

February 13, 2024

The Honorable Kristey Williams, Chairperson
House Committee on K-12 Education Budget
300 SW 10th Avenue, Room 546-S
Topeka, Kansas 66612

Dear Representative Williams:

SUBJECT: Fiscal Note for HB 2738 by House Committee on K-12 Education Budget

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2738 is respectfully submitted to your committee.

HB 2738 would revise the Special Education State Aid and the statewide excess cost calculations in current law. The bill would determine a school district's excess cost in an ensuing school year for providing special education (and related) services according to the following:

1. Determine the school district's weighted full-time equivalent student enrollment, excluding the special education weighted full-time equivalent, as provided on the legal maximum school district general fund data of the Department of Education;
2. Multiply the amount in (1) by the appropriate Base Aid for Student Excellence (BASE);
3. Divide the resulting amount in (2) by the total number of unweighted FTE students enrolled in the school district on September 20;
4. Determine the total FTE equivalent enrollment of exceptional children receiving special education services provided by all school districts;
5. Multiply the amount of the quotient determined in (3) by the FTE calculation in (4);
6. Multiply the product obtained in (5) by the school district's Local Option Budget (LOB) authorized percent;
7. Determine the amount of federal funds received by the school district for special education services;
8. Determine the amount of revenue received by the school district for Medicaid reimbursements with state hospital institutions for the provision for special education services;
9. Add the amounts of (5) through (8);
10. Determine the amount of expenditures of the school district for special education services;

11. Subtract the sum obtained from (9) from the amount determine from (10);
12. Divide the amount determined with (11) by the sum of one plus the statewide LOB authorized percent;
13. Subtract the amount that is attributable to the special education weighting that is provided to the school district as Supplemental State Aid from the quotient in (12). The resulting amount would be the school district's excess cost of providing special education services.

The bill would change the calculation for any school district that has paid special education costs under an interlocal agreement or a cooperative. The State Board of Education would assign costs to each participating school district in an amount that bears the same relation as the amount paid by the school district in the current school year to the aggregate of all amounts paid by all school districts that are subject to such interlocal or cooperative agreement.

Each year, the Department would be required to report to each school district the excess cost calculation and publish the information for each school district on the agency's website. On or before January 31 of each year, the Department would be required to prepare and submit a report to the Legislature that would provide a computation of the excess cost calculation.

In addition, when determining Special Education State Aid entitlements for each district, the Department would have to include all forms of state aid that are related to special education, including the BASE and weightings in the school finance formula that are generated by the state aid for the general education of special education students. In addition, amounts of state aid and grants for special education and LOB funds that are generated from the school finance formula would be included.

The total amount of Special Education State Aid that districts would be entitled to receive in an ensuing school year would be calculated as follows:

1. Determine the weighted FTE student enrollment, excluding the special education weighted FTE count, as provided on the legal maximum school district general fund data of the Department;
2. Multiply the amount determined in (1) by the BASE;
3. Divide the amount in (1) by the total number of unweighted FTE students enrolled in all districts on September 20;
4. Determine the total FTE enrollment of exceptional children receiving special education services provided to all school districts;
5. Multiply the amount of the quotient obtained in (3) by the FTE enrollment determined in (1);
6. Multiply the amount of the product obtained in (1) by the statewide average LOB authorized percent;
7. Determine the amount of federal funds received by all school districts for special education;
8. Determine the amount of revenue received by all school districts for Medicaid reimbursements with state hospital institutions for the provision for special education services;

9. Add the amounts determined with (5) through (8);
10. Determine the amount of expenditures of all school districts for special education services;
11. Subtract the amount of the sum obtained under (9) from the amount determined with (10);
12. Divide the amount determined with (11) by the sum of one plus the statewide average LOB authorized percent;
13. Subtract the amount attributable to the special education weighting that is provided to school districts for Supplemental State Aid from the quotient determined with (12); and
14. Multiply the remainder with (13) by 92.0 percent.

Subject to appropriations by the Legislature, the computed amount in (14) is the total amount of state aid for special education school districts would be entitled to receive for the ensuing year.

For FY 2025, and in each subsequent fiscal year, the Legislature would appropriate from the State General Fund amounts for special education services an amount that is equal to or greater than \$528,018,516. In FY 2025, and in each subsequent fiscal year, the Department would be required to distribute state aid for special education services in an amount equal to \$528,018,516 to school districts pursuant to the formula in the bill.

For any amounts appropriated greater than \$528,018,516 in FY 2025 or in any subsequent fiscal year, the State Board of Education would be required to establish a Special Education Services State Aid equalization distribution schedule that prioritizes equalizing special education services aid distributions to school districts. When establishing or revising the schedule, the Board would be required to give consideration to the discrepancies between each school district's excess cost as determined in the bill. The purpose of the equalization distribution schedule would be to provide for a more equitable distribution of state aid among school districts based on each school district's excess costs.

For FY 2025, and in each subsequent fiscal year, Department would be required to: (1) determine the total amount appropriated for the fiscal year from the State General Fund for special education; (2) subtract \$528,018,516 from the amount in (1); and (3) distribute the amount of the difference determined under (2) to school districts in the equalization distribution schedule established by the Board.

The Department of Education utilized data from the 2023-2024 school year to illustrate the changes that HB 2738 would have related to special education calculations contained in current law. Under current law, the Department estimates the excess costs of providing special education services to eligible students over the regular cost of education totals \$762.2 million for FY 2024. With the current approved FY 2024 State General Fund appropriation for special education services of \$528.2 million, approximately 69.3 percent of excess costs are anticipated to be covered by state aid to school districts. To fund the current statutory rate of 92.0 percent of excess costs in FY 2024, a total FY 2024 State General Fund appropriation of \$701.2 million would be required, or an additional \$173.0 million from the current approved State General Fund appropriation for Special Education State Aid.

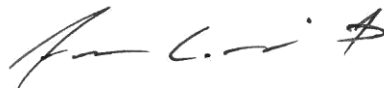
With the revised special education formulas contained in the bill, the same data would calculate excess costs of providing special education services in FY 2024 totaling \$482.0 million. With the current approved FY 2024 State General Fund appropriation for special education services of \$528.2 million, approximately 109.6 percent of excess costs would be estimated to be covered by state aid to school districts.

In addition, the Department would require additional FY 2025 expenses totaling \$149,432 from the State General Fund, including 2.00 FTE Public Service Administrator positions, in the agency's Administration Program in School Finance. Salaries and wages for these 2.00 FTE positions would total \$144,432 (including fringe benefits). Also included in the estimates is \$5,000 for other operating expenditures for the positions, including computers, phone, internet, copier usage, and office rent. Similar administrative expenditures would be required in FY 2026.

From the Governor's FY 2025 recommendations for Special Education State Aid, the enactment of the bill would result in a reduction of approximately \$82.4 million in state aid to school districts. Any fiscal effect associated with HB 2738 is not reflected in *The FY 2025 Governor's Budget Report*.

The Division of the Budget notes that the 2023 Legislature appropriated \$535,518,818 from the State General Fund in FY 2025 for Special Education State Aid. Absent any future appropriation changes for FY 2025 and according to HB 2738, the Department of Education would distribute \$528,018,516 to school districts as Special Education State Aid. The remaining \$7,500,302 would be distributed as Special Education Equalization State Aid, in which the Board would give consideration to the discrepancies between each school district's excess cost, as outlined in the bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt
Director of the Budget

cc: Gabrielle Hull, Department of Education
Angie Stallbaumer, Kansas Association of School Boards