

Approved: February 11, 2010
Date

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:30 p.m. on February 2, 2010, in Room 152-S of the Capitol.

All members were present except:

Senator Anthony Hensley- excused
Senator Chris Steineger- excused

Committee staff present:

Theresa Kiernan, Office of the Revisor of Statutes
Martha Dorsey, Kansas Legislative Research Department
Sharon Wenger, Kansas Legislative Research Department
Dorothy Gerhardt, Committee Assistant

Conferees appearing before the Committee:

Laurel Murdie, Principal Auditor, Legislative Division of Post Audit
Dale Dennis, Deputy Commissioner, Kansas Department of Education

Others attending:

See attached list.

Presentation: School District Performance Audit Report

Laurel Murdie, Principal Auditor, Legislative Division of Post Audit (Attachment 1), appeared before the committee to present the report entitled "K-12 Education: Reviewing Issues Related to Catastrophic Funding for Special Education". The report addressed the reason why the number of "catastrophic" special education claims increased in recent years, and how many claims are likely over the next several years.

Key findings in the audit included:

- Claims submitted to cover the "catastrophic" costs for very expensive special education students—those costing more than \$25,000 per student—jumped from 276 to 758 between 2008 and 2009, and catastrophic aid jumped from \$6 million to \$12 million.
- Historically, districts submitted claims only for their very expensive students who required full-time teachers, expensive contracted services, etc. The big increase in 2009 occurred mostly because the Shawnee Mission School district decided to prorate costs for all its special education students, even its less expensive ones. In recent years, several other large districts also began prorating costs for their most expensive students.
- If the law is not changed for 2009-10 and all districts and cooperatives follow the practice of Shawnee Mission of prorating costs and submitting all the claims they could, estimated claims would increase to 5,500 and aid to nearly \$47 million for 2009-10. This would represent an increase of 625% over 2008-09.
- Proposed changes to the requirements for qualifying for catastrophic aid include raising the threshold for qualifying, and requiring districts to deduct the State special education aid they already receive when calculating catastrophic costs. This would reduce catastrophic aid claims significantly.

Legislative Post Audit recommends the Legislature increase the \$25,000 threshold amount, adjust it for inflation in the future, and require districts and cooperatives to deduct the State special education aid they've already received for a student (transportation and teacher aid) when calculating costs for catastrophic aid.

Committee discussion followed. Members also requested Legislative Post Audit representatives return to the committee for additional discussions.

The next meeting is scheduled for February 3, 2010.

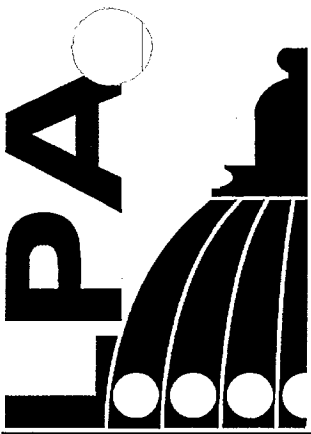
The meeting was adjourned at 02:10 p.m.

2/2/10

SENATE EDUCATION COMMITTEE GUEST LIST

DATE: February 2, 2010

NAME	REPRESENTING
Stephen Karamell	ICPR
Stuart Little	Shawnee Mission 512
Gary George	Olathe Schools
Jayson Conannon	
Diane Agerstad	USD 259
Bill Brady	SEFF
Bob VanCrum	USD 229
Kari Presley	Kearney & Associates Inc.
Mark Tallman	KASB
TERRY FORSYTH	KNEA
MARK DEBETTI	KNEA
Tim Rooney	SHAWNEE MISSION USD 512
Gene Johnson	Shawnee Mission 512
Deb Haltom	Shawnee Mission USD 512
Jennifer Crows	USD 501
Tracy Russell	SOE
Mike Tibbels	Dir. of Sp. Ed - Wamego Coop



Legislative Post Audit Performance Audit Report Highlights

Highlights

K-12 Education: Reviewing Issues Related to Catastrophic Funding for Special Education

Report Highlights

October 2009 • 09PA13

Audit Concern

2010 Commission members became concerned about the recent dramatic increase in special education catastrophic aid claims. Specifically, they were concerned that districts may not have been including the same types of costs when for applying for catastrophic aid, and wanted to know what might happen to catastrophic claims if the law isn't changed.

