research Division of the Legislature, that as the program gets

underway, this share would decrease by 1% each year so that by the school year 2016-17, only 29% of the students would be scoring at Level I and II.

- Given the results of a similar program in Florida,¹ the analysis assumes the same percentage of students assessed with Level I or Level II reading deficiencies, between 40-60%, would be retained in NC as a result of the Read to Achieve program. Currently, about 3% of third graders are retained.
- Also, based on the program in Florida, the analysis assumes that 0.7% of third graders would be retained twice as a result of the program.

It is important to note that participation in the Read to Achieve Program is optional for charter schools. It is estimated that 25% of charter schools will take choose to participate in the program.

BENEFITS:

It is important to note that there would be benefits associated with implementation of this program. While some students may take additional time to complete the traditional K-12 education, there will be an increase in the literacy of the population. This increased knowledge could translate into better and more lucrative career paths for North Carolina students.

A 2011 study funded by the Annie E. Casey Foundation involving 4,000 students concluded that: “One in six children [about 16%] who are not reading proficiently in third grade do not graduate from high school on time, a rate four times greater than that for proficient readers. ... For the worst readers, those couldn’t master even the basic skills by third grade, the rate is nearly six times greater.”² Essentially, based on the results of this study, the program would result in 12% of the third graders who manage to improve their reading scores to graduate high school before age 19. Given the assumption made above that an additional 1% of third graders would become proficient in reading as a result of this program, an estimated 140-150 more students who are entering third grade in the next few years would graduate on time per year.

The lack of a high school diploma can severely impact future earnings. According to Bureau of Labor Statistics data, in 2012 the median weekly earnings of those 25 years and older without a high school diploma was \$344 lower than that of the total population.³ So, each additional student who would graduate as a result of the implementation of this program could benefit of about \$18,000 higher earnings per year in current dollars. This would equate to more than \$3 million⁴ per year per

¹ All Florida data provided by the Foundation for Excellence in Education: <http://www.excelined.org/>.

² Hernandez, Donald J. (2011) “Double Jeopardy: How Third-Grade Reading Skills and Poverty Influence High School Graduation.” The Annie E. Casey Foundation. <http://www.aecf.org/~media/Pubs/Topics/Education/Other/DoubleJeopardyHowThirdGradeReadingSkillsandPoverty/DoubleJeopardyReport040511FINAL.pdf>

³ US Dept. of Labor. Bureau of Labor Statistics. Labor Force Statistics. Quartiles and selected deciles of usual weekly earnings of full-time wage and salary workers by selected characteristics, quarterly averages, not seasonally adjusted. <http://www.bls.gov/webapps/legacy/cpswktab5.htm>

⁴ Estimate was computed using a 1.7% constant annual inflation based on IHS Global Insight GDP deflator forecast.

cohort starting in 2024, or to a more than \$13 million net present value⁵ for the four cohorts of third graders (from 2014 to 2017) on which this analysis is focused.

There would be additional benefits to result from this program, such as higher productivity of students who perform better due to this program and net savings to government from higher taxes paid by these students due to higher earnings and lower demand for government social services. This analysis does not attempt to quantify these additional benefits.

There are a number of uncertainties related to this estimate. A significant uncertainty relates to the decrease in the percentage of students scoring with reading deficiencies due to the program – analysis assumes 1% decrease per year. If this percentage turns out to be closer to 0.5%, the estimated benefits would be about \$6.5 million; but if 5% of students improve their score from the program each year, estimated additional future earnings would be over \$65.6 million. Furthermore, comparing median weekly earnings for those without a high school diploma to the earning of the total population may be affecting the benefits. If students who otherwise would not have graduated high school now would obtain a Bachelor’s degree as a result of the program, this could lead to double the estimated net present value of benefits. Additionally, the research is inclusive regarding the efficacy of retention: ‘While some researchers have found that retained students “can significantly improve their grade-level skills during their repeated year,” others have found that less than half of retained students meet promotion standards after attending summer school and repeating a grade.’⁶

COSTS - ASSUMPTIONS AND METHODOLOGY:

This section details the estimation of the costs that would result from the Read to Achieve program by looking individually at each one of the 14 additional requirements. The impact of the additional responsibilities is summarized in Table 3, Estimated Program Costs, at the end of this analysis. The Department expected that most of the costs of these additional requirements would be the State’s responsibility.

