

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:40 p.m. on March 5, 2008, in Room 123-S of the Capitol.

Committee members absent: Carolyn McGinn- excused
Ralph Ostmeyer- excused

Committee staff present: Sharon Wenger, Kansas Legislative Research Department
Carol Toland, Kansas Legislative Research Department
Theresa Kiernan, Revisor of Statutes Office
Matt Todd, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Scott Frank, Legislative Division of Post Audit
Diane Gjerstad, Wichita Public Schools
Robert Vancrum, Blue Valley U.S.D. 229
Linda Aldridge, Northeast Kansas Education Service Center

Scott Frank, Legislative Division of Post Audit, presented a summary of the findings in a Post Audit study entitled, "K-12 Education: Reviewing Issues Related to Special Education Funding." He gave a brief overview of the answers to the following questions which the study addressed: "What percent of the excess costs of special education are districts and cooperatives reimbursed for, and why do those percentages vary?" and "How will districts and cooperatives be affected by changes to school-based Medicaid funding?" (Attachment 1) For the Committee's information, he distributed copies of a memorandum, prepared at the request of the Chairman of the House Education Committee, and a chart attached to the memorandum which compared excess costs and special education categorical aid per FTE student received by school districts and cooperatives for the 2005-2006 school year. (Attachment 2)

SB 646 – School districts; special education and the distribution of moneys therefor

Theresa Kiernan, Revisor of Statutes Office, noted that **SB 646** concerned a change in the current formula for distribution of excess costs for special education funding. She then briefly explained the new language on page 3, lines 28 through 43.

Diane Gjerstad, Wichita Public Schools, testified in support of **SB 646**. Noting that the structural problem with allocating categorical state aid is not new, she referred to the findings in Legislative Post Audit studies on this topic conducted in 1998 and 2007. In her opinion, **SB 646** takes a moderate approach by simply targeting future new money to those districts below the state policy target of 92 percent. She contended that this approach would not create "losers" but would assist the districts who have historically been under-compensated for serving high need, high cost students as mandated by law. Because recent changes to the federal rules for Medicaid reimbursement for school-based services has significantly reduced the amount districts are reimbursed by Medicaid, she encouraged the Committee to endorse a Medicaid replacement fund for districts who are serving Medicaid eligible students. (Attachment 3)

Robert Vancrum, Blue Valley U.S.D. 229, testified in support of **SB 646**. In summary, he said that **SB 646** would establish long-term equalization by freezing the amount received by districts which were above the statewide mandated average of 92 percent of excess costs last year and distributing all new amounts necessary to keep the average at that level only to those that were below 92 percent last year. Thus, no district would have funding taken away, and the disparity would be corrected over time. (Attachment 4)

Senator Schodorf called attention to written testimony in support of **SB 646** submitted by Dr. Gary George on behalf of the Olathe School District (Attachment 5), Mark Tallman on behalf of the Kansas Association of School Boards (Attachment 6), and Stuart Little on behalf of Shawnee Mission School District 512 (Attachment 7).

CONTINUATION SHEET

MINUTES OF THE Senate Education Committee at 1:40 p.m. on March 5, 2008, in Room 123-S of the Capitol.

Linda Aldridge, Northeast Kansas Education Service Center, testified in opposition to **SB 646**. In her opinion, any plan to redistribute limited special education funds will produce winners and losers. She suggested that, instead, the current method could be improved. She maintained that the bill does not reflect a commitment to improvement of services for all Kansas children, regardless of their geographic location. In conclusion, she called attention to a letter attached to her written testimony from Nancy Sapp, Kansas Association of Special Education Administration, requesting that the Department of Education appoint a task force to conduct a study to determine if there is a more effective way to fund special education services and report their findings in 2009 . In addition to the letter, Ms. Aldridge attached a position paper in opposition to **SB 646** entitled, "The Reverse Robin Hood Effect," which was drafted by several school superintendents and the Director of Special Education for Cowley County. (Attachment 8)

There being no others wishing to testify, the hearing on **SB 646** was closed.

Senator Schodorf called the Committee's attention to the minutes of the February 25, 26, and 27 meetings.

Senator Vratil moved to approve the minutes of the February 25, 26, and 27 meetings, seconded by Senator Teichman. The motion carried.

The meeting was adjourned at 2:20 p.m.

The next meeting is scheduled for March, 6, 2008.

SENATE EDUCATION COMMITTEE
GUEST LIST

DATE: March 5, 2008

NAME	REPRESENTING
Linda Aldredge	NEKESC
Scott Frank	LPA
Diana Gjerstad	Wichita USD 259
Bill Reardon	KC USD 500
Chesney Burgweger	Sen. Lynn
Jessica Pennington	Sen. Lynn
Stuart Little	Shawnee Mission 512
Mark Desetti	KNEA
Bill Brady	SFFF
KATHY COOK	KFE
Dana Williamson	Parent USD 425
Cindy Kelly	KASB
Unike Lewis	HPEC #611
Kevin Shepard	Tri-C. #607
Bob Vancrum	Blue Valley USD 229

**K-12 Education: Reviewing Issues
Related to Special Education Funding**
Summary of Findings

Question 1: What Percent of the Excess Costs of Special Education Are Districts and Cooperatives Reimbursed for, and Why Do those Percentages Vary?

