

Madam Chair and Members of the Committee,

We appreciate the opportunity to provide testimony on special education funding and will focus our remarks on three topics:

1. Some funding isn't counted in the excess cost formula.
2. The increase in cash reserves for SPED and other operating funds refutes the notion that funding is insufficient.
3. An audit is needed to identify costs that are inappropriately allocated to special education.

Some funding isn't counted in the excess cost formula

According to KSDE Deputy Commissioner Craig Neuenswander, special education students are eligible for weightings, but the formula in statute for calculating excess costs does not take that into account.ⁱ K.S.A 74-3422(a)(2) deducts weightings, which produces a lower amount of regular aid for special education students.

The adjacent table compares total aid provided for SPED students to total SPED spending. State aid for Special Education in both years is from the FY 2023 July Comparison Report. Regular aid for SPED students is calculated from the KSDE FY 2022 Legal Max report. Local Option Budget aid applies the applicable statewide LOB percentage to the combined total of SPED aid and regular aid for SPED students. All other aid categories are as presented at a November 1, 2021 meeting of this committee.

Funding Provided for Special Education		
Description	FY 2021	FY 2022
SPED aid ¹	\$ 505,416,000	\$ 513,030,935
Regular aid for SPED students ²	193,133,008	194,750,998
LOB on SPED and BASE aid ³	216,550,193	223,659,091
Federal SPED funding ⁴	132,614,188	132,614,188
Medicaid SPED funding ⁴	45,312,943	45,312,943
State hospitals admin costs ⁴	300,000	300,000
Total Aid for SPED students	\$ 1,093,326,332	\$ 1,109,668,155
SPED spending ⁵	\$ 1,017,356,006	\$ 1,079,372,446
SPED aid percentage	107.5%	102.8%
SPED Excess (Shortfall)	\$ 157,358,806	\$ 116,645,505

¹Per 2023 July Comparison Report, Kansas Division of Budget
²{Wghtd. FTE w/o SPED students x BASE}/(actual Legal MAX FTE x SPED FTE)
³Legal Max LOB % times (SPED aid plus Regular aid for SPED students)
⁴FY 2021 assumed equal to FY 2022 as presented Nov. 1, 2021
⁵FY 2021 actual per CPFS, KSDE; FY 2022 estimated by KSDE

FY 2021 spending is the sum of (1) actual spending in the Special Education and Co-Op Special Education funds in the KSDE online database less payments made to Co-Ops and Interlocals, and (2) Interlocal spending provided by KSDE. It should be noted that Interlocal spending is not published by KSDE and amounted to \$236 million in FY 2021. FY 2022 spending is not yet available, so we used the KSDE estimate presented in November, 2021.

On this basis, schools received \$157 million more aid than was spent on special education in FY 2021, and \$117 million more in FY 2022.

We recommend that the formula for calculating state aid for special education be revised accordingly so that all taxpayer funding is counted.

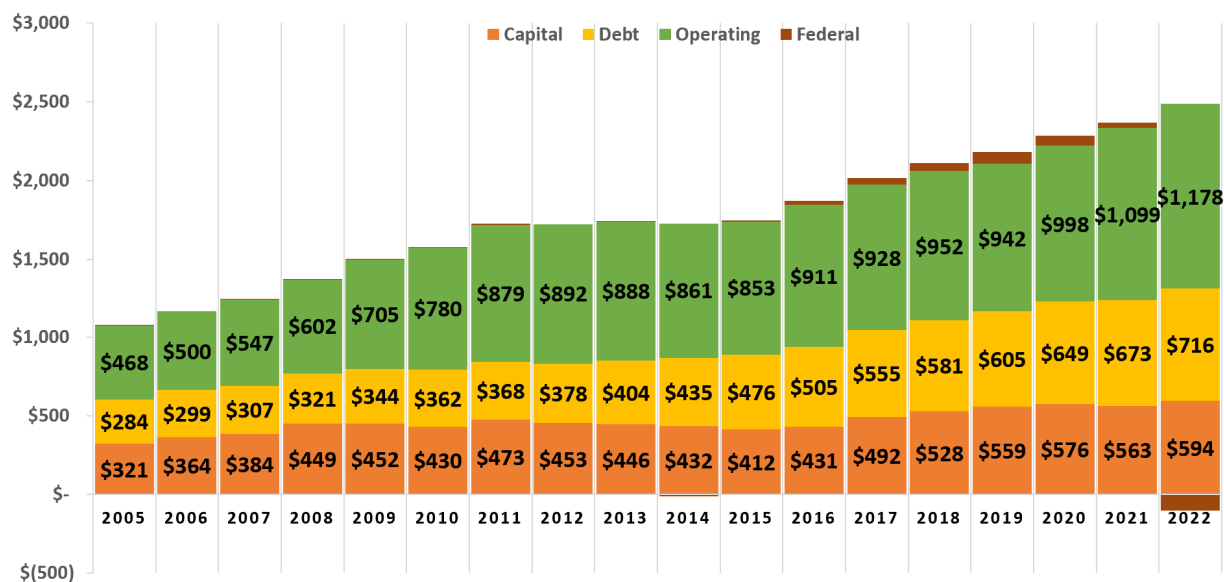
School districts added \$180 million to operating cash reserves over the last two years, including \$24 million for special education

School districts increased their operating cash reserves by \$180 million over the last two years, going from \$998 million to \$1.178 billion. Operating reserves are total cash reserves less federal funds and those for capital outlay and debt services.

