

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:30 p.m. on March 4, 2010, in Room 152-S of the Capitol.

All members were present except:
Senator Susan Wagle- excused

Committee staff present:
Theresa Kiernan, Office of the Revisor of Statutes
Sharon Wenger, Kansas Legislative Research Department
Dorothy Gerhardt, Committee Assistant

Conferees appearing before the Committee:
Senator Terry Bruce
Scott Frank, Legislative Division of Post Audit
Dale Dennis, Deputy Commissioner, Kansas Department of Education

Others attending:
See attached list.

Presentation: Voluntary Consolidation Issues Raised In the Performance Audit Report; K-12 Education: Reviewing the Potential for Cost Savings From Reorganization of Kansas School Districts

Senator Terry Bruce, Chair of the Legislative Post Audit Committee, appeared before the committee in regard to the recently issued performance audit regarding K-12 school district reorganization. He stated references to certain districts being merged were only examples in the report. He pointed out that page 18 (Attachment 1) in the report was perhaps the most important page dealing with consolidation itself. This chart indicated there was not much savings in forcing consolidation on the local level. There would be cost increases in primarily two areas; those being increased transportation costs and new facilities.

Committee discussion followed with points regarding local control, the "voluntary" aspect of consolidation due to financial situations of districts, low enrollment weighting, and transportation costs and time. Senator Teichman requested a copy of a study regarding "highly effective" schools which addressed enrollment numbers.

Mike Newman, Superintendent of USD #406 and USD #486, was recognized in the audience and answered questions regarding his situation serving as a superintendent of two districts.

Presentation: Reviewing Issues Related to Special Education Funding

Scott Frank, Legislative Division of Post Audit (Attachment 2), presented a report on special education funding highlighting the definition of "excess" costs. The "excess" costs of special education are the total costs incurred for serving special education students *less* other funding sources that already are available to pay for special education services, including a share of the district's regular education, federal special education funding, and Medicaid. The State funding districts receive is known as "categorical aid." Included in this definition are transportation aid, catastrophic aid, Medicaid replacement aid, and teacher aid..

Committee discussion followed the presentation.

Approval of Minutes

Senator Teichman moved to approve the minutes of February 24, as amended; February 25, March 1, March 2, and March 3, 2010 as written. The motion was seconded by Senator Umbarger. Motion carried on a voice vote.

The next meeting is scheduled for March 8, 2010.

The meeting was adjourned at 02:25 p.m.

SENATE EDUCATION COMMITTEE GUEST LIST

DATE: March 4, 2010

NAME	REPRESENTING
Scott Frank	Leg Post Audit
GENE MEYER	KANSAS REPORTER
Kristen Gommer	Sen. Derek Schmidt
TRAVIS LOUR	LITTLE GOVT RELATIONS
MIKE NEWMAN	USD 406 & USD 486
TERRY COLLINS	DCEC #616
Leigh Keck	Hein Law firm
Tylen Clifton	Fort Scott High USD #234
Nathan Ly	Fort Scott High School USD #234
Sami Halsey	Fort Scott High School USD #234
Dawn Lundberg	Fort Scott High School USD #234
Emily Matkin	Fort Scott High School USD #234
Patrick Vogelberg	Kearney and Assoc.
Kari Presley	Kearney & Associates
Diane Gjerstad	USD 259
Mark Tallman	IASB
MARK DESETTI	KNEA
BILL REARDON	USD 500 (KCKS)
Bill Brady	SFFF

Figure 1-4
Comparing the Changes in Operating and Capital Expenditures to the
Changes in Operating and Capital Aid Under Our Two Scenarios
(dollars in millions)

