

# **Toward Greater Efficiency in Colorado Special Education Funding**

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## **I. Context**

Informing decisions to improve the efficiency and effectiveness of special education spending should begin with a clear understanding of existing trends and challenges. In broad terms, what categories of students is Colorado serving? What results are being achieved? How does Colorado's system of allocating resources for special education compare with other states? What existing revenue streams are available to provide services for students with disabilities?

### ***IDEA Case Trends: Learning Disabilities on Rise***

As of 2017, a relatively small percentage of Colorado youths aged 6 to 21 needed services under the Individuals with Disabilities Education Act (IDEA) -- 7.7%, compared with 9.3% nationally. Yet like most other states, the share of students receiving services for recognized disabilities grew significantly from the decade before.<sup>1</sup> A large share of the growing identification of students with disabilities, both in Colorado and nationally, can be attributed to vastly rising incidences of autism spectrum disorder.<sup>2</sup> Yet while most states have seen a declining number of cases with specific learning disabilities -- a diagnosis that includes dyslexia and dyspraxia -- Colorado's numbers have grown dramatically. Colorado's share of total students with these milder disabilities very closely

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<sup>1</sup> U.S. Dept. of Education, 41st Annual Report to Congress on the Implementation of the Individuals with Disabilities Education Act, 2019, Exhibit 63, "Percentage of the population ages 6 through 21 served under IDEA, Part B, by year and State: Fall 2008 and fall 2017," pg. 133, <https://sites.ed.gov/idea/files/41st-arc-for-idea.pdf>. The share of Colorado IDEA students in Fall 2008 was 6.8%. The 13.2% rate of growth between 2008 and 2017 was the 15th highest reported in the nation.

<sup>2</sup> Ibid., Exhibit 65, "Percentage of students ages 6 through 21 served under IDEA, Part B, who were reported under the category of autism, by year and State: Fall 2008 and fall 2017," pg. 140. In 2008, 3.3% of Colorado students were classified as autistic; nine years later, that share had skyrocketed to 7.9%.

matches the national average, leaving a wider gap in the share of students identified with more severe disabilities.<sup>3</sup>

This gap may help to explain the notable disparity in how students with disabilities are served. Colorado’s special education students are significantly *more* likely to spend at least 80% of their educational time in a mainstream classroom, and significantly *less* likely to be placed in a residential facility or treatment center. This reflects the fact that Colorado directs more special education resources to instructional staffing: there are 6.3 full-time equivalent teachers for every 100 special-needs students, compared to 5.9 FTE across the nation.<sup>4</sup> Yet even among students classified with intellectual disabilities, a noteworthy difference stands out: two-thirds in Colorado are educated substantially in regular classrooms, as opposed to only 44% nationwide.<sup>5</sup> Distinctions like these carry important implications for how special education dollars are allocated and used.

### ***Compliance Strong, Student Outcomes Lacking***

Measuring a combination of student results and compliance factors, the U.S. Department of Education annually rates states on their delivery of special

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<sup>3</sup> Ibid., Exhibit 67, “Percentage of students ages 6 through 21 served under IDEA, Part B, who were reported under the category of specific learning disability, by year and State: Fall 2008 and fall 2017,” pg. 146. Colorado’s share of SLD cases under IDEA climbed from 41.5% to 45.8%, while the US average dropped from 42.9% to 38.1%. In terms of total population, Colorado’s 2017 rate of youths age 6 to 21 with SLD (3.53%) almost exactly matches the US average (3.54%). That makes the gap of special-needs students with diagnoses other than specific learning disability even wider: about 4.2% in Colorado versus 5.8% nationally.

<sup>4</sup> Ibid., Exhibit 78, “Number of full-time equivalent (FTE) special education teachers employed to provide special education and related services for students ages 6 through 21 per 100 students served under IDEA, Part B, by qualification status and State: Fall 2016,” pg. 182.