1. In 2005-06, State categorical aid for special education covered between 45% and 207% of the excess costs of special education for 69 districts and cooperatives. [page 7]
 - These results are consistent with findings from our 1998 audit.
 - That audit found that the percent of excess costs covered varied from 69% to 208%.
2. Districts and cooperatives that spent more per special education student had less of their excess costs covered by categorical aid. [page 9]
 - Districts and cooperatives with a low percentage of their excess costs covered:
 - were large districts, or cooperatives made up of larger districts.
 - spent more per special education student on direct costs, such as instruction, student support, and transportation.
 - had more certified teachers per 10 students, and paid higher average teacher salaries.
3. Capping the amount of funding a provider could receive would allow money to be redistributed, but wouldn't eliminate the variation. [page 14]

Question 2: How Will Districts and Cooperatives Be Affected by Changes to School-Based Medicaid Funding?

1. Changes to Medicaid will cost districts and cooperatives almost \$2 million dollars in special education funding, starting in the 2007-08 school year. [page 16]
 - Changes to school-based Medicaid are the result of two recent federal audits. Those changes include:
 - changing from a bundled rate to a fee-for-service rate
 - requiring a doctor's authorization for services
 - requiring a parent's authorization to bill Medicaid
 - The Consensus Revenue Estimating Group estimates the changes will reduce Medicaid funding from \$35 million a year to \$11.5 million a year (a 67% decrease).
 - Under the current school finance formula, the Legislature will replace 92% of this lost funding (almost \$22 million) with special education categorical aid.
2. Because of how the lost Medicaid dollars will be replaced with State aid, some districts and cooperatives actually will gain funding. [page 17]
 - The new categorical aid will be distributed based on the number of special education teachers employed by the district or cooperative, not the amount of Medicaid funding lost.
 - As a result, some districts and cooperatives will gain funding, while others will lose funding:
 - 31 districts and cooperatives will gain an estimated \$3.9 million in funding. (Tend to be suburban with little poverty)
 - 38 districts and cooperatives will lose an estimated \$5.8 million in funding. (Tend to be districts with high poverty.)



MEMORANDUM

Legislative Division of Post Audit
US Bank Building, 800 SW Jackson, Suite 1200
Topeka, KS 66612-2212
voice: 785.296.3792
fax: 785.296.4482
email: LPA@lpa.state.ks.us
web: www.kslegislature.org/postaudit

TO: Representative Clay Aurand
FROM: Scott Frank, Manager, School Audits
DATE: February 12, 2008
SUBJECT: Comparison of Special Education Excess Costs and Categorical Aid per Student

This is in response to your request for a comparison of the special education excess costs and categorical aid received by school districts and cooperatives. I've attached a figure that shows this comparison, on a per student basis, using excess cost and categorical aid data from the 2005-06 school year.