	Scenario 1 Consolidate districts that don't meet the 1960s criteria	Scenario 2 Consolidate districts with fewer than 1,600 students
<i># of Districts Identified</i>	32	239
<i># of Consolidated Districts</i>	28	100
<i>Final # of districts</i>	266	152
OPERATING EXPENDITURES AND AID		
Change in Operating Expenditures	(\$17.9)	(\$138.4)
Change in Operating Aid		
State Funding		
<i>Basic Operating Aid (a)</i>	(\$13.5)	(\$111.3)
<i>Transportation Funding</i>	\$0.8	\$6.4
<i>KPERS Contribution</i>	(\$0.8)	(\$6.1)
<i>State Share of Local Option Budgets (b)</i>	(\$1.7)	(\$18.5)
Total State Funding	(\$15.2)	(\$129.4)
Districts' Share of Local Option Budgets	(\$2.1)	(\$13.0)
Total Change in Operating Aid	(\$17.3)	(\$142.4)
Net Savings or (Loss) to Districts (c)	\$0.6	(\$3.9)
<i># of Districts with a Net Savings</i>	15	56
<i># of Districts with a Net Loss</i>	13	44
CAPITAL EXPENDITURES AND AID		
Need for New/Expanded High School Buildings		
New Building	0	17
Expanded Building	10	37
No Construction	18	46
Total	28	100
Annual Cost of New/Expanded High School Buildings		
District Share	(\$1.3)	(\$45.5)
State Share	(\$0.4)	(\$18.2)
Total	(\$1.7)	(\$63.7)
Net Savings or (Loss) to Districts (Operating and Capital Expenditures Combined)		
Operating Expenditures (from above)	\$0.6	(\$3.9)
Capital Expenditures	(\$1.3)	(\$45.5)
Total (c)	(\$0.7)	(\$49.4)
<i># of Districts with a Net Savings</i>	12	38
<i># of Districts with a Net Loss</i>	16	62
<p>(a) Includes Base State Aid Per Pupil (BSAPP), as well as low-enrollment and correlation weighting.</p> <p>(b) Local option budgets allow districts to raise money locally for enhancing their education programs. To determine the local option budget we assumed that all districts were authorized up to 30%. The district share is generate by local taxpayer dollars, and the State share is equalization aid paid to "property poor" districts.</p> <p>(c) A negative number indicates that districts as a whole will be financially worse off. While operating expenditures would decrease (saving the districts money), the amount of funding would decrease even more (creating a net loss for the districts).</p>		
Source: LPA analysis of Department of Education data.		

Senate Education
3-4-10
Attachment 1

Overview of Special Education Funding

The Legislature Provided \$436 Million for Special Education Services in 2008-09 The federal Individuals with Disabilities Education Act (IDEA), passed in 1975, requires states to provide special education services to all children with disabilities who are between the ages of 3 and 21. In addition, under Kansas law, the Special Education for Exceptional Children Act augments the federal law by requiring Kansas school districts to provide special education services to gifted children as well.

School districts are responsible for ensuring that their students receive appropriate education services, but they have several options for providing those services:

- Contract with an outside facility to meet the student's needs.
- Provide the services themselves using their own teachers.
- Join other districts to form a special education cooperative (run by a member district) or interlocal (run by a separate, independent entity). For simplicity's sake, in this report we'll use the term "cooperative" to refer to both cooperatives and interlocals.

Kansas law requires the State to pay 92% of the "excess costs" of special education, and most of that aid goes to districts and cooperatives in the form of teacher aid. The "excess" costs of special education are the total costs incurred for serving special education students less other funding sources that already are available to pay for special education services, including a share of the district's regular education funding, federal special education funding, and Medicaid.

Districts and cooperatives pay for special education services with a mix of federal, State, and local funds. The State funding they receive for special education is known as "categorical aid." For the 2008-09 school year, the Legislature appropriated \$436 million in special education categorical aid to the State's 69 districts and cooperatives that provide special education services.