Special Education reserves, included in operating reserve totals, went from \$221 million to \$245 million over the same period.

At the very least, an increase in operating cash reserves indicates that school district operations were not negatively impacted by getting less special education aid than they believe is required. Changes in annual fund balances are like those in checking accounts; balances increase when more money is deposited than is spent.

Operating Cash Reserves as of July 1 (millions)



Cash reserves attributable to Interlocals are not included in these totals because KSDE does not publish their spending and cash reserves.

Special Education spending should be audited for proper accounting

Our review of special education spending for FY 2021 shows there is good reason for a Legislative Post Audit to ensure that other education expenditures are not charged to special education. We compiled the summary attached to this testimony from KSDE’s Comparative Performance & Fiscal System and Interlocal spending provided by KSDE.

For example, we \$1.1 million of utilities charged to special education. Other questionable charges include:

- Over \$45 million for Administration (General Administration, School Administration, and Central Services).
- The Sedwick County Interlocal charged \$5.5 million to ‘Other.’
- KSDE says payments to Special Education Co-Ops and Interlocals don’t count as expenditures because it would be double-booking when the receiving entity spends the money. However, we found \$5.6 million labeled Interagency Purchased Services that could be double-booked.
- \$51 million for Contracting of Bus Service, with most of the spending attributed to ten districts.

We propose a Post Audit review of all special education spending to determine if any expenditures should be reclassified in other funds.

Conclusion

The Kansas Association of School Boards is trying to convince parents that other education services are suffering because the Legislature isn’t funding special education according to statute. The irony of their public relations campaignⁱⁱ is that school districts consciously ignore state laws designed to improve student achievement.

For example, a 2019 Legislative Post Audit of At-Risk spending concluded “most at-risk spending was used for teachers and programs for all students and did not appear to specifically address at-risk students as required by state law.”ⁱⁱⁱ In response, then-president of the State Board of Education, Kathy Busch, published a column that essentially said, ‘shut up, go away, we know what we’re doing.’

And nothing changed.

Earlier this year, the Legislature amended the state law that requires school boards to conduct annual needs assessments in every school, after learning that school districts were generally ignoring the law. Now, the annual assessments must be published, specifying barriers to improvement, the budgetary changes needed, and the number of years needed for students to be proficient in math and reading. And once again, districts disregarded the law in varying degrees.^{iv}

Our examination of the facts indicates there is no shortfall in school funding for special education or general education. Many students may not be getting the education they deserve, but it is not for a lack of funding.

We encourage the Legislature to amend the special education formula so that all money is counted. We also recommend a Legislative Post Audit to ensure proper accounting of all special education expenditures.

Thanks again for this opportunity.

ⁱ Email exchange with Craig Neuenswander dated May 4, 2022.

ⁱⁱ <https://www.kslpa.org/audit-report-library/k-12-education-evaluating-at-risk-student-counts-weights-and-expenditures/>

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^{iv} <https://kansaspolicy.org/school-districts-again-disregard-building-needs-assessment-law/>

72-3422. Special education state aid; computation of amounts; apportionment; limitations; special education

fund. (a) Each year, the state board of education shall determine the amount of state aid for the provision of special education and related services each school district shall receive for the ensuing school year. The amount of such state aid shall be computed by the state board as provided in this section. The state board shall:

- (1) Determine the total amount of general fund and local option budgets of all school districts;
- (2) subtract from the amount determined in subsection (a)(1) the total amount attributable to assignment of transportation weighting, bilingual weighting, career technical education weighting, special education weighting and at-risk student weighting to the enrollment of all school districts;
- (3) divide the remainder obtained in subsection (a)(2) by the total number of full-time equivalent pupils enrolled in all school districts on September 20;
- (4) determine the total full-time equivalent enrollment of exceptional children receiving special education and related services provided by all school districts;
- (5) multiply the amount of the quotient obtained in subsection (a)(3) by the full-time equivalent enrollment determined in subsection (a)(4);
- (6) determine the amount of federal funds received by all school districts for the provision of special education and related services;
- (7) determine the amount of revenue received by all school districts rendered under contracts with the state institutions for the provisions of special education and related services by the state institution;
- (8) add the amounts determined under subsections (a)(6) and (a)(7) to the amount of the product obtained under subsection (a)(5);
- (9) determine the total amount of expenditures of all school districts for the provision of special education and related services;
- (10) subtract the amount of the sum obtained under subsection (a)(8) from the amount determined under subsection (a)(9); and
- (11) multiply the remainder obtained under subsection (a)(10) by 92%.