cc: Members, House Education Committee

*Senate Education Committee
3-5-08
Attachment 2*

**Comparison of Excess Costs and
Special Education Categorical Aid per FTE Student
2005-06 School Year**

School District or Cooperative	Special Education FTE Students	Special Education Excess Costs per FTE Student			Categorical Aid per FTE Student
		Total Expenditures	Primary Funding	Excess Costs	
233 - Olathe	908.5	\$ 38,051	\$ (12,325)	\$ 25,726	\$ 17,898
232 - DeSoto	171.8	\$ 36,367	\$ (10,970)	\$ 25,396	\$ 17,434
229 - Blue Valley	714.8	\$ 36,353	\$ (10,429)	\$ 25,924	\$ 17,010
497 - Lawrence	464.2	\$ 31,932	\$ (12,277)	\$ 19,655	\$ 16,952
610 - Reno County Co-op	237.6	\$ 32,817	\$ (12,847)	\$ 19,970	\$ 16,186
231 - Gardner-Edgerton	159.8	\$ 29,553	\$ (10,739)	\$ 18,814	\$ 15,779
368 - Paola	383.5	\$ 32,774	\$ (12,763)	\$ 20,011	\$ 15,213
608 - Northeast Kansas Ed Center	212.2	\$ 29,465	\$ (16,287)	\$ 13,178	\$ 15,038
273 - Beloit	100.5	\$ 34,047	\$ (16,063)	\$ 17,984	\$ 14,715
230 - Spring Hill	68.2	\$ 32,024	\$ (10,908)	\$ 21,116	\$ 14,287
512 - Shawnee Mission	1,151.2	\$ 33,427	\$ (11,473)	\$ 21,954	\$ 14,200
383 - Manhattan	277.0	\$ 24,845	\$ (10,576)	\$ 14,268	\$ 13,511
602 - Northwest Kansas Ed Center	360.3	\$ 27,180	\$ (13,964)	\$ 13,217	\$ 12,925
389 - Eureka	37.0	\$ 28,475	\$ (14,762)	\$ 13,713	\$ 12,853
345 - Seaman	184.9	\$ 26,672	\$ (10,563)	\$ 16,108	\$ 12,822
330 - Wabaunsee East	34.7	\$ 22,538	\$ (11,725)	\$ 10,812	\$ 12,676
253 - Emporia	351.0	\$ 26,179	\$ (13,640)	\$ 12,539	\$ 12,513
320 - Wamego	143.3	\$ 23,123	\$ (11,885)	\$ 11,238	\$ 12,450
617 - Marion County Spec Ed Co-op	173.7	\$ 22,699	\$ (12,118)	\$ 10,581	\$ 12,305
603 - ANW Spec Ed Co-op	417.6	\$ 24,537	\$ (12,431)	\$ 12,107	\$ 12,186
613 - Southwest Kansas Area Co-op	537.0	\$ 22,943	\$ (14,112)	\$ 8,831	\$ 12,130
437 - Auburn Washburn	297.3	\$ 24,811	\$ (9,838)	\$ 14,974	\$ 12,040
428 - Great Bend	235.2	\$ 25,376	\$ (11,232)	\$ 14,144	\$ 11,881
453 - Leavenworth	576.1	\$ 24,997	\$ (10,351)	\$ 14,646	\$ 11,874
490 - El Dorado	690.9	\$ 21,540	\$ (11,337)	\$ 10,203	\$ 11,872
409 - Atchison	111.6	\$ 24,471	\$ (10,679)	\$ 13,792	\$ 11,860
321 - Kaw Valley	85.8	\$ 23,559	\$ (10,996)	\$ 12,563	\$ 11,799
305 - Salina	725.2	\$ 24,694	\$ (12,594)	\$ 12,100	\$ 11,704
619 - Sumner Co Interlocal	139.0	\$ 24,606	\$ (12,770)	\$ 11,836	\$ 11,577
607 - Tri-County Co-op	435.1	\$ 26,724	\$ (12,828)	\$ 13,895	\$ 11,514
244 - Burlington	111.6	\$ 22,149	\$ (12,039)	\$ 10,110	\$ 11,442
405 - Lyons	131.0	\$ 21,600	\$ (12,564)	\$ 9,036	\$ 11,393
372 - Silver Lake	43.2	\$ 17,090	\$ (11,581)	\$ 5,509	\$ 11,390
500 - Kansas City	1,095.8	\$ 25,806	\$ (13,109)	\$ 12,697	\$ 11,205
379 - Clay Center	175.1	\$ 21,909	\$ (12,961)	\$ 8,948	\$ 11,199
442 - Nemaha Valley	71.0	\$ 20,015	\$ (13,854)	\$ 6,161	\$ 11,179
418 - McPherson	283.0	\$ 21,965	\$ (10,845)	\$ 11,120	\$ 11,109