Other Relevant Facts

The Legislature created catastrophic aid in 1994 to keep school districts and special education cooperatives from being financially devastated if they had to serve students with extremely expensive special education needs. Under current law, the State pays 75% of a student's special education costs that exceed the \$25,000 threshold

When calculating catastrophic costs, districts and cooperatives can include all costs—even those costs already covered by special education transportation and teacher aid—which means they are paid twice for some costs.

Because they are paid twice for the same costs, we found that, for 100 of the 758 catastrophic (continued on the next page)

AUDIT QUESTION: *Why has the number of "catastrophic" special education claims increased in recent years, and how many claims are likely over the next several years?*

AUDIT ANSWER and KEY FINDINGS:

- Claims submitted to cover the "catastrophic" costs for very expensive special education students—those costing more than \$25,000 per year—jumped from 276 to 758 between 2008 and 2009, and catastrophic aid jumped from \$6 million to \$12 million.
- Historically, districts submitted claims only for their very expensive students who required full-time teachers, expensive contracted services, etc. The big increase in 2009 occurred mostly because the Shawnee Mission school district decided to prorate costs for all its special education students, even its less expensive ones. In recent years, several other large districts also began prorating costs for their most expensive students.
- If the law doesn't change for 2009-10 and if all districts and cooperatives were to follow Shawnee Mission's practice of prorating costs and submitting all the claims they could, we estimated claims would jump to 5,500 and aid to nearly \$48 million for 2009-10. This worst-case scenario represents a 625% increase over the claims filed in 2008-09.
- Proposed changes to the requirements for qualifying for catastrophic aid—including raising the threshold for qualifying, and requiring districts to deduct the State special education aid they already receive when calculating catastrophic costs, would reduce catastrophic aid claims significantly. The various proposed changes and our estimated results are summarized in the **figure on the next page**.

We Recommended

We recommended that the Legislature increase the \$25,000 threshold amount, adjust it for inflation in the future, and require districts and cooperatives to deduct the State special education aid they've already received for a student (transportation and teacher aid) when calculating costs for catastrophic aid.

Senate Education
2-2-10
Attachment 1

Other Relevant Facts (continued)

claims filed in 2008-09, districts and cooperatives received an estimated \$1 million in aid over and above the actual cost of providing special education services for these students.

Regardless of what happens to catastrophic aid, the total amount of State special education aid will stay the same, although less aid will be available to distribute as teacher aid. That's because the catastrophic aid formula only affects how special education funding is distributed, not the total amount of aid available.

Proposed Changes to Catastrophic Aid Requirements and Our Estimated Results					
Proposed Change:	Threshold	Accounts for inflation?	Eliminates Double-Dipping?	Est. 2009-10 Catastrophic claims/aid	Est. 2009-10 Teacher Aid per Teacher
Scenario #1 No change to current law	\$25,000	no	no	5,490 claims \$47.7 million	\$20,026
Scenario #2 House Bill 2606	\$36,000 (a)	yes	no	1,270 claims \$14.2 million	\$22,661
Scenario #3 Eliminate Double-Dipping (b)	\$25,000	no	yes	530 claims \$3.9 million	\$23,470
Scenario #4 2010 Commission	\$56,400 (2 times prior year's aid per teacher) (c)	yes	yes	10 claims \$420K	\$23,744
Scenario #5 Special Education Directors' Proposal	\$59,550 (2 times prior year's avg cost per special education FTE) (d)	yes	yes	10 claims \$390K	\$23,746

(a) House Bill 2606 proposed the threshold be modified to \$36,000 in 2008-09, and adjusted for inflation in subsequent years.
 (b) Scenario was created by LPA as it seemed a logical extension of the other proposals, but we don't endorse this over any other proposed change.
 (c) This amount is tied to the prior year's special education aid per teacher. For example, the 2007-2008 aid amount per teacher was \$28,200, so the threshold for 2008-09 would be \$56,400.
 (d) This amount is tied to the prior year's Statewide average cost per special education FTE. For example, the 2007-08 Statewide average special education cost for 1.0 FTE was \$29,775, so the threshold for 2008-09 would be \$59,550. Total catastrophic aid would be capped at \$4 million.
 Source: LPA analysis of KSDE and district expenditure and revenue data.