Requirement 1: Continuously Evaluate 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), Disadvantaged Students Supplemental Funding (\$500,000), and More at Four (over \$1 million per year).

⁵ Net present value (NPV) is computed in terms of 2013 dollars using a statutorily mandated 7% discount rate.

⁶ Rose, Stephanie and Karen Schimke. “Third Grade Literacy Policies: Identification, Intervention, Retention” Education Commission of the States, Education Alliance, March 2012.

“”<http://www.educationalliance.org/files/3rd%20grade%20reading%20ecs%20brief.pdf>

Requirement 2: Solicit Impact from Stakeholders in Developing Statewide Plan

This analysis assumes a total cost of \$40,000. Approximately \$10,000 of this is incurred in FY 2012-13 in order to facilitate regional meetings to solicit input from the public to aide in developing the State's literacy plan. The two meetings held this spring have yielded a cost of approximately \$2,500 per meeting. The initial meetings are being held to solicit input from stakeholders in order to develop a comprehensive plan. These meetings are being held in each of the eight educational regions of the state. It is anticipated that follow-up meetings will be scheduled toward the end of summer 2013 to provide an opportunity to solicit feedback on the draft plan. These meetings will also be held in each of the eight educational regions of the state. This cost estimated does not include staff time or travel expenses as these costs are already considered in the impact estimate for Requirement 6 – see below.

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 indicates the following cost requirements:

- Software subscriptions: \$19 per student (subscription costs are expected to remain constant over the five year period). In FY 2012-13, about \$8,862,600 were spend on licenses. Additional licensees will be needed for future cohorts. Average daily membership (ADM) in grades K-3 of schools participating in the program is anticipated to grow to 482,642 students in FY 2013-14 when all public schools are required to participate; charter schools are not required to participate, but for budgeting purposes 25% are assumed to opt in (this is a major variable going forward). Student populations will increase before decreasing to approximately 485,774 students over the next five years.
- Student materials ("kits") for each teacher: \$395 per teacher. North Carolina will purchase 21,651 kits for teachers in grades K-3 in FY 2012-13 (including charter schools). This included upgrading and completing sets for some teachers (some schools had already purchased components of the kits) and purchasing full sets for teachers who needed complete sets. It is expected that the remainder of the current teachers who do not yet have kits, 1,778, would receive kits in FY 2013-14. In FY 2014-15, the overall state projections show a decrease in the population. However, districts such as Wake and Charlotte-Mecklenburg, among others, anticipate growth. It is very unlikely districts that decrease number of classrooms will return kits and devices; and a loss of about 1% due to damage and pilferage should be anticipated. Therefore, in FY 2014-15, approximately 550 kits will be required. In the following two years, an estimated 600 and 650 kits, respectively, will be acquired.
- Handheld devices (hardware): \$400 per teacher. According to DPI's analysis, 22,792 teachers in grades K-3 will need devices in FY2012-13. It is anticipated in FY 2013-14 about 2,312 devices will be required due to new schools joining, especially charters. Approximately 5,633 devices were purchased with other funding in FY 2010-11. These devices would be refreshed in FY 2014-15. As stated above, some districts will continue to grow, and these classrooms will need devices, so an estimated 600-650 more devices will be purchase in the following year. Our analysis indicates these devices need to be refreshed

every four years; this implies in FY 2016-17 approximately 22,800 devices would have to be purchased.

- Substitute teachers to cover required training: This cost would cover the cost of substitutes while teachers attend training sessions. This analysis assumes two teachers per school would receive the training. This analysis assumes that a substitute teacher is paid \$100 per day for services rendered, based on staff best professional judgment. In FY 2012-13, approximately 624 schools which previously implemented the program, would receive two day training; 425 schools currently implementing the program would receive three day training. In FY 2013-14, 1,049 schools, which previously implemented the program, would receive two day training, and 366⁷ schools currently implementing the program would receive 3 day training. In all future years all 1,415 schools would receive two day training.