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School District or Cooperative	Special Education FTE Students	Special Education Excess Costs per FTE Student			Categorical Aid per FTE Student
		Total Expenditures	Primary Funding	Excess Costs	
636 - North Central KS Special Ed Co-op	297.2	\$ 24,140	\$ (13,092)	\$ 11,049	\$ 11,105
618 - Sedgwick Co Interlocal	849.5	\$ 22,734	\$ (10,457)	\$ 12,277	\$ 10,992
336 - Holton	199.3	\$ 23,209	\$ (12,484)	\$ 10,725	\$ 10,808
614 - East Central Kansas Co-op	183.3	\$ 25,403	\$ (10,721)	\$ 14,681	\$ 10,753
637 - Southeast Kansas Interlocal	697.5	\$ 23,486	\$ (12,293)	\$ 11,193	\$ 10,751
605 - South Central Kansas Co-op	499.0	\$ 19,733	\$ (11,456)	\$ 8,276	\$ 10,480
480 - Liberal	134.7	\$ 21,207	\$ (12,075)	\$ 9,132	\$ 10,479
234 - Ft. Scott	81.6	\$ 25,060	\$ (13,186)	\$ 11,874	\$ 10,457
450 - Shawnee Heights	183.6	\$ 23,147	\$ (11,079)	\$ 12,068	\$ 10,390
364 - Marysville	89.6	\$ 23,820	\$ (12,063)	\$ 11,757	\$ 10,366
282 - West Elk	90.6	\$ 19,109	\$ (13,207)	\$ 5,902	\$ 10,313
501 - Topeka	986.3	\$ 24,341	\$ (10,889)	\$ 13,452	\$ 10,289
611 - High Plains Ed Co-op	399.0	\$ 22,864	\$ (12,754)	\$ 10,110	\$ 10,285
373 - Newton	289.8	\$ 22,660	\$ (10,959)	\$ 11,702	\$ 10,181
260 - Derby	366.9	\$ 22,515	\$ (10,228)	\$ 12,288	\$ 10,154
475 - Junction City	424.2	\$ 19,652	\$ (10,099)	\$ 9,553	\$ 10,023
333 - Concordia	193.2	\$ 20,593	\$ (13,327)	\$ 7,267	\$ 9,855
615 - Brown Co Spec Ed Interlocal	151.1	\$ 18,764	\$ (11,830)	\$ 6,934	\$ 9,823
457 - Garden City	375.2	\$ 23,485	\$ (9,977)	\$ 13,508	\$ 9,717
620 - Three Lakes Co-op	327.7	\$ 19,343	\$ (10,738)	\$ 8,605	\$ 9,659
263 - Mulvane	64.6	\$ 33,590	\$ (12,348)	\$ 21,242	\$ 9,642
202 - Turner	236.8	\$ 20,296	\$ (10,897)	\$ 9,399	\$ 9,563
495 - Ft. Larned	134.9	\$ 19,676	\$ (13,123)	\$ 6,553	\$ 9,552
489 - Hays	295.5	\$ 21,466	\$ (10,706)	\$ 10,760	\$ 9,511
616 - Doniphan Co Ed Co-op	114.2	\$ 16,755	\$ (12,155)	\$ 4,600	\$ 9,389
407 - Russell	64.7	\$ 17,666	\$ (13,031)	\$ 4,635	\$ 9,322
259 - Wichita	3,433.7	\$ 23,405	\$ (11,127)	\$ 12,278	\$ 8,882
261 - Haysville	314.7	\$ 18,853	\$ (9,956)	\$ 8,896	\$ 8,692
465 - Winfield	494.4	\$ 16,437	\$ (10,898)	\$ 5,539	\$ 8,644
308 - Hutchinson	304.6	\$ 17,854	\$ (12,305)	\$ 5,549	\$ 8,049
353 - Wellington	169.3	\$ 13,613	\$ (9,581)	\$ 4,032	\$ 7,822
290 - Ottawa	174.3	\$ 15,216	\$ (9,887)	\$ 5,329	\$ 7,377
STATEWIDE	24,916.6	\$ 24,993	\$ (11,674)	\$ 13,319	\$ 11,539

Source: LPA analysis of 2005-06 special education revenues and expenditures for 69 districts and cooperatives.



**Senate Education Committee
Senator Schodorf, chair**

Special Education and Medicaid Reimbursement

*Submitted by: Diane Gjerstad
Wichita Public Schools*

March 5, 2008

Madame Chair and members of the Committee:

Legislative Post Audit's report "*Reviewing Issues Related to Special Education Funding*" December 2007 finds the current distribution of categorical state aid leaves a number of districts far short of the state policy of funding 92% of excess cost; and on the other hand, the formula reimburses a number of districts and cooperatives over 100% of the excess cost to educate special education students.

This structural problem with allocating categorical state aid is not new. In 1998 LPA conducted a similar audit which had similar results; page 8, "Overall, the results are consistent with findings from our 1998 audit of special education funding. In that audit, using a similar methodology, we found that the percent of costs covered ranged from 69% to 238% for the 1996-97 school year". Attached to this testimony is appendix C comparing the 1998 audit to the current. For many districts, like Wichita, there is not much change. In 1998 Wichita received 74% of excess costs; compared to 72% in the current audit.

The result is districts below the state target are disproportionately subsidizing special education. In Wichita the subsidy is over \$30 million dollars or to put into 'per pupil' terms, each regular education student subsidizes special ed by \$700.

Post Audit estimated the impact if those districts receiving more than 100 or 105% of excess costs were capped. The result is obviously 'winners' and 'losers'. SB 646 takes a moderate approach by simply targeting future new money to those districts below the state policy target of 92%. This approach doesn't create 'losers' but does assist the districts who have historically been under-compensated for serving high need, high cost students as mandated by law.

We would also encourage this committee to endorse a Medicaid replacement fund to reimburse districts who are serving Medicaid eligible students. Districts are required by federal law to serve the students and have been encouraged by the legislature to claim Medicaid dollars. Recent changes to the federal rules for Medicaid reimbursement for school based services (OT, PT and speech) has significantly reduced the amount districts are reimbursed by Medicaid (estimated statewide loss between \$11.5m to \$35m for 2007-08). Last session the legislature appropriated more to special education in an attempt to off-set the losses. However the current distribution method (categorical aid based on certified special education teachers) benefited districts with low poverty, while the districts with high poverty still face significant losses (Figure 2-1). A distribution mechanism directing dollars to the districts with Medicaid eligible populations would help off-set the losses those districts face.

