



UPDATE ON SPECIAL EDUCATION FUNDING

by Jennifer Thomsen

In response to court rulings that students with disabilities may not be excluded from public education, in 1974 Congress required that states provide "a free and appropriate education to all children." A year later, the "Education for All Handicapped Children's Act of 1975" (EHA) allocated federal funding for special education. In 1991, the "Individuals with Disabilities Education Act" (IDEA) updated the EHA and broadened the scope of disabilities covered by special education. Through these legislative initiatives, Congress authorized federal-to-state grants of up to 40 percent of the average cost of educating a student with a disability, though this level of funding has never been met.

Colorado's special education law predates the requirements of federal law. The Colorado General Assembly first authorized, but did not require, school districts to establish programs for students with special needs in 1953. In 1973, the General Assembly adopted House Bill 1164, which required school districts and boards of cooperative educational services ("administrative units") to "make available special education services for the education of any handicapped child between the ages of 5 and 21" beginning July 1, 1975. The bill specified that administrative units were entitled to reimbursement for 80 percent of most special education costs, though it allowed the Colorado Department of Education to prorate reimbursements if sufficient appropriations were not available.

Local school district moneys account for the largest portion of special education funding. In FY 2004-05, for example, local moneys accounted for 66.2 percent of spending on special education, while

the federal share, including Medicaid, was 19.1 percent, and the state share was 13.7 percent.

With the passage of House Bill 06-1375 — the 2006 school finance bill — the General Assembly changed the way it allocates state moneys for special education, moving from a "variable block grant" funding scheme in which funding is determined, in part, by allocations from a specific point in time to more of a "flat grant" system that funds services for children with disabilities at a fixed amount per pupil, with additional funding allocated for children with specific disabilities. In addition, the bill establishes a high-cost grant program to reimburse administrative units that incur high costs in serving children with disabilities.

This issue brief provides an overview of Colorado's new special education funding scheme.

A New Colorado Model

With the enactment of House Bill 06-1375 Colorado increased funding for special education by a total of \$25.72 million over two years and created a new funding system. The new funding system provides \$1,250 for each child with disabilities who receives special education services (Tier A) and, if moneys are available, an additional \$6,000 per child with one or more specified disabilities (Tier B), including:

- a vision disability;
- a hearing disability;
- a concomitant hearing and visual impairment that prevents the child from being accommodated in a special education program solely for deaf or blind children;

- a significant identifiable emotional disability;
- autism;
- a traumatic brain injury;
- multiple disabilities; or
- significant limited intellectual capacity.

The Colorado Department of Education (CDE) determines the percentage of Tier B children for whom an administrative unit is eligible to receive the additional funding. For example, in FY 2005-06, the appropriation for special education provided \$6,000 for about 5.3 percent of the 18,630 students with a Tier B disability. In FY 2006-07, the appropriation is expected to provide the additional funding for about 8.6 percent of Tier B students.

House Bill 06-1375 increases the FY 2005-06 General Fund appropriation to administrative units by \$20 million. The bill contains a "hold harmless" provision, guaranteeing that an administrative unit will not lose funding for FY 2005-06 due to the recalculation required to implement the new funding system. In FY 2006-07, the General Assembly appropriated \$113.5 million for Tier A and Tier B special education funding, which represents a \$3.72 million increase for these students over FY 2005-06. Table 1 compares special education funding in FY 2004-05, FY 2005-06, and FY 2006-07. The totals may not sum due to rounding.

Table 1
Comparison of Special Education Tier Funding in
FY 2004-05, 2005-06, and 2006-07

Fiscal Year	Tier A Funding	Tier B Funding	Total Tier Funding
2004-05	n/a	n/a	\$86,134,025
2005-06	\$103,622,500	\$5,968,813	\$109,733,326
2006-07	\$103,862,500	\$9,590,826	\$113,453,326

The bill also continues to set aside \$500,000 for administrative units that pay tuition to facilities to provide special education services to students whose parents cannot be located or are incarcerated, or whose parental rights have been relinquished or terminated.

Colorado's High-Cost Grant Program

In an attempt to address the issues faced by school districts in serving students with high-cost needs, House Bill 06-1375 creates the Colorado Special Education High-Cost Grant Program. For FY 2006-07, \$2 million was appropriated from the General Fund to provide grants to administrative units as reimbursement for high costs. For FY 2006-07, "high-cost" is defined as costs above \$40,000 incurred in serving a child with disabilities.

The grant program is administered by a 13-member Colorado Special Education Fiscal Advisory Committee comprised of:

- the state director for exceptional student services in the CDE;
- the state director for grants fiscal management in the CDE;
- a special education director with expertise in special education finance from a board of cooperative services;
- a business official from a small rural administrative unit;
- a business official from a large urban or suburban administrative unit; and
- eight special education specialists from around the state.

Beginning in FY 2007-08, the committee will annually determine the threshold amount of costs above which a grant may be awarded. In awarding grants, the committee is directed to consider an administrative unit's annual budget for the preceding year and the percentage of the budget that represents the high costs incurred in the preceding budget year. The committee will prioritize administrative units for receipt of grants based on that percentage. All grants are subject to approval by the State Board of Education.