Requirement 4: Retain Students Who Score at Level I or Level II on Third Grade Reading End-Of-Grade Tests

Additional retention of students in grade 3 is anticipated to cost approximately \$20.4 million in FY 2014-15, decreasing to \$16.6 million in FY 2015-16 and \$17.7 million in 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 (TAs): 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. (The estimated average cost differential is based on actual Classroom Teacher and TA allotments, and is due to class size.) This analysis assumes there would be 17,711 additional students in grade 3 in FY 2014-15 as a result of this rule, decreasing to 15,344 by FY 2016-17.

An additional fiscal impact will be experienced outside of the scope of this fiscal analysis. Under this rule, the majority of retained students will require an additional year of public schooling that they otherwise would not have had, which would mean the state would have to allocate additional funding for schools. However, the fiscal impact would not affect the State until FY 2024-25, when the first cohort of third graders would have been expected to have graduated from high school. The students that are withheld will graduate at least one year later than expected. This would cause them to forego one year of income, which would render the state unable to collect income taxes on the revenue earned for that year. However, the increased level of literacy upon graduation may cause income rates for these students to be higher, therefore causing an increase in the state income tax collection.

⁷ This estimate assumes that in FY 2013-14 charter schools would also join in implement the program.

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

There would be an additional cost to implement this requirement, but the estimate of time and effort is inconsequential 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 \$770,000 in FY 2012-13 to \$1 million in FY 2016-17.

This analysis assumes that providing technical assistance to LEAs will require approximately 10 additional positions at DPI:

- Seven field-based consultants: \$60,000 base salary, \$20,000 per year for travel⁸, plus benefits (benefits assumed to be 34% of salary).
- One director: \$100,000 base salary, \$10,000 per year for travel, plus benefits (benefits assumed to be 34% of salary).
- One section chief: \$90,000 base salary, \$20,000 per year for travel, plus benefits (benefits assumed to be 34% of salary).
- One administrative assistant: \$32,000 base salary, plus benefits (benefits assumed to be 34% of salary).

The staff necessary to facilitate the Read to Achieve program were hired during the 2012-13 year. Cost of DPI staffing was prorated at 75% for 2012-13 since all staff were not in place for the full year. The analysis also assumes no inflation in the compensation of these staff members.

Requirement 7: K-3 Formative Assessment which includes a Kindergarten Entry Assessment for all Entering Kindergarten Students Beginning FY 2014-15

North Carolina's Race to the Top Early Learning Challenge (RttT-ELC) grant has budgeted \$8.8 million to develop a new kindergarten through third grade formative assessment which includes a kindergarten entry assessment (KEA) for all entering kindergarten students. The grant funds the implementation of this new K-3 Assessment in North Carolina elementary schools defined as having a high percentage of high-needs students – the 65 “lowest-performing” elementary schools under the federal Race to the Top program. As there are approximately 1,400 elementary schools, the Early Learning Challenge funding provides the K-3 Assessment, with its kindergarten entry component, and appropriate professional development to only a small portion of the State's elementary schools. Since this program is already in place and underway, it is considered the baseline for the analysis below, which includes statewide implementation.

⁸ This travel number was developed in budgeting travel expenses for this program.

This analysis assumes it will take a total of approximately \$19million to ensure statewide implementation of the KEA as a part of the new K-3 Formative Assessment, , in all schools not funded through the RTT-ELC grant.