*Senate Education Committee
3-5-08
Attachment 3*

TESTIMONY TO SENATE EDUCATION COMMITTEE
Robert Vancrum, Kansas Government Affairs Specialist
for Blue Valley Unified School District No. 229
March 5, 2008

Honorable Members of the Committee:

I am here representing Blue Valley USD 229 in support of SB 646. This bill would attempt to equalize the vast disparity found by the Legislative Post Audit last year in state reimbursement of the excess costs of special education. The disparity ranged from districts like ours that receive 40-50% of their excess costs to other districts who were actually paid nearly 200% of their excess costs. There are probably many reasons for this – my district believes the main causes are (1) families with special needs children tend to congregate in areas where special programs and treatments exist (both within the school districts and outside in the broader community) , making excess costs of special education higher in those area; and (2) salaries are generally higher in the metropolitan areas.

SB 646 would accomplish a long term equalization by freezing the amount received by districts that were above the statewide mandated average of 92% of excess costs last year and distributing all new amounts necessary to keep the average at that level only to those that were below 92% last year. Therefore, no district has funding taken away and the disparity is corrected over time.

I'd be happy to respond to questions.



**Olathe School District
Testimony provided by Dr. Gary George
Senate Bill 646
March 5, 2008**

We are submitting written testimony in support of Senate Bill 646. This bill would correct an inequity identified by Legislative Post Audit regarding special education reimbursements. The special education audit revealed that some districts are receiving reimbursements as large as 207 percent of "excess cost" and other districts are receiving significantly lower reimbursement amounts. In fact, several districts are receiving less than the 92 percent of "excess cost", which the Legislature has set as the reimbursement rate.

The Olathe School District is receiving approximately 70 percent of "excess cost". Parents of special education students enroll their children in our district because of the level of service we provide. In addition, state and federal mandates require that we meet the needs of these students. In the year 2007-08, we project a transfer of \$10,226,887 to the special education fund from the supplemental general fund. This is a significant transfer of funds; one that can be reduced if the inequity in special education reimbursement is corrected.

We do not believe it was the intent of the Legislature to have such a range of reimbursements. Senate Bill 646 will begin the process of correcting this inequity in the school finance formula.

We urge your support of Senate Bill 646.

*Senate Education Committee
3-5-08
Attachment 5*

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

1420 SW Arrowhead Road • Topeka, Kansas 66604-4024
785-273-3600

Testimony before the
Senate Committee on Education

on
SB 646 – Distribution of Special Education Funds

by

Mark Tallman, Assistant Executive Director/Advocacy
Kansas Association of School Boards

March 5, 2008

Madam Chair and Members of the Committee:

Thank you for the opportunity to comment on **SB 646** which would, over time, shift special education funding from the current system based primarily on teacher units to providing each district or special education cooperative with a reimbursement for 92 percent of its excess cost for special education.

KASB previously testified on the issue of changing special education funding at the hearing on **SB 620**. For your convenience, we are providing that statement in writing. Please contact a member of the KASB staff if you have any questions.

Special Education Funding

KASB's long-standing position on special education is the state should fund 100 percent of the "excess cost" formula. Although that formula has historically been based primarily on reimbursement of teacher units, rather than actual district costs, the only position adopted by our Delegate Assembly regarding distribution has been that use of a weighting system should be considered. There have been no alternative proposals advanced through our policy-making process. However, much more attention is being focused on the current formula in light of the Post Audit report on the current distribution formula and the replacement of Medicaid funding. We would offer the following comments.

First, the whole point in having a separate funding system for special education is that districts have different costs in serving these children. Therefore, the system ought to reflect these differences, and the more closely it reimburses districts for these actual cost differences, the better.

Second, we believe changes in the formula should be adopted so no districts face abrupt losses in funding.

*Senate Education Committee
3-5-08
Attachment 6*

Third, the Legislature needs to decide on a comprehensive plan for dealing with special education. For example, if the Legislature decides to reimburse districts for their actual costs, a separate system for funding catastrophic costs, which the 2010 Commission recommended adjusting, or reimbursing for Medicaid, which this bills addresses, should not be necessary.

Fourth, the state should carefully study whether changes in funding may have unintended negative consequences. For example, one reason some districts are currently receiving a lower percentage of excess costs is because they pay their teachers more. These districts will argue this is because salary costs are higher in their areas. On the other hand, some districts appear to be getting more than their "fair share" because their salaries are low and pupil teacher ratios are high. Reducing funding for these districts could further depress salaries, make it harder to employ the required number of teachers, and result in even higher "class sizes." This could, in turn, further reduce state reimbursement and create new inequities.