<sup>5</sup> Ibid., Exhibit 68, “Percentage of students ages 6 through 21 served under IDEA, Part B, by educational environment and State: Fall 2017,” pg. 149, and Exhibit 71, “Percentage of students ages 6 through 21 served under IDEA, Part B, who were reported under the category of intellectual disability, by educational environment and State: Fall 2017,” pg. 158.

education services. In 2019 the Department rated 21 states as “meeting the requirements and purposes” of the federal legislation that guarantees school-aged students with disabilities access to needed services. Colorado was one of 29 states rated as “needs assistance” in implementing IDEA, according to the Department’s formal determination.<sup>6</sup> A “needs assistance” label is assigned to states that meet between 60% and 80% of the available points on the rubric.

More detailed indicators on the state’s evaluation offer some serious concerns. Colorado rated perfectly on measures of compliance, which includes timely evaluations and development of Individualized Education Program (IEP) plans, as well as meeting quotas of proportionate disability identification and student discipline based on race. However, the state missed half of the possible points in the area of student results, as indicated by too few students with disabilities successfully completing high school, demonstrating proficiency on national math and reading tests and participating on state assessments.<sup>7</sup> One bright exception is Colorado’s rising trend of IEP students who graduate high school with a diploma -- from 60% in 2008 to 74% in 2017.<sup>8</sup>

### ***Resource Allocation: Multiple Student Weights System***

Disparities in federal determinations may also reflect fundamentally different approaches states have adopted for providing taxpayer resources to

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6 U.S. Dept. of Education, Office of Special Education Programs (OSEP), 2019 Determination Letters on State Implementation of IDEA, <https://sites.ed.gov/idea/idea-files/2019-determination-letters-on-state-implementation-of-idea/>.

7 U.S. Dept. of Education, Office of Special Education Programs (OSEP), IDEA Part B Annual Performance Report, State of Colorado, FFY 2017, <https://osep.grads360.org/#report/apr/2017B/publicView?state=CO&ispublic=true>. See also Laurie VanderPloeg, OSEP Director, letter to Katy Anthes, Colorado Dept. of Education Commissioner, June 20, 2019, <https://sites.ed.gov/idea/files/co-aprtr-2019b.pdf>.

8 U.S. Dept. of Education, 41st Annual Report to Congress on IDEA, Exhibit 76, “Percentages of students ages 14 through 21 exiting IDEA, Part B, and school who graduated with a regular high school diploma or dropped out of school, by year and State: 2008–09 and 2016–17,” pg. 175.

address the learning needs of students with disabilities. The Education Commission for the States classifies all special education funding systems within seven basic categories. All states are identified within at least one category, including 13 states that have adopted a hybrid of two different models. Colorado is associated with the most common category, used in 16 states altogether: the Multiple Student Weights System. In this type of system, students are assigned a specific dollar amount or funding weight based on one or more of three factors: a specific disability classification (e.g., visual impairment, autism); a rating of the disability's severity (i.e., mild, moderate, severe); or the type of setting or resource required (e.g., homebound, or needing a full-time aide).<sup>9</sup> As detailed below, Colorado provides two tiers of funding: a basic \$1,250 allotment for all IEP students (Tier A) and an additional allotment for students with one of eight different low-incidence, more severe diagnoses (Tier B).

The Multiple Student Weights System is one of three basic funding models that is associated with meeting federal benchmarks for effective delivery of special education services. Of the 16 states that use this system in some form, nine received passing marks. The other two funding categories positively associated with successful outcomes are:

- Reimbursement (5 of 7): Local districts report their actual expenses, and receive back all or a specified portion of those expenses as a reimbursement from the state

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<sup>9</sup> Emily Parker, Education Commission of the States, "50-State Comparison: K-12 Special Education Funding," March 20, 2019, <https://www.ecs.org/50-state-comparison-k-12-special-education-funding/>. Interestingly, another contemporaneous source classified some states' special education allocation systems differently. See also Tammy Kolbe, National Education Policy Center, "Funding Special Education: Charting a Path That Confronts Complexity and Crafts Coherence," June 2019, <https://files.eric.ed.gov/fulltext/ED600889.pdf>.

