What is it? Why is the State involved?
The Legislature created the K-3 Reading Improvement Program during the 2004 General Session. Legislation set the goal to have all students reading at or above grade level by the completion of the third grade. School districts participate with the state in funding the program. At the time, the Legislature established a local property tax as an option for school districts to meet the match requirement. The Legislature folded the K-3 Reading Improvement levy into the Board Local Levy in 2011. Statute does not require charter schools to match the state allocation.

K-3 Reading includes three programs, a Base Program, the Guarantee Program, and a Low-Income Students Program. School districts and charter schools must submit a reading improvement plan to the State Board of Education for approval to participate in the Base Program. Additionally, local boards may participate in the Guarantee Program or the Low-Income Students Program.

After two consecutive years of not meeting reading improvement goals, a school district or charter school may no longer receive a state allocation and a district shall terminate any tax levy imposed for matching.

Allocation Formula
Statute directs the State Board of Education to divide state funding appropriated to the K-3 Reading Improvement Program as follows: Base Program [8%], Guarantee Program [46%], and the Low-Income Students Program [46%]. School district property tax revenue acts as the match to its state fund allocation through either program.

- **Base Program** - The 8% allocation is divided between districts & charters based on percentage of enrollment. School district funds are distributed in proportion to fall enrollment. Charter school funds are distributed based on prior-year fall enrollment in Grades K-3 and new charter schools based on K-3 fall enrollment estimates.

- **Guarantee Program** - School districts receive up to $21/WPU less the amount raised by a tax levy of 0.000056. Charter schools receive up to $21/WPU.

- **Low-Income Student Program** - School districts and charter schools receive funds in proportion to number of students that qualify for free or reduced-price lunch multiplied by two. School districts receive up to $21/WPU less the amount raised by a tax levy of 0.000065. The State Board of Education may adjust the $21/WPU guarantee for actual appropriations to the program.

A school district that does not fully participate in the match requirement can receive state funding in proportion to the amount of matching funds allocated by the district.
Recommended Legislative Action

The Legislature may wish to consider the following:

- Determine if the K-3 Reading Improvement program should continue as a categorical program, be moved to a block-grant program, or funding moved into the WPU Value. The Public Education Appropriations Funding Decision Tree may be useful in this process.

- If the program remains a categorical program, the Legislature may wish to address some of the “Discussion Items” detailed above, namely:
  - Require charter schools to match the state allocation similar to school districts. The Local Replacement Program could act as a potential source for this match.
  - Evaluate the impact of not adjusting program funding for changes in enrollment and the number of local education agencies.

Discussion Items

- Statute does not require charter schools to match the state allocation. As a result, the per-student funding dedicated to the program is higher in school districts than in charter schools. For example, in FY 2016:
  - The state allocated $73/K-3 Student to districts and $76/K-3 Student in charters.
  - School districts expended $202/K-3 Student and charters expended $77/K-3 Student.

- State funding for the program has remained at the original $15.0 million ongoing appropriation, which may result in the following:
  - The state amount per student decreases as student numbers increase.
  - The district match is tied to the amount generated by a certain tax rate. As property values increase, so does the match requirement. The 50/50 match at the creation is now closer to a 60/40 match.
  - The Base Program is divided among school districts and charter schools. As the number of charter schools increase, the base amount per local agency decreases.

Legislators may wish to use the Public Education Appropriations Funding Decision Tree to further review this program.