Fifth, the Legislature needs to understand that reimbursement for actual costs may tend to increase spending on special education. From the viewpoint of students, parents and advocates, that would be a very good thing. Parents want the best for their children, and that often means more expensive services. Often, it is the school system that is put in the position of having to say no. Many advocates claim districts are not providing nearly enough special services – you will no doubt hear that today from those concerned about dyslexia. Yet school districts are also being told the state is spending enough on education, that state spending and taxation is too high, and that school advocates should stop asking for more. But special education is just one area where the state, the federal government, and parents are asking the schools to do more.

In conclusion, KASB supports the concept of linking special education reimbursement more closely to actual costs, but we encourage the Legislature to move with caution.

Thank you for your consideration.

STUART J. LITTLE, Ph.D.
Little Government Relations

Senate Education Committee

Testimony on Senate Bill 646

March 5, 2008

Representative Schodorf and Members of the Senate Education Committee,

I appear today on behalf of the Shawnee Mission School District 512 in support of Senate Bill 646.

Shawnee Mission School District is the state's second largest school district serving over 28,000 students in 35 elementary schools, 7 middle schools, and 5 high schools with 4,063 employees. The district covers 72 square miles in Johnson County. The district has been a strong supporter of the Legislature's continued funding of the school finance formula while pointing out areas where the formula needs to be amended to provide greater equity in funding. For example, while the available state average expenditure per pupil increased to \$10,642 in 2007-08, the amount of funding available to Shawnee Mission remains well below the state average at \$8,142. Two hundred and sixty-six of 296 districts in the state outrank Shawnee Mission in funding available for operations. The district will spend over \$49 million on special education this year and employs over 400 teachers and 480 paraprofessionals. Senate Bill 646 would help address some of the inequity concerns.

The Shawnee Mission School District Legislative Platform for 2008 includes a number recommended changes and special education funding is a critical area.

Position: Support changes to special education funding provisions that more closely reimburse actual costs while not mandating expanded programming without adequate state funding.

Rationale: The state continues to pay only 65 percent of the cost of special education in Shawnee Mission schools while other districts are compensated at a much higher level. In some cases, districts receive more than 100 percent of their costs."

The December 2007 Legislative Post Audit expresses some of our concerns in a couple of key ways that would be addressed by SB 646.

- LPA report shows the state reimbursed special education excess costs between 45% and 207%
- Attributes of districts with a low reimbursement rate
 - Large districts or coops with large districts

- Higher costs for instruction, student support and transportation – students with more severe disabilities locate around urban areas where more services are available
- Higher salary costs

Senate Bill 646 would not lower the state aid for any school district. It would provide that any additional appropriation (above the 2007-08 amount) will be allocated to districts that are currently being funded below 92% of their excess cost. We support the bill because Shawnee Mission has the second lowest amount funded by the state at 65 percent. Mulvane was at 45 percent.

There are a couple of places where Senate Bill 646 should be corrected.

- Line 36 of page 3 refers to the district's actual cost. It should read excess cost.
- Line 38 of page 3 "Such moneys shall be distributed in the manner provided by subsection (a)" should be replaced by "Such moneys shall be prorated to districts receiving less than 92% of excess cost." Since excess costs are not known until the year is completed, it is likely that this will need to be handled as a reimbursement.

I would be happy to stand for questions.

To: Kansas Senate Education Committee
Fr: Linda Aldridge, Ed.D.
Executive Director, Special Education Director
Northeast Kansas Education Service Center
Re: Senate Bill 646
March 5, 2008

Senate Bill 646 is opposed on the following grounds:

- Special Education funds will be redistributed in a manner that rewards districts and cooperatives that already have higher teacher salaries and more teachers for every ten students.
- Districts and cooperatives that currently have lower teacher salaries and fewer teachers for every ten students will lose money.
- The “hold harmless” provision in Senate Bill 646 does not prevent harm. Small, rural districts have increased costs associated with delivery of services in relatively isolated areas. In addition, they need funds to competitively compensate special education teachers. These cooperatives and districts need increased funding just as much, or more, than do larger districts.
- Most of the districts/cooperatives that will lose money serve smaller, rural communities. These communities have already consolidated through their cooperative agreements to control costs while providing the best services the community can afford.
- It may be argued that larger urban and suburban districts need to pay higher salaries to offset higher costs of living. There is a severe, nation-wide shortage of special education teachers. Small communities and rural areas could benefit greatly if they were able to pay higher salaries to entice fully licensed teachers to work in outlying areas.
- There is no good argument to explain why some districts and cooperatives can afford better staffing (more adults/ten kids) of their programs. We’ve all heard that a child’s address should not dictate the quality of his/her education. This is especially true of our most fragile learners, those in need of special education services.