During FY 12-13, the RttT-ELC grant is providing funding for assessment development activities. There is no fiscal impact on state dollars because activities related to implementation do not begin until FY 13-14. This analysis assumes that the focus in FY 2013-14 will be on preparing districts throughout the state for implementation of the new assessment, and this cost is estimated at about \$ 5.1 million. During FY 2014-15, approximately \$ 6 million will be required for implementation of the KEA portion of the assessment in up to 50% of the local school administrative units, as well as other related activities across the State. During FY 2015-16, approximately \$6.5 million will be required for statewide implementation of the KEA portion of the assessment, as well as other related activities across the State. This analysis assumes approximately \$2.3 million in recurring funds beyond 2016-17 to ensure continuing capacity at the state, regional, and district levels for sustainability and continuous improvement, as well as evaluation and software updates and revisions to the assessment system. This is necessary to support sustainability for the effective implementation of the K-3/KEA Assessment and to ensure that the assessment is used with good effect to improve teaching practices and student achievement in the Basic Education Program including reading. Table 2, Costs for Requirements 7, below provides further details of the impacts expected from Requirement 7.

**Table 2
Costs for Requirement 7**

| | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> |
|---|----------------|--------------------|--------------------|--------------------|--------------------|
| Professional Development ① | \$0 | \$2,194,000 | \$2,338,000 | \$2,641,000 | \$750,000 |
| Communication ② | \$0 | \$975,000 | \$75,000 | \$75,000 | |
| Capacity-building ③ | \$0 | \$656,000 | \$150,000 | \$75,000 | |
| Evaluation ④ | \$0 | \$250,000 | \$250,000 | \$250,000 | \$250,000 |
| Software for classroom-level administration & data collection | \$0 | \$1,000,000 | \$500,000 | \$500,000 | \$500,000 |
| Implementation ⑤ | \$0 | | \$2,690,000 | \$2,973,000 | \$750,000 |
| TOTAL | \$0 | \$5,075,000 | \$5,853,000 | \$6,364,000 | \$1,500,000 |

① Includes online modules, video library, and face-to-face activities; and it is based on LEAs' cost for such activities reported for the RttT grant and the Office of Early Learning video production cost for "Ready, Set, Go."

② Includes website development, digital and print materials production, and other resources and is based on the similar costs from the More at Four program.

③ Includes: a) "medium" level of travel for 10 K-3 Assessment staff members for district-level coaching and technical assistance (based on estimates developed by DPI for Race to the Top and assumes 10 overnights per month, subsistence for those 10 days, and approximately 600 average miles per month), b) contracts for consultation in the area of Implementation Science to guide the development of a state-wide implementation and sustainability plan and tools, and c) costs to prepare regional implementation structures that support scale-up, implementation, and sustainability in the LEAs and schools involved in each Phase (based on DPI estimates for scaling-up and implementing Responsiveness to Instruction).

④ Includes developing a plan for continuous improvement and revision of the K-3 Assessment and is based on the cost of the evaluation of the More at Four Program, which was a much larger initiative so this may be an overestimate.

⑤ Includes "medium" level of travel for 10 K-3 Assessment staff members for district-level coaching and technical assistance, contracts for consultation in the area of Implementation Science to guide state-wide implementation and make adjustments to the plan, and to support scale-up, implementation, and sustainability (based on DPI estimates for scaling-up and implementing Responsiveness to Instruction).

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

Providing screening of all kindergarten students for early language, literacy, and math skills will be part of the kindergarten entry assessment component of the K-3 Formative Assessment. Developing a screening for all kindergarten students in early language, literacy, and math skills would cost approximately \$737,500 in FY 2014-15, and approximately \$191,600 per year in subsequent years to support sustainability, software updates, and technical support.

This pricing estimate is based on the cost of the DIAL-3 (Developmental Indicators for the Assessment of Learning) screening tool from Pearson.⁹ The DIAL-3 costs about \$305 for every 50 students in FY 2014-15 (includes cost of all administration forms, instruction manuals and DVDs), and \$83 for every 50 students in subsequent fiscal years (administration forms, record forms, cutting cards, and parent questionnaires). No increases in prices were assumed in the next five years.

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 \$18.3 million per year beginning in FY 2014-15. Since the first camp will begin in Summer 2014, two of the seven weeks' cost is anticipated to be incurred in FY 2013-14.

The best available data for estimating the cost of summer academic programs is the Wallace Foundation's Out of School Time Cost Calculator.¹⁰ 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. The cost includes salaries and benefits, administrative costs, transportation, student meals and supplies, etc.

