



Legislative Council Staff  
Nonpartisan Services for Colorado's Legislature

# Final Fiscal Note

<b>Drafting Number:</b>	LLS 22-0404	<b>Date:</b>	September 19, 2022
<b>Prime Sponsors:</b>	Sen. Kirkmeyer; Zenzinger Rep. Larson; McCluskie	<b>Bill Status:</b>	Signed into Law
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**Bill Topic:** SPECIAL EDUCATION FUNDING

**Summary of Fiscal Impact:**

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> 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 and includes an appropriation of \$80.0 million to the Colorado Department of Education.

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

**Table 1  
State Fiscal Impacts Under SB22-127**

		Budget Year FY 2022-23	Out Year FY 2023-24
<b>Revenue</b>		-	-
<b>Expenditures</b>	State Education Fund	\$80,000,0000	\$86,293,025
<b>Transfers</b>		-	-
<b>Other Budget Impacts</b>			

## 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 identifies \$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 \$86.3 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	\$56,658,750	\$61,134,791
Special Education – Tier B	\$23,316,250	\$25,158,234
Contract	\$25,000	-
<b>Total Cost</b>	<b>\$80,000,000</b>	<b>\$86,293,025</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 \$56.7 million in FY 2022-23. There are 108,305 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 \$23.3 million in FY 2022-23. This increases Tier B funding from \$3,392 to \$4,318 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. In addition, the bill identifies \$26.8 million for Tier B; however, based on the most recent enrollment available, the fiscal note estimates that \$23.3 million will be available for Tier B funding after Tier A allocations have been made.
- *FY 2023-24.* Under current law, total categorical funding is required to increase by inflation each year. As a result, the fiscal note reflects 7.9 percent inflationary increase in FY 2023-24, based on the June 2022 Legislative Council Staff Economic Forecast.

**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 was signed into law by the Governor and took effect May 26, 2022.

## **State Appropriations**

In FY 2022-23, the bill requires and includes an appropriation of \$80,000,000 from the State Education Fund to the Colorado Department of Education.

## **State and Local Government Contacts**

Education