Summary: Any plan to redistribute limited special education funds will produce winners and losers. It could well be that our current finance method can be improved. Senate Bill 646 does not reflect thorough analysis of the situation, nor does it reflect a commitment to improvement of services for all Kansas children. Any new special education finance plan must first acknowledge inequities already existing in Kansas, and have at its core, a determination to provide equitable and quality services for all children, regardless of geographic location.

Source: (December, 2007) K-12 Education: Reviewing Issues Related to Special Education Funding, Legislative Post Audit Committee

*Senate Education Committee
3-5-08
Attachment 8*

KANSAS ASSOCIATION
OF
SPECIAL EDUCATION ADMINISTRATION

February 29, 2008

Senator Jean Kurtis Schordorf
Chairman Senate Education Committee
300 S.W. 10th Room 142 W
Topeka, KS 66612-1504

Dear Senator Schordorf and Committee Members,,

Past studies, completed by Mr. Roger Allen and Mr. Tom Parish concluded that Categorical Aid would be the most appropriate way of funding special education in Kansas.

As an organization we are deeply concerned that the current legislative proposal for special education funding, could have serious harmful financial impact on many districts and more importantly preclude many disabled students from receiving the federally mandated services they are entitled to receive.

Therefore, we as members of the Kansas Association of Special Education Administrators (KASEA) request the House Education Committee not prematurely make changes in the financing formulas for special education services. We would ask that the Kansas State Department of Education appoint a Task Force made up of representatives from KSDE, USA, KASB, Superintendents, Legislators, and KASEA to study and determine if there is a more effective way to fund special education services, with the intent of a proposal from this task force to be presented to the 2009 House Education Committee.

Sincerely,
Kansas Association of Special Education Administration Membership

Nancy Sapp
Chairman KASEA Legislative Committee

The Reverse Robin Hood Effect

A Position Paper Opposed to Senate Bill No. 646

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The Reverse Robin Hood Effect

The rising cost of providing special education services to exceptional students has been a concern not only in Kansas but nationally as well. In 1998 the Kansas Legislative Research Department published a document entitled *Selected Factors Regarding Special Education Costs (7/14/1998)*. In this document eighteen issues that caused special education costs to increase were listed. The Legislative Budget Committee of the Kansas Legislature was considering a census-based approach to funding special education to address this issue and conducted hearings. In the census-based approach the major funding of special education would be allocated to schools based on total district enrollment rather than special education teaching units as is presently done. The Legislative Budget Committee, after hearing testimony from a group of special education directors, nixed the census-based approach and chose to continue funding special education in its present manner, a system that is based on student need ... in all Kansas school districts ... not a select group of districts.

The current system of financing special education in Kansas works well for students with disabilities and the districts that serve them. Several reasons for this follow:

- **It is based on student need.** Districts are able to hire and employ staff as the need surfaces. This is often unpredictable. For example, a deaf student may move into a school district in the middle of the school year and require a 1:1 interpreter. The Kansas system of state aid allows a special education entity to receive state aid for hiring this employee.
- **It is equitable.** The system does not penalize districts that hire staff to work with small numbers of low incidence disability populations (e.g., students with severe multiple disabilities) who require unique services far different from students with mild disabilities who would spend much of their school day in the regular classroom. Therefore, the present system is equitable for both large and small districts/cooperatives – all special education entities have the ability to afford to hire the staff needed to work with low incidence populations, whether a district has hundreds of students with severe disabilities or small amounts.
- The present system of financing special education in Kansas has appeared to have the **overwhelming support of the majority of special education directors around the state.** Directors are aware of student needs in the districts they serve and are able to pay for the staff needed to provide appropriate special education services.
- Kansas present system is **helpful to districts that are above the state average for students who live in poverty** or are identified educationally at-risk. Typically, these districts have a higher prevalence of students who will be eligible for and require special education services.
- The present system **does not penalize districts where group homes for students with severe disabilities or emotional disturbance** have been established. Districts are able to receive state aid to assist in hiring the

employees needed to provide the required services for these students with unique needs.

The question must be asked, “If the current system of financing special education in Kansas works well for students with disabilities, provides equitable access to districts/cooperatives in the ability to afford to hire staff to serve these students, and has been supported by the overwhelming majority of special education directors in the state, why should the system be changed?” The Legislative Post Audit Committee in its December 2007 Report appears to suggest that a different system of financing special education should be considered based on the percentage of excess costs covered by state aid to special education districts/cooperatives. Findings from that study follow:

