

HB 2738 Proponent Testimony - in person
Special Education funding formula
House K-12 Budget Committee
Dave Trabert, CEO
February 13, 2024



Chairperson Williams and Members of the Committee,

We are pleased to present testimony in support of HB 2738, which ensures that all funding related to special education counts toward the Legislature’s funding obligation.

The current formula does not count weightings for at-risk, bilingual, career & tech ed, transportation, and high-density at-risk, even though former Deputy Commissioner Craig Neuenswander told legislators that special ed students are eligible for them.

The formula also excludes Local Option Budget (LOB) money related to state special education funding. The LOB money associated with the regular education funding for special ed students is part of the formula, but Neuenswander could not explain to legislators why all of the LOB money isn’t counted. I was in the room when he said, “That’s a good question.”

We encouraged the Special Education Task Force in our January 5 testimony to identify any rational basis for excluding any weightings or LOB authority related to special education funding. The majority of Task Force members made no such effort. They ignored the statutory charge to “study and make recommendations for changes in the existing formula” and simply recommended additional funding. Without any rational basis for excluding any SPED-related funding, we believe the current formula is flawed and should be adjusted accordingly.

KSDE calculates 2022-23 SPED LOB aid as \$241.2 million

KSDE calculated the amount of money in LOB attributable to special education state aid that flows through the general fund for the 2022-23 school year in a spreadsheet labeled SF24-001:

- Col. 2 State aid for special education = \$525,267,987
- Col. 3 LOB % Used 31.57% times Col. 2 equals
- Col. 4 LOB authority due to SPED (\$168,458,434)
- Col. 5 average LOB equalization rate of 34.68% times Col. 4 equals
- Col. 6 LOB equalization aid due to SPED aid (\$72,725,715)

Total LOB SPED aid (Col. 4) + (Col. 6) = \$241,184,149

12/13/2023	Col 2	Col 3	Col 4	Col 5	Col 6
	Higher of FY2023 or FY2009	2022-2023 LOB Percent	2022-2023 LOB Authority	2022-2023 LOB State Aid	2022-2023 LOB State Aid
District Name	Special Ed Aid	Used	Due to Sped Aid	Rate	Due to Sped Aid
STATE TOTALS	525,267,987	31.57%	168,458,434	0.3468	72,725,715

Calculating general education aid for SPED students

The proposed formula in HB 2738 captures all weightings in determining general education aid for special education students using the KSDE Legal Max calculations.

The table below applies data from the KSDE 2023 Legal Max spreadsheet to each statutory reference in HB 2738, using the same premise for calculating general education aid for all students:

HB 2738 Changes		
Statutory Reference	Description	Amount
(b)(1)(A)	23 Legal Max weighted students w/o SPED	673,271
(b)(1)(B)	FY 2023 BASE aid	3,262,669,328
(b)(1)(C)	General education aid per student	7,017
(b)(1)(D)	SPED FTE enrolled	28,947
(b)(1)(E)	General education aid for SPED students	203,125,212
(b)(1)(F)	LOB related to regular ed funding	64,126,629
(b)(1)(G)	Federal aid	125,188,111
(b)(1)(H)	Medicaid and state hospitals	48,890,282
(b)(1)(I)	Add E through H	441,330,234
(b)(1)(J)	Actual SPED expenditures	1,108,612,229
(b)(1)(K)	Subtract sum E though H	667,281,995

- 673,271 non-SPED weighted students x \$4,846 BASE aid = \$3,262,669,328
- Total BASE aid ÷ 464,957 FTE students = \$7,017 general education aid per student
- \$7,017 x 28,947 weighted SPED students = \$203,125,212 general ed for SPED students
- Average LOB rate 31.57% x General Ed = \$64,126,629 LOB for SPED general education

Statutory references (b)(1)(G) and (b)(1)(H) identify federal SPED aid, Medicaid reimbursement, and state institution reimbursement the same as the current formula. Those amounts are then combined with general education aid and LOB aid related to general education aid in (b)(1)(I) and deducted from actual SPED expenditures in (b)(1)(J) to arrive at excess costs of \$667,281,995 in (b)(1)(K).