Agency Response: The Department of Education agreed with our report.

LEGISLATIVE DIVISION OF POST AUDIT

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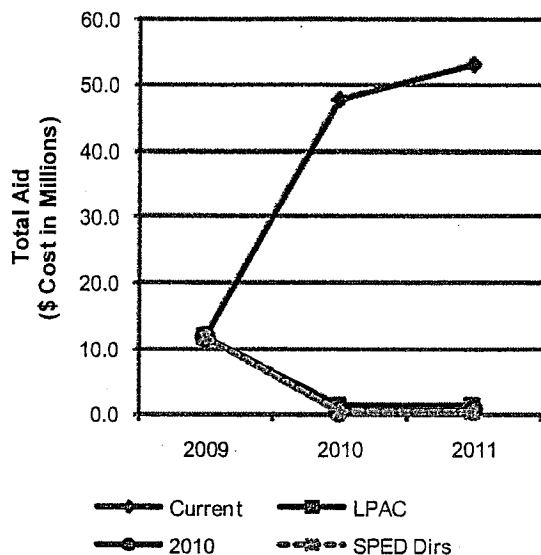
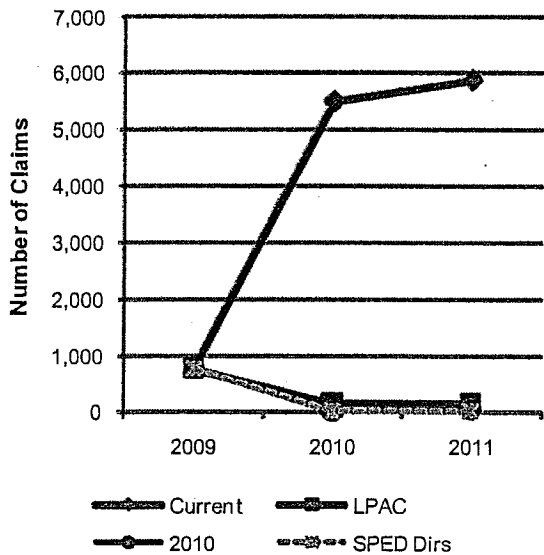
Barbara J. Hinton,
Legislative Post Auditor

For more information about this audit report, please contact
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DO YOU HAVE AN IDEA FOR IMPROVED GOVERNMENT EFFICIENCY OR COST SAVINGS?

If you have an idea to share with us, send it to ideas@lpa.ks.gov, or write to us at the address shown. We will pass along the best ones to the Legislative Post Audit Committee.

**Estimated Catastrophic Claims and Aid
Under Various Proposed Changes to Catastrophic Aid Requirements
Legislative Post Audit Committee, 2010 Commission, and Special Education Directors Proposals**



Proposed Change:	Details of the Proposed Change:			Estimated # of Claims and Estimated Catastrophic Aid	
	Threshold	Accounts for inflation?	Eliminates Double-Dipping?	2009-10	2010-11
No change to current law	\$25,000	no	no	5,490 claims \$4.7 million	6,980 claims \$6.0 million
Legislative Post Audit Committee	\$36,000 (a)	Yes	Yes	130 claims \$1.3 million	100 claims \$1.3 million
2010 Commission	\$56,400 (b)	Yes	Yes	10 claims \$390K	10 claims \$420K
Special Education Directors	\$59,550 (c)	Yes	Yes	10 claims \$390K	10 claims \$420K

(a) The LPAC proposal would increase the threshold to \$36,000 in 2009-10, and then adjust it for inflation in subsequent years.
 (b) This amount is tied to the prior year's special education aid per teacher. For example, the 2007-2008 aid amount per teacher was \$28,200, so the threshold for 2008-09 would be \$56,400.
 (c) This amount is tied to the prior year's Statewide average cost per special education FTE. For example, the 2007-08 Statewide average special education cost for 1.0 FTE was \$29,775, so the threshold for 2008-09 would be \$59,550. Total catastrophic aid would be capped at \$4 million.

Source: LPA analysis of KSDE and district expenditure and revenue data.