- **Districts, in general, that are larger and have a higher valuation per pupil are able to employ more staff and pay their staff higher salaries than smaller districts/cooperatives are able to.**
- **Redistributing state aid** by capping the amount of funding a provider would receive **would make the rich districts richer and poor districts poorer** (please see attachments). Most special education cooperatives probably have 90% or more of their budget spent on personnel. Redistributing state aid based on the ratio of categorical aid to excess cost is not the answer. This ratio has nothing to do with efficiency.
- The study implies that the solutions offered within would help the school districts/cooperatives in the greatest need ... however, just the opposite is accomplished. **The gap will widen even further between districts and cooperatives that already have difficulty competing with the other public school entities that pay their staff more.**
- **The LPA study makes it appear that Mulvane USD 463 has an efficient ratio of excess costs to categorical aid** and should be a model for other districts and cooperatives. **This is misinformation.** While other districts hire staff members to work with students with disabilities and receive categorical aid, **Mulvane contracts with professionals from other agencies** for services for many of its students. Some examples include Occupational Therapy, Physical Therapy, Speech Therapy, Day School Teacher for Emotionally Disturbed, Teacher for the Hearing Impaired, Teacher for Visually Impaired. Mulvane still pays to provide services for these students, but these costs do not come under the heading of categorical aid, significantly reducing the amount that appears under categorical aid and lowering that district’s ration of excess costs to categorical aid. Mulvane’s placement as having the lowest ratio of excess cost to categorical aid is an anomaly.

Regarding the Winfield Cooperative, the following points need to be made:

- **Our cooperative was applauded just two years ago by the Senate Education Subcommittee as being the most cost effective special education cooperative in the state.** The main reason for this cost effectiveness was because we probably employed fewer teachers per pupil

than other cooperatives in the study and paid them less (the base salary for a beginning teacher in 2005/2006 was \$27,425 per year, para educator pay began at \$5.65 per hour). Our reward now is a threat of losing \$2,000,000 in state aid.

- **No consultants are employed by the cooperative.** The two administrators for the cooperative handle all consulting responsibilities.
- Our cooperative received almost \$800,000 in **Medicaid money** when bundled rate billing was in effect. Now we will be fortunate to collect \$225,000 under the new system. Despite the increase in state categorical aid, overall **our cooperative will still receive \$200,000 less in revenues than in than in the previous year.**
- According to Appendix E, **there are only three districts/cooperatives in the state that employ fewer special education teachers per 10 students** than our cooperative. We have attempted to do a good job managing the resources we have.
- If legislation is passed to fund special education based on the information in the December LPA study, **our cooperative stands to lose anywhere from \$1.3 million to \$1.5 million dollars in state aid.**

Our appeal to you today is to ask you to have this study reviewed more carefully before using it as your basis to make a decision that will affect all students with disabilities in the state. There appear to be some **questionable areas** that form the foundation of the study (e.g., **the method used to compute average FTE student enrollment for cooperatives ... which forms the basis for the entire study**, factoring out anomalies for districts that contract out services rather than serving students with their own staff, listings in Appendix E for prevalence of special education populations that do not match those shared by the state in its annual MIS audit figures). After a thorough review, then make your decision about the most appropriate method for funding special education in Kansas. Passing this legislation and holding districts harmless is not the answer (i.e., this action would still create winners and losers among school districts - the gap between the haves and the have-nots would only continue to widen).

As a Kansas Senator, you represent all school age children in Kansas and must do what is best for all of them. Each child, regardless of district of residence, is entitled equal access to an appropriate education. Please allow each child access to this right by ensuring that all districts/cooperatives in Kansas receive appropriate funding.

The Reverse Robin Hood Effect
 Another Look at Figure 1-1 (page 8) of the Legislative Post Audit Study

Number	School District or Cooperative Name	Percent of Excess Costs Covered by Categorical Aid	Net Impact of Medicaid Lost	Total Valuation Per Pupil
Top 10				
372	Silver Lake	206.8%	\$12,138	\$37,601
616	Doniphan County Education Cooperative	204.1%	-\$9,947	\$44,512
407	Russell	201.1%	-\$56,889	\$71,702
353	Wellington	194.0%	\$17,806	\$36,278
442	Nemaha Valley	181.4%	-\$12,843	\$46,979
282	West Elk	174.7%	-\$61,938	\$51,389
465	Winfield	156.0%	-\$203,802	\$34,816
495	Ft. Larned	145.8%	-\$25,062	\$71,199
308	Hutchinson	145.1%	-\$352,953	\$44,661
615	Brown County Special Education Interlocal	141.7%	-\$22,937	\$47,239
Top 10 Avg				\$48,638
Bottom 10				
368	Paola	76.0%	-\$16,881	\$64,466
614	East Central Kansas Cooperative	73.2%	\$127,552	\$47,876
259	Wichita	72.3%	-\$2,166,500	\$54,301
457	Garden City	71.9%	\$112,085	\$46,331
233	Olathe	69.6%	\$421,028	\$71,412
232	DeSoto	68.6%	\$138,908	\$69,315
230	Spring Hill	67.7%	\$54,985	\$64,833
229	Blue Valley	65.6%	\$622,765	\$112,294
512	Shawnee Mission	64.7%	\$827,710	\$115,371
263	Mulvane	45.4%	-\$9,097	\$29,366
Bottom 10 Avg				\$71,871