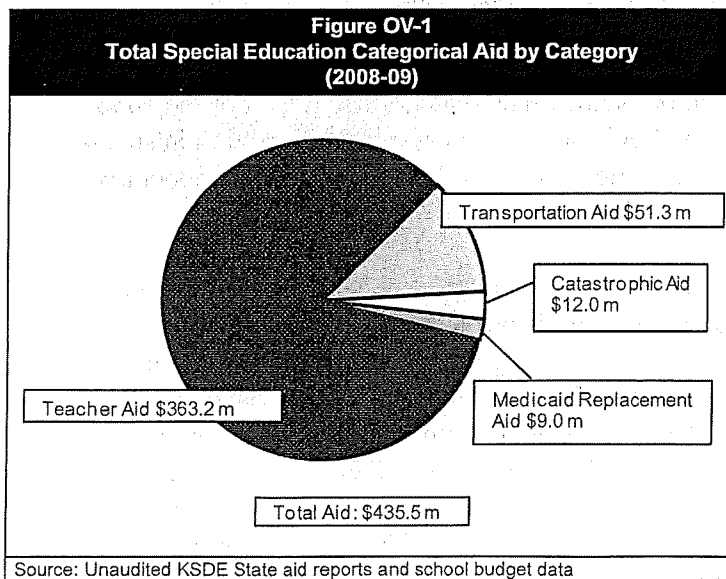
Because of the current fiscal crisis, the Legislature will fund only about 73% or \$367 million of special education excess costs for the 2009-10 school year. Slightly more than one-half of the difference between what the Legislature has appropriated and the 92% requirement will be made up with almost \$56 million in federal American Recovery and Reinvestment Act (ARRA) funding for special education, although Department officials have told us that money will not be distributed as categorical aid through the State's special education formula.

Although the amount of categorical aid the State provides is computed on the basis of excess costs, it isn't distributed on that basis. Rather, by law the money is distributed to the districts and cooperatives as follows:

- Transportation Aid—A portion of categorical aid is set aside to cover 80% of the cost of transporting special education students and reimbursing special education teachers for the miles they drive.
- Catastrophic Aid—A portion of categorical aid is set aside to help pay for special education students who cost more than \$25,000 to serve. This aid, which covers 75% of the cost over \$25,000, was designed to keep districts and cooperatives from being financially devastated if they had to serve students with extremely expensive special needs. (Catastrophic aid is described in more detail in Question 1.)

Under the catastrophic aid formula, however, other types of special education aid (transportation aid, for example) aren't deducted when calculating the catastrophic costs of a special education student. This means a district or cooperative generally is paid twice for some transportation costs and teacher costs—a practice commonly referred to as “double-dipping.” Double-dipping isn't prohibited under the current catastrophic aid formula.

- Medicaid Replacement Aid—A portion of categorical aid is set aside to address funding disparities created by changes to school-based Medicaid in 2008. 2009-10 will be the last year for this type of aid. (More information about the changes to Medicaid and their impact on districts and cooperatives can be found in Question 2 of our December 2007 report, *K-12 Education: Reviewing Issues Related to Special Education Funding (07PA30)*.)
- Teacher Aid—The remaining categorical aid is distributed to districts and cooperatives based on the number of special education teachers and paraprofessionals they employ. Most categorical aid is distributed as teacher aid. As **Figure OV-1** shows, \$363 million of the \$436 million in categorical aid distributed in 2008-09 (about 83%) was distributed based on the number of special education teacher and paraprofessionals.



For the 2008-09 school year, districts received \$28,760 per full-time-equivalent special education teacher in teacher aid. That aid covered about 54% of the average classroom education teacher's contracted salary and benefits.

For the 2009-10 school year, the Department of Education has informed districts that special education teacher aid will drop to about \$23,000 per teacher. As mentioned earlier, much of this difference will be covered using almost \$56 million in federal American Recovery and Reinvestment Act (ARRA) moneys, but those dollars will be distributed to districts under a federal formula, not the State's categorical aid formula. In this audit, we didn't try to assess whether this situation would result in some districts getting significantly more or less funding than they otherwise would have.