



SPECIAL EDUCATION: FOCUS ON FUNDING

by Cathy Eslinger

Providing for the education of students with special needs challenges policymakers across the country to balance the many demands of today's education landscape. In the midst of fiscal challenges and greater demands for accountability, educators, parents, and policymakers are assessing the future of education for students with disabilities. The growth in the population of students with disabilities and increases in the cost of services for these students present complex issues at the federal, state, and local level. This issue brief, the first in a two-part series on special education, examines the history and challenges of funding special education, the different funding approaches across the states, and the status of special education funding in Colorado.

Background

In response to a series of legal challenges, court decisions in the 1970s led to greater national recognition of the needs of special education students. Following court rulings that students with disabilities may not be excluded from public education, in 1974, Congress required states to provide "a free and appropriate education to all children." A year later, the "Education for All Handicapped Children's Act of 1975" (EHA) allocated additional federal funding for 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, a so-called "full funding" level that, while authorized, has never been fully met through appropriations. Instead, the federal contribution in recent years has been closer to 15 percent of the average cost of a special education student's education.

In 1991, the "Individuals with Disabilities Education Act" (IDEA) updated the EHA and broadened the scope of disabilities covered by special education. The 1997 reauthorization of IDEA gave further direction to states and school districts, with new guidelines pertaining to:

- placement of students in "the least restrictive environment";
- free and appropriate education for all students, *regardless of the severity of the disability*;
- evaluation and re-evaluation of students;
- completion of Individual Education Programs (IEPs) for all special education students; and
- inclusion of special education students in assessment programs.

In addition, the 1997 legislation stipulated through a "maintenance of effort" provision that federal funding for special education may not supplant state support. Table 1 shows a five-year history of Colorado's federal IDEA funding. It does not account for Medicaid funds that may be available for educating certain special education students.

**Table 1: Colorado IDEA Allocations
FY 1999-00 — 2003-04**

Fiscal Year	IDEA Part B Allocations	Percent Increase
1999-00	\$51.9 million	13.3%
2000-01	\$60.8 million	17.1%
2001-02	\$78.2 million	28.6%
2002-03	\$94.0 million	20.2%
2003-04	\$112.3 million	19.5%

Reauthorization of IDEA

A new reauthorization of IDEA is currently being debated in Congress. The House passed a reauthorization bill last year, H.R. 1350, which is now assigned to the Senate Health, Education, Labor and Pensions Committee, while the Senate version, S. 1248 is pending on the Senate floor. The legislation that will be debated in the Senate promises to offer discussion on issues of "full funding," disciplinary procedures for special education students, and teacher qualifications.

States Face Funding Challenges

This year's edition of an annual education report, *Quality Counts 2004*, includes a special focus on how states are addressing the challenges of accountability and funding for special education students. The report found that state approaches to funding special education vary widely. In discussing the context for funding in different states, the study notes that financing formulas tend to fall into six main categories:

- a "weighted pupil" formula, the most common system among the states, which allocates additional funding for the extra cost of educating a student with disabilities;
- a "resource-based" formula that ensures a certain level of personnel and other resources;
- an "enrollment-based" formula that distributes funds based on school district enrollment, without regard to the enrollment of special education students;
- a "flat grant" system, which provides school districts with a uniform amount for each special education student;
- a "percentage reimbursement" system, under which states reimburse districts for actual expenditures and allowable costs; and
- a "variable block grant" formula, which distributes a flat grant, but includes adjustments based on enrollment or other factors.

State Special Education Funding in Colorado

The Colorado General Assembly first authorized school districts to establish programs for students with special needs in 1953. The re-enactment of these statutes in 1973 directed administrative units — school

districts or Boards of Cooperatives Services (BOCES) — to develop a plan to provide for the educational needs of all special education students in the district. In the years following, an increasing population of students assessed as having special needs, determinations about meeting the excess costs of educating special education students, and the responsibilities of a student's district of residence when the student receives services outside of the district have all become factors in the state's special education discussions.

Today, Colorado's "Exceptional Children's Educational Act" (ECEA) establishes a "variable block grant" program that will allocate approximately \$84.2 million in FY 2003-04 to administrative units to provide special education services to approximately 82,000 students. The ECEA distributes about \$49.8 million in proportion to FY 1994-95 funding levels. An additional \$33.9 million goes to administrative units based on their special education enrollment. The final \$500,000 appropriation is distributed to the administrative units that pay tuition to facilities serving students whose parents are incarcerated, cannot be located, or have relinquished parental rights. Table 2 depicts ECEA funding for the past five years.

**Table 2: ECEA Appropriations
FY 1999-00 — 2003-04**

Fiscal Year	ECEA Appropriations	Percent Increase
1999-00	\$69.4 million	0.0%
2000-01	\$71.5 million	3.0%
2001-02	\$76.1 million	6.4%
2002-03	\$81.1 million	6.6%
2003-04	\$84.2 million	3.8%

According to the Colorado Department of Education (CDE), for FY 2002-03, the average cost of special education services for Colorado students was approximately \$6,800, not including the cost of any general education services students receive. The CDE estimates that the state's special education costs will reach about \$585 million in FY 2003-04. State and federal allocations will cover approximately one-third of this need. The remaining two-thirds comes from other school district resources.