Calculating SPED aid and LOB aid related to SPED aid

The formula then divides excess costs by 1.3157 in (b)(1)(L), deducts LOB equalization aid in (b)(1)(M), and multiplies the balance times 92% to arrive at state SPED aid in (b)(1)(M).

However, LOB equalization aid cannot be determined without first calculating LOB aid related to SPED aid, so we suggest the following changes to HB 2738:

- (b)(1)(L) multiply excess costs by 92%.
- (b)(1)(M) divide excess costs by one plus the statewide average local option budget authorized percent to determine total SPED aid, which includes all LOB-related SPED aid

The steps below use the 2023 actual LOB authorization rate of 31.57% to explain the algebra in (b)(1)(M):

$\begin{aligned} \text{SPED aid} + (\text{LOB}\% \times \text{SPED aid}) &= 0.92 \text{ Excess} \\ \text{SPED aid} + 0.3157\text{SPED aid} &= 0.92 \text{ Excess} \\ 1.3157\text{SPED aid} &= 0.92 \text{ Excess} \\ \text{divide both sides by } 1.3157 & \\ \text{SPED aid} &= 0.92 \text{ Excess} \div 1.3157 \end{aligned}$

The calculation in (b)(1)(M) equals \$466,595,299. That amount is multiplied by 31.57% to arrive at \$147,2304,136 of SPED-related LOB authority in (b)(1)(N).

KSDE determined the LOB equalization rate for 2023 to be 34.68%, so the example below uses a rounded rate of 35% to estimate the amount in (b)(1)(O) of \$51,556,448.

The total of (b)(1)(N) plus (b)(1)(O) equals \$198,860,584 (b)(1)(P). That amount is deducted from 92% of excess costs in (b)(1)(L) to arrive at SPED aid of \$415,038,852 in (b)(1)(Q).

HB 2738 Changes		
Proposed Reference	Description	HB 2738 Revised
(b)(1)(A)	23 Legal Max weighted students w/o SPED	673,271
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(b)(1)(C)	General education aid per student	7,017
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(b)(1)(I)	Add E through H	441,330,234
(b)(1)(J)	Actual SPED expenditures	1,108,612,229
(b)(1)(K)	Subtract sum E though H	667,281,995
should be (L)	multiply K by 92% for excess costs	613,899,435
should be (M)	Divide (L) by 1.3157	466,595,299
should be (N)	Multiply (M) by LOB rate (31.57%) for LOB auth.	147,304,136
should be (O)	SPED LOB equalization (est. 35%)	51,556,448
should be (P)	Add (N) and (O)	198,860,584
should be (Q)	Subtract (P) from (L) to get SPED aid	415,038,852
should be (N)	LOB SPED aid	147,304,136
should be (O)	LOB Equalization	51,556,448
should be (Q)	SPED aid	415,038,852
should be (L)	92% of excess costs	613,899,435

Counting all SPED-related aid would result in less aid than is currently provided, so the new language in Section (d) stipulates that funding cannot be less than the actual aid appropriated for FY 2024 of \$528,016,516.

District distribution formula addresses the inequality of the current formula

The current formula determining the amount of special education aid to each district allows some districts to receive more than 92% of excess costs; in fact, 135 districts collected more than 92% last year.

HB 2738 distributes the first \$528 million to districts as is currently done. Incremental special aid is to be distributed by KSDE by first giving consideration to districts that collect less than 92%. Ideally, once all districts collect at least 92% of excess costs, the remaining SPED aid could be proportionally distributed to all districts.

Conclusion

HB 2738 corrects flaws in the funding formula to count all funding provided by the Legislature that is related to special education. It also has safeguards to prevent a decline in funding and distributes new funding first to districts below 92%.

We encourage Committee members to approve HB 2738 with the changes we suggest, and we thank you for your consideration.