- High-Cost Student (8 of 13): Often coupled with one of the other categories, this includes some type of additional funding mechanism for the most expensive to educate

Interestingly, all three states that use a combination of multiple student weights and a high-cost mechanism -- Arizona, Florida and Maine -- meet federal standards. Of the 10 other states that employ multiple student weights without an additional high-cost mechanism, two in particular most closely resemble Colorado's model: Indiana and Ohio. Of the 11 states, only Indiana, Ohio and Colorado allocate resources in flat dollar amounts rather than formula weights. Indiana and Colorado have only two different tiers of funding (all the other states have anywhere from three to 10). Meanwhile, Ohio is one of four like Colorado to assign allocations based on specific disabilities rather than classifications of severity or settings.

Starting in 2003, the Colorado School Finance Project conducted a periodically updated analysis with the intent of determining the actual costs of educating students across the state.<sup>10</sup> The goal has been to inform the amount of dollars allocated to the state's public schools, based on total enrollment and specific enrollments of students with different characteristics. Included in this project are estimated weights, or multipliers, that the report argues should be distributed beyond the "base cost" for educating a child with no special needs. Depending on the size of the district, their recommendations call for an additional 73% to 124% for each student with a mild disability. Costs for rare, severe cases demand nearly eight times the amount needed to educate a typical

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<sup>10</sup> See <https://cosfp.org/csfp-research/costing-out-study/>.

student, the report estimates.<sup>11</sup> The School Finance Project’s analysis offers very little insight into how special education dollars could be allocated more efficiently.

**Table 1. Sample Special Education Funding Weights\***

<b>District Size</b>	<b>Size Adjustment</b>	<b>SpEd Mild Weight</b>	<b>SpEd Moderate Weight</b>	<b>SpEd Severe Weight</b>
<b>156</b>	2.269	1.24	2.37	6.96
<b>495</b>	1.411	1.08	2.15	6.61
<b>1,790</b>	1.144	0.93	1.93	5.20
<b>5,050</b>	1.097	0.82	1.77	5.20
<b>13,275</b>	1.042	0.73	1.69	5.20
<b>43,865</b>	1.000	0.73	1.69	5.20

*\*As proposed by Colorado School Finance Project, Costing Out Study*

## **II. Colorado Special Education Funding Sources**

Special education services in Colorado are funded through multiple sources. The greatest share of financial support for special education – approximately 70% of all revenue – comes through a school district’s general fund.<sup>12</sup> General fund monies are derived from state revenue intended for all students, commonly known as Per Pupil Funding, along with locally generated property tax and vehicle registration revenues. Less than 20% of funds are received through the state’s Exceptional Children’s Education Act (ECEA). These funds flow directly to school districts. Less than 10% comes from federal funds allocated under the Individuals with Disabilities Act (IDEA), which flow through

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11 The original 2003 report recommended a single funding weight for special-needs learners. In 2006, the Colorado School Finance Project introduced a differentiation for mild, moderate and severe cases. While the recommended base cost has increased, the same breakdown of weights by student characteristic and district size appeared in both the 2013 and 2016 versions of the report.

12 Colorado Department of Education, Special Education Funding (accessed May 9, 2020), <http://www.cde.state.co.us/cdechart/guidebook/sped/funding>.

the state to 66 different administrative units. These units include more than a quarter of the state’s 178 larger districts, as well as 16 boards of cooperative educational services (BOCES) that perform oversight functions for smaller districts.<sup>13</sup> During the 2017-18 school year, statewide ECEA allocations totaled \$164.4 million, while Colorado’s federal allocations under IDEA reached \$145.7 million.<sup>14</sup> In both cases, subsequent allocations have increased significantly.