For the purposes of this estimate, the assumption is that one camp would need to be funded for almost every two elementary schools, or approximately 650 camps.¹¹ 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 from the Wallace Foundation calculator:

- Program focus: academic
- Nearest metro area: Burlington, NC
- Program location: in a school
- Slots: 50
- Hours per week: 14
- Weeks: 7

Based on these assumptions, the Wallace instrument provides a median cost estimate of approximately \$26,804 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

⁹ Additional information about the DIAL-3 can be found here:

<http://www.pearsonassessments.com/HAIWEB/Cultures/en-us/Productdetail.htm?Pid=PAa13700>.

¹⁰ 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>.

¹¹ 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.

for the additional transportation costs faced by North Carolina's less-urban districts. The 5% transportation adjustment was the estimated increased cost from DPI transportation experts.

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 \$257,000 per year over the five-year horizon of this analysis, beginning in FY 2013-14. The statute 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.¹² 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 \$257,000 per year.

Requirement 11: Supplemental Tutoring for Students Who Have Been Retained Twice

The first year that students have the potential to be retained twice due to this rule will be in FY 2015-16. Provision of tutoring services to students who have been retained twice is estimated to cost approximately \$9 million per year, beginning in FY 2015-16.

According to data from Florida,¹³ approximately 0.7% of third graders 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 2015-16. This analysis assumes that each student would receive 2 hours of tutoring services per day for 180 days per year, with the tutor being paid \$30 per hour, consistent with certified teacher salaries in North Carolina.

Requirement 12: 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. This notification is expected to be completed through normal communication methods, and is not expected to require a significant amount of teacher working time.

Requirement 13: 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 for three years about \$146,000 on average starting with FY 2014-15 when more students

¹² Additional information about the TORC-4 can be found here:

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

¹³ All Florida data provided by the Foundation for Excellence in Education: <http://www.excelined.org/>.

are retained due to the Read to Achieve program. The number of retained students (and, therefore, the number of parents that would receive progress reports) is anticipated to be 21,169 in FY 2014-15 and then decreasing to approximately 18,000 and 19,000 in the following two years, respectively. Printing and postage are estimated to be \$0.75 per report, per student. These reports will be provided monthly for a total of 10 reports per year.

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. Preparation of monthly progress reports will also consume the time of teachers across the state. The cost of teacher time cannot be estimated since it will also be dependent upon the thoroughness of the report and variance of students impacted.

Requirement 14: Annually Collect and Publish Read to Achieve Data on LEA Website

The rule 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. The publishing of this information on the website will require LEA staff time to initiate and update the published information. It is expected that this will require very limited resources and is, therefore inconsequential.

Cost Estimate Uncertainty and Summary Table

Table 3 below summarizes the cost elements related to the Read to Achieve Program. These costs would be borne in large by the state, with LEAs covering the cost of hiring substitute teachers while regular teachers are in program training (about \$600,000 per year) and some opportunity costs related to administrative tasks. The 5-year Net Present Value of the costs in terms of 2013 dollars using a discount rate of 7% is \$205.3 million. Note that costs would continue to be incurred past 2017 and tangible benefits would be incurred starting with 2024 when the first cohort of third graders graduates high school.

The estimates computed in this analysis are based on set of assumptions. Most of the assumptions relate to similar costs that the state has incurred as a result of other school programs and these may prove to be a good gage of what the cost for the Read to Achieve program would actually be. Some of the assumptions, however, are based on third grade literacy programs in other states and may not hold in North Carolina's case, so the costs presented in Table 3 could change significantly. Some of the more important assumptions this analysis makes include:

- The influence the program would have on reading proficiency, which was assumed to be a 1% decrease each year in the share of third graders scoring at Level I and Level II. If this change were to be 0.5%, the resulting 5-year net present value would increase by close to \$1.4 million; if the change in the share were 5%, however, the resulting net present value would decrease by almost \$11 million;
- The percentage of students retained due to Level I or Level II reading deficiencies was assumed to same as in Florida, between 40-60%. If the percentage turns out to be higher, so

will the estimated costs related to retained students; if the percentage would be lower, then estimated in Table 3 might be overestimating the costs;

