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Revised Fiscal Note

(replaces fiscal note dated February 10, 2022)

Drafting Number: LLS 22-0404 Date: April 5, 2022
Prime Sponsors: Sen. Kirkmeyer; Zenzinger Bill Status: House Education
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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 \$80.0 million to the Colorado Department of Education.

Fiscal Note Status: The fiscal note reflects the reengrossed bill. The bill was recommended by the Legislative Interim Committee on School Finance.

Table 1
State Fiscal Impacts Under SB22-127

Table with 3 columns: Category, Budget Year FY 2022-23, and Out Year FY 2023-24. Rows include Revenue, Expenditures (State Education Fund), Transfers, and Other Budget Impacts.

## 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 \$26.825 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:

- special education funding models and disability categories in other states compared to 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 \$80.0 million in FY 2022-23 and \$79.98 million in FY 2023-24. Costs are paid from State Education Fund. Expenditures are listed in Table 2 and discussed below.

**Table 2**  
**Expenditures Under SB22-127**

	<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	\$26,825,000	\$26,825,000
Contract	\$25,000	-
<b>Total Cost</b>	<b>\$80,000,000</b>	<b>\$79,975,000</b>

**Special education funding.** The bill increases categorical special education funding by about \$80.0 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 \$26.825 million in FY 2022-23. This increases Tier B funding from \$3,392 to \$4,530 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.

## 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 an appropriation of \$80,000,000 from the State Education Fund to the Colorado Department of Education.

## State and Local Government Contacts

Education