FY 2021 Special Education Expenditures				
Description	SPED	SPED Co-Op	Interlocal	Total
Instruction				
Pay	302,645,852	97,435,748	128,999,257	529,080,857
Benefits	55,608,552	14,459,556	18,408,409	88,476,517
Payroll Tax	22,100,996	7,100,385	9,387,547	38,588,928
Prof.-Technical Services	6,372,744	2,637,276	4,485,261	13,495,281
Purchased Property Services	172,257	18,011	81,721	271,989
Tuition - Other LEAs In-State	1,408,428	890,539	140,244	2,439,211
Tuition - Private	2,585,335	340,823	456,318	3,382,476
Interagency Purchased Services	5,633,788	0	0	5,633,788
Supplies	3,044,835	870,718	1,024,098	4,939,651
Textbooks	189,348	19,282	77,809	286,439
Equipment & Furniture	985,030	240,145	431,518	1,656,693
Other	365,134	868,155	1,487,647	2,720,936
Student Support				
Pay	84,668,816	24,996,079	33,053,095	142,717,990
Benefits	11,710,383	2,485,565	3,249,066	17,445,014
Payroll Tax	6,103,619	1,790,822	2,354,057	10,248,498
Prof.-Technical Services	3,417,896	4,020,343	2,552,931	9,991,170
Purchased Property	60,260	0	0	60,260
Other Purchased Services	339,676	485,719	799,993	1,625,388
Supplies	783,098	181,397	369,006	1,333,501
Equipment & Furniture	387,016	36,650	137,756	561,422
Other	27,159	2,721	57,312	87,192
Staff Support				
Pay	6,013,785	3,087,520	2,064,536	11,165,841
Benefits	748,783	243,084	278,895	1,270,762
Payroll Tax	427,332	224,262	141,742	793,336
Prof.-Technical Services	844,324	121,483	745,673	1,711,480
Purchased Property Services	19,456	0	143,938	163,394
Other Purchased Services	291,940	46,469	192,319	530,728
Books (not textbooks)	30,783	0	90,353	121,136
Supplies	175,756	179,576	208,221	563,553
Equipment & Furniture	77,405	31,834	108,974	218,213
Other	81,511	30,679	69,684	181,874
Administration				
Pay	14,394,509	5,670,826	10,244,957	30,310,292
Benefits	1,328,540	471,084	1,197,734	2,997,358
Payroll Tax	895,983	352,972	710,819	1,959,774
Prof.-Technical Services	331,419	244,963	571,245	1,147,627
Purchased Property Services	41,349	91,848	348,211	481,408
Other Purchased Services	263,523	127,502	884,097	1,275,122
Supplies	175,343	88,839	317,752	581,934
Equipment & Furniture	56,789	40,192	206,039	303,020
Other	51,113	84,337	5,934,461	6,069,911
Operations & Maintenance				
Pay	390,798	52,910	317,177	760,885
Benefits	78,429	6,818	26,432	111,679
Payroll Tax	26,141	4,401	22,766	53,308
Prof.-Technical Services	17,435	19,543	4,250	41,228
Utilities	554,686	183,081	354,957	1,092,724
Cleaning	7,489	6,172	67,822	81,483
Repairs & Maintenance	108,239	53,612	338,551	500,402
Rentals	4,216	75,670	339,566	419,452
Other	29,847	27,880	152,750	210,477
Other Purchased Services	114,973	163,695	648,454	927,122
Supplies	430,576	25,889	54,129	510,594
Motor Fuel	542	126,232	1,919	128,693
Equipment & Furniture	654	0	40,139	40,793
Transportation				
Pay	12,704,367	181,925	492,519	13,378,811
Benefits	1,661,943	38,301	13,465	1,713,709
Payroll Tax	927,608	13,543	42,125	983,276
Vehicle Leases	950,733	70,241	193,030	1,214,004
Contracting of Bus Service	51,131,438	0	0	51,131,438
Mileage	344,433	106,910	438,949	890,292
Insurance	486,729	4,903	66,562	558,194
Prof.-Technical Services	159,014	0	18,664	177,678
Purchased Property Services	231,180	1,000	24,050	256,230
Other	306,720	218,161	6,634	531,515
Other Purchased Services	231,059	58,187	71,705	360,951
Supplies	798,081	5,467	34,936	838,484
Motor Fuel	2,619,948	10,256	80,259	2,710,463
Equipment & Furniture	341,469	32,092	86,393	459,954
Other Support Services				
Pay	0	41,600	41,054	82,654
Benefits	0	4,429	87,873	92,302
Payroll Tax	0	3,183	2,883	6,066
Prof.-Technical Services	0	2,000	4,366	6,366
Purchased Property Services	0	1,042	0	1,042
Supplies	0	6,623	0	6,623
Equipment & Furniture	0	118,509	0	118,509
Other Purchased Services	4,688	0	7,323	12,011
Other	1,747	0	88,580	90,327
	609,525,047	171,681,679	236,182,977	1,017,389,703
		Adjustment per KSDE		(33,697)
				1,017,356,006

Source: KSDE, Comparative Performance & Fiscal System