- The assumption that 0.7% of 3rd graders would be retained twice as a result of the program. There is no data to be able to forecast how many students will be retained twice, so if the situation in North Carolina proves to be dissimilar to that in Florida, the costs related to students retained twice would change also;
- Given the uncertain nature of some of the unit cost estimates used, this analysis assumed that costs would not increase with inflation. So, if there actually is an inflationary component to this costs, the estimates total impact would be greater by compounding rate of about 1.6% per year; and
- There may be additional costs related to students who would be retain absent the program but for whom going Read to Achieve costs would be incurred once the rule is in effect. This analysis does not take into consideration these students; therefore the cost estimates may be higher than estimated.

Table 3
Estimated Program Costs - Read to Achieve

| Requirement Description | Requirement | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|--------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Continuously evaluate the comprehensive plan to improve reading achievement | 1 | \$0 | \$500,000 | \$500,000 | \$500,000 | \$500,000 |
| Solicit input from stakeholders in developing statewide plan | 2 | \$10,000 | \$30,000 | \$0 | \$0 | \$0 |
| Formative diagnostic reading assessments for all students in grades K-3 | 3 | \$26,531,552 | \$10,797,308 | \$11,777,106 | \$9,801,839 | \$18,863,256 |
| Substitute teacher costs resulting from Requirement 3 | | \$504,600 | \$639,200 | \$566,000 | \$566,000 | \$566,000 |
| Retain students who score at Level I or Level II on third grade Reading EOG | 4 | \$0 | \$0 | \$20,406,791 | \$16,620,629 | \$17,679,510 |
| Develop uniform reporting requirement for LEA reports on programmatic information, compile information, and report to the General Assembly | 5 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Provide technical assistance to LEAs to implement the program locally | 6 | \$772,229 | \$1,029,638 | \$1,029,638 | \$1,029,638 | \$1,029,638 |
| Kindergarten Entry Assessment for all entering kindergarten students beginning FY 14-15 | 7 | \$0 | \$5,075,000 | \$5,853,000 | \$6,364,000 | \$1,500,000 |
| Kindergarten developmental screening of early language, literacy, and math skills | 8 | \$0 | \$0 | \$737,500 | \$192,600 | \$190,700 |
| Summer reading camp for students not demonstrating reading proficiency | 9 | \$0 | \$5,226,780 | \$18,293,730 | \$18,293,730 | \$18,293,730 |
| LEAs provide alternative reading assessment for third graders who have a reading deficiency | 10 | \$0 | \$256,058 | \$257,092 | \$257,592 | \$256,502 |
| Supplemental tutoring for students who have been retained twice | 11 | \$0 | \$0 | \$0 | \$9,039,600 | \$9,363,600 |
| Providing parental notification that a K-3 student is not reading at grade level or that a third grade student is being retained | 12 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Providing monthly progress reports to parents of retained students | 13 | \$0 | \$0 | \$158,768 | \$135,068 | \$142,913 |
| Annually collect and publish Read to Achieve data on LEA website | 14 | \$0 | \$0 | \$0 | \$0 | \$0 |
| TOTAL COSTS | | \$27,818,381 | \$23,553,984 | \$59,579,625 | \$62,800,696 | \$68,385,849 |
| NET PRESENT VALUE | | \$205,305,913 | | | | |

Appendix A: Proposed Rule

16 NCAC 06D .0508 is proposed for adoption as follows:

16 NCAC 06D .0508 NC GENERAL ASSEMBLY'S READ TO ACHIEVE PROGRAM

(a) Local education agencies (LEAs) shall enact third grade retention and promotion policies consistent with G.S. 115C-83.1, 83.3 and 83.7.

(b) Pursuant to G.S. 115C-83.3(2) LEAs shall use the Read to Achieve test as the alternative assessment in connection with G.S. 115C-83.7, 83.8.

History Note:

*Authority G.S. 115C-83.1, 115C-83.3, 115C-83.7 and 115C-83.8
Eff. June 30, 2013*