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Fiscal Note

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Prime Sponsors:

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Bill Status: Bill Draft
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Bill Topic: SPECIAL EDUCATION FUNDING

Summary of Fiscal Impact:

- State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, School District

The bill increases special education funding and requires the Special Education Fiscal Advisory Committee to complete a report on special education funding in the state. The bill increases state expenditures on an ongoing basis.

Appropriation Summary:

For FY 2022-23, the bill requires an appropriation of \$93.2 million to the Colorado Department of Education.

Fiscal Note Status:

The fiscal note reflects the bill draft requested by the Legislative Interim Committee on School Finance.

Table 1
State Fiscal Impacts Under Bill 2

Table with 4 columns: Category, Sub-category, Budget Year FY 2022-23, Out Year FY 2023-24. Rows include Revenue, Expenditures (General Fund\*), Transfers, and Other Budget Impacts (General Fund Reserve\*).

\* Expenditures may be from the General Fund or State Education Fund. Expenditures from the State Education Fund do not impact the General Fund Reserve.

## Summary of Legislation

Current law specifies the distribution of categorical funding for special education students. After Tier A (\$1,250 per student), ChildFind (identification of young children with disabilities), educational orphans; and high cost (reimbursement of high cost special education services) allocations have been made, the remaining funds are distributed on a per pupil basis to administrative units for students with specific, identified disabilities (known as Tier B funding). Tier B also receives an additional \$42 million in designated funding, and may not exceed \$6,000 per student.

Beginning in FY 2022-23, the bill increases Tier A funding from \$1,250 to \$1,750 for each student with a disability, and appropriates \$40 million for Tier B distributions. It also requires that these amounts increase by inflation annually, beginning in FY 2024-25.

The bill requires that the Special Education Fiscal Advisory Committee (SEFAC) submit a report to the education committees of the General Assembly no later than January 1, 2023, that includes an analysis of:

- funding for special education services in other states compared to the model in Colorado;
- the actual costs to provide special education services in Colorado;
- the effectiveness of the current funding model for special education services and whether it adequately supports special education services;
- the high-cost special education trust fund;
- the current disability categories for students with disabilities and whether the categories are sufficient for meeting students' needs; and
- recommended changes to the special education funding model.

## State Expenditures

The bill increases state expenditures in CDE by \$93.2 million in FY 2022-23 and FY 2023-24. Costs are shown as from the General Fund, but may be paid either from the General Fund or State Education Fund. Expenditures are listed in Table 2 and discussed below.

**Table 2**  
**Expenditures Under Bill 2**

	<b>FY 2022-23</b>	<b>FY 2023-24</b>
<b>Department of Education</b>		
Special Education – Tier A	\$53,150,000	\$53,150,000
Special Education – Tier B	\$40,000,000	\$40,000,000
Contract	\$25,000	-
<b>Total Cost</b>	<b>\$93,175,000</b>	<b>\$93,150,000</b>

**Special education funding.** The bill increases categorical special education funding by about \$93.2 million in FY 2022-23 and FY 2023-24. In subsequent years, this amount will increase by inflation and change based on the actual number of eligible special education students.

- *Tier A funding.* The bill increases Tier A funding by \$53.2 million in FY 2022-23. There are 106,300 students that qualify for Tier A funding in the current FY 2021-22, which the fiscal note assumes will remain constant, and the bill increases funding from \$1,250 to \$1,750 per student.
- *Tier B funding.* The bill increases Tier B funding by \$40.0 million in FY 2022-23. This increases Tier B funding from \$3,392 to \$5,088 per eligible student, based on current enrollment. The fiscal note assumes that the increase in Tier A rates will be covered by additional funding; as a result, the portion of Tier B funding that is allocated after Tier A, ChildFind, high cost grants, and educational orphans will not be impacted.

**SEFAC report.** In FY 2022-23 only, CDE requires \$25,000 to hire a contractor to support SEFAC in completing the report required by the bill. Current CDE staff for SEFAC does not have the capacity and expertise in the areas that bill requires the report to include. As a result, CDE will contract for an outside entity to work with the department to complete the report. The cost is estimated at \$25,000 based on a similar contract for facility schools.

## Other Budget Impacts

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$14.0 million in FY 2022-23 and FY 2023-24, which will decrease the amount of General Fund available for other purposes. Should the new funding for special education be appropriated from the State Education Fund, there will be no General Fund reserve impact.

## School District

The bill increases special education funding to administrative units, most of which are school districts, as discussed in the state expenditures section. The impact on any individual school district will depend on the number of special education students served.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## State Appropriations

In FY 2022-23, the bill requires a General Fund appropriation of \$93,175,000 to the Colorado Department of Education.

## **State and Local Government Contacts**

Education