**Table 2. ECEA Historical Funding Comparison, 2017-18 to 2019-20**

<b>PK-12*</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Total Special Education Per Pupil Funding</b>	\$ 1,250	\$ 1,250	\$ 1,250
<b>Additional Tier B Funding for each of the listed disabilities**</b>	\$ 1,980	\$ 1,876	\$ 2,835
<b>Autism Spectrum Disorder</b>			
<b>Deaf-Blindness</b>			
<b>Hearing Impairment</b>			
<b>Intellectual Disability</b>			
<b>Multiple Disabilities</b>			
<b>Serious Emotional Disability</b>			
<b>Traumatic Brain Injury</b>			
<b>Visual Impairment</b>			
<b>Total IDEA allocation (in millions)</b>	<b>\$145.656</b>	<b>\$153.867</b>	<b>\$154.503</b>
<b>Total ECEA allocation (in millions)***</b>	<b>\$164.411</b>	<b>\$168.887</b>	<b>\$195.383</b>

**\*Note: Part C evaluations, given to children birth to age 3, are funded separately**

**\*\*Note: Additional \$6000 maximum or a proportion of the remaining funds**

**\*\*\*Note: 2019-20 ECEA allocation preliminary**

**\*\*\*Note: 2019-20 ECEA allocation preliminary**

The table above highlights the previous three years of standard special education funding rates and total allocations. The Per Pupil Funding has

13 Colorado Dept. of Education, School Finance Division, Fiscal Year 2017-18 District Revenues and Expenditures, Table I-B, <http://www.cde.state.co.us/cdefinance/fy1718revexp>.

14 Colorado Department of Education, State and Federal Grants Allocations, <https://www.cde.state.co.us/cdefisgrant/allocations>.



remained steady, while the additional Tier B funding has fluctuated between \$100 to \$1,000.

Both IDEA and ECEA sources use the administrative unit's annual December 1 count of special education students to determine the funding amount for that particular district or BOCES. The state allocation does not require submission of an application or an electronic budget. It is a simple dollar amount calculation based upon December 1 count and the per-student rate approved by the state Legislature. For example, if lawmakers approved a rate of \$1,250, an administrative unit with 1,000 special education students would receive \$1.25 million.

ECEA funds must be used for special education purposes. This could include support for a variety of interventions, based on a student's needs outlined in his or her IEP. Verification of the appropriate use of the funds is done through financial pipeline submissions made by each district and BOCES, using the state's system of accounting codes.

Though it represents the smallest share of special education funding, federal grants under IDEA carry with them the most stringent requirements. Administrative units must submit an application narrative and an electronic budget. The format of the application narrative has remained the same since Congress reauthorized IDEA in 2004. The application requires spending on activities to be classified within one of seven defined "objectives" or categories, allowing local administrative units broad decision-making authority. The seven specific categories (and associated number of defined activities for each) are as follows:

- 1) Staff (4)
- 2) Non-Specific Staff<sup>15</sup> (4)
- 3) Purchased Services (13)
- 4) Supplies (3)
- 5) Equipment (2)
- 6) Professional Development (11)
- 7) Other<sup>16</sup> (2). (An eighth objective for “additional narrative request” is available for AUs to list any activities that do not fall under the first seven.)

The submission of an application narrative occurs on a three-year cycle with brief windows to reallocate funds for different activities as determined by a student’s changing needs or changing needs at the administrative unit. For IDEA funds, each district or BOCES must submit an update of the report annually to show end-of-the-year progress.

### **III. Administrative Units Spending Analysis**

In order to better discern local patterns of spending on special education services, a representative sample of the state’s 66 Administrative Units (AU) was selected. The sample includes 19 AUs from different regions to reflect a cross section of the state: Metro Denver, Pikes Peak, Pueblo and San Luis Valley, Northern Colorado, Eastern Plains, and Rural Mountains. These AUs cover about 36% both of Colorado public school students and of students with disabilities in

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<sup>15</sup> The “Non-Specific Staff” objective funds the compensation of substitute personnel to cover for staff members released from regular duties on short-term leave or for other purposes, or to pay for personnel “completing special education projects outside of their regular assignment.”

<sup>16</sup> The “Other” objective funds membership fees for relevant professional organizations and any administrative overhead that cannot be directly charged to the grant.

the state. The AUs were split nearly evenly between school districts and BOCES. While the U.S. Department of Education identified Colorado as “needs assistance,” most of the AUs’ latest formal determinations from the Colorado Department of Education rated as “meets requirements.” Three of the 19 were marked down in the area of compliance, and three in student results. Out of six AUs statewide that rated as “needs assistance” in their overall determination, three were in the surveyed sample.<sup>17</sup>

From 2017-18 to 2019-20, the special education population of 6 to 21-year-olds in Colorado rose by 7.2%, from 87,947 to 94,247.<sup>18</sup> In each of the three most recent years, the total population maintained the same distribution of Tier A and Tier B students, 76% and 24% respectively. For comparison, Colorado’s preK-12th grade student population increased by less than 1% during the same time period, from 910,280 to 913,223.<sup>19</sup>

A simple survey was devised and distributed, individual interviews were conducted of four units, and a review of the sample pool’s IDEA Application Narrative and Electronic budgets was completed.<sup>20</sup> Without exception, every district and BOCES identified employee compensation (Objective 1) as the primary cost underwritten by federal special education dollars. Salary and benefits for special education instructors and support staff specifically comprise

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17 Colorado Department of Education, Determinations for Administrative Units (AUs), <https://www.cde.state.co.us/cdesped/determinations>.

18 Colorado Department of Education, State of Colorado Special Education Data, Child Count and Educational Environment Data, [https://www.cde.state.co.us/cdesped/sped\\_data](https://www.cde.state.co.us/cdesped/sped_data).

19 Colorado Department of Education, Student October Pupil Membership Collection: Preschool (PK) through Grade 12 Pupil Count Comparisons by Year, <https://www.cde.state.co.us/cdereval/2018-19pk-12membershipbyyear>.

20 A series of nine survey questions was developed to try to discern spending behavior and rationale as it relates to dedicated streams of special education funding. On March 2, 2020, the survey was sent out to each of the 19 AU special education directors. An additional attempt was made to follow up with respondents. Data from the online IDEA documents identified answers to at least some of the questions for each unit. For a list of the survey questions, including those drawn from the IDEA Application Narrative, see Appendix A.

the predominant expenditure. As noted earlier, Colorado employs a slightly higher ratio of special education teachers to students than most states.

In order of funding priority, the three other activities listed under Objective 1 follow. First, nearly half of the AUs listed contracted professional services as a primary object for spending. Contracted professional services from independent providers are typically utilized when an AU is unable to select and hire a certified individual to fill a special educator or service provider position. Three AUs cited math and reading interventionists among their chief expenditures. These funds pay for general education teachers to provide required support for a student's IEP. Contracted services with other school districts, BOCES, or AUs round out the predominant selections for salary and benefits.

The most common reason for selecting salary and benefits as a recipient of federal grant funds is the relative ease of tracking the expenditure for required reporting. Salary and benefits for all employees are managed as part of the standard business practices already used by Administrative Units. Tracking and reporting payroll expenses for special education staff entails minimal processes and procedures beyond the administration's typical daily and monthly financial operations.

The use of IDEA funds for salary and benefits is reported within the required application narrative. Two administrative units determine staffing needs in part by using their own established personnel ratios, which in turn are driven by enrollment and service needs.<sup>21</sup> One district reported undertaking an

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<sup>21</sup> Personnel ratios are often tested and shared among special education directors in regional meetings.

analysis of current and future costs related to out-of-district placements to see if the district could deliver the service to students effectively at a lower cost. As the cost for out-of-district placement increased, one district reported a successful transition of 20-plus higher needs students back into their district of residence, resulting in a cost savings around \$325,000 and a strong positive experience as noted by a parent survey. Savings realized by the district thus would enable officials to use designated funds in other ways to benefit students with disabilities. It is also noted that decisions for what to exclude as part of the IDEA Application Narrative were guided by what expenditures are allowed with ECEA and/or Medicaid funds.

Districts and BOCES also reported a great variation in secondary and tertiary funding priorities. The objective activities noted by Administrative Units included the following:

- Salary and benefits of substitutes to cover special education staff to attend trainings or to cover staff who are out on short-term leave
- Stipends for special education staff completing extra duties or projects outside of their regular assignment
- Tuition reimbursement to support the operation and management of provision of services and programs
- Extended School Year (ESY) staff
- Professional development

Some of the frequently mentioned non-staff related items included indirect costs, technology, travel (specific to AUs that service a large geographic area), and electronic IEP subscription. It should be noted that CDE's Office of Special

Education provides a no-cost option for an IEP creation and management digital platform to AUs. This platform, Frontline Enrich, allows for direct submission of required special education reports.

First and foremost, all respondents indicated that decisions around the use of limited resources are heavily driven and influenced by student need rather than other district priorities. Tracking the value of the expenditure encompassed a review of local and state standardized test scores (results) for students with disabilities. Based on the survey responses provided by local special education directors, there appears to be a strong interest to find balance between compliance and results.

#### **IV. Conclusion**

The number of Colorado students with disabilities who need special education services is growing, even as local education agencies struggle to generate positive results for them. To the extent policymakers and practitioners have prioritized the concerns, the challenge of efficiently using dollars designated to serve these students remains elusive and steep. Based on our survey and analysis, the three following lines of questioning need to be addressed in order to make greater efficiency an achievable goal:

(1) Could the state effectively identify connections between specific spending objectives and formal determinations, and how could the state meaningfully communicate those connections to administrative units making resource decisions? The Colorado Department of Education recently shifted the emphasis in its local determinations. Aligning the official ratings more closely with

measurable results for students, and less with federal compliance measures, creates a beneficial incentive. Collecting data that enables AUs to see how spending decisions improve results for students could strengthen the incentive by further aligning those results to the limited resources used to serve them.

(2) What kind of value could be derived from requiring administrative units to report their spending objectives for state ECEA funds? IDEA provides the smallest share of special education dollars but carries the only requirement for reporting how those dollars are used in the form of the application narrative. Imposing a similar requirement on ECEA funds would conflict with Colorado's historic deference to local board control of education. Even if this concern could be overcome, it would still leave most special education spending unreported.

(3) Would Colorado benefit from adding an extra funding mechanism for the most expensive-to-educate students atop its two current tiers of allocations? As explained earlier, the three states that employ both Multiple Student Weights and High-Cost allocation models all meet the U.S. Department of Education's threshold for effective delivery of special education. In conjunction with the first two areas, such a change could enable greater shares of special education spending to be visibly assessed for how it connects to student results.

Pursuing answers to these three areas of inquiry should lead to greater transparency and efficiency in the use of dollars designated to help Colorado students who need special education services.

## **Appendix A: Survey Questions on Special Education Budgeting**

Interviewee: Director of Special Education

- 1. Are you directly involved in the budget planning for your district/BOCES special education funds (4027 and 3130)?*
- 2. If not, who in your district is involved and has the understanding of special education narrative application requirements?*
- 3. For each of the past 3 years, what has been the primary line item for your special education 4027 IDEA funds? Your 3130 Colorado allocation?*
- 4. What were your second and third budgeted line items - by greatest dollar amount for the past 3 years for your 4027 IDEA funds?*
- 5. What primary factor(s) guided your decision on how to budget your 4027 IDEA funds?*
- 6. What were your second and third budgeted line items - by greatest dollar amount for the past 3 years for your 3130 Colorado allocation?*
- 7. What primary factor(s) guided your decision on how to budget your 3130 Colorado allocation?*
- 8. Do you or does someone else in your district collect data on the budgeted use of funds and any potential impact on the outcomes of special education students?*
- 9. If so, how is the data specifically used to inform spending patterns and program decisions, and what primary outcomes are measured?*