



Legislative Post Audit Performance Audit Report Highlights

K-12 Education: Evaluating Special Education Costs

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QUESTION 1: What Does it Cost School Districts to Provide Special Education and Related Services?

Background Information

Federal and state laws require school districts to offer services to the state's 86,500 special education students.

School districts can provide services themselves or through other organizations such as an interlocal or cooperative.

Kansas uses a complex formula set in statute to determine state special education funding.

State special education funding (categorical aid) is calculated to cover district's excess costs, which are the costs above and beyond the average regular education cost per pupil and are not covered by other types of revenue, such as federal funding.

- The amount organizations spend on special education can differ from the cost to provide those services. (p.9)
 - *Under state and federal law, school districts must provide all services a student needs, as determined by the Individualized Education Plan (IEP).*
 - *We use the term cost to describe all of the resources needed to provide special education services. This differs from expenditures, which is what special education organizations actually spend to provide services.*
- We built a model to estimate how much it would cost organizations to provide required special education services. (p.10)
 - *We chose nine special education organizations to provide us with a variety of data and opinions about staff, expenditures, and the challenges of providing special education services. We also reviewed literature and hired a consultant with 45 years of experience to provide feedback about the reasonableness of our model.*
 - *We used that information to develop a model to estimate the total cost of providing special education services statewide.*
 - *Our model was based largely on an input-oriented professional judgment approach.*
 - *Our model does not ensure that resource levels are set at the most efficient levels to achieve intended results, and so could be somewhat inflated.*
- If staffed at recommended levels, we estimate it could cost between \$940 million and \$1.2 billion to provide special education and related services annually. (p.12)
 - *About three-quarters of our total estimated costs are associated with staff who provide direct services to students.*
 - *Our model assumes more special education teachers and fewer paraprofessionals than currently staffed.*
 - *On a per-student basis, we estimate total special education costs could range from \$12,400 to \$19,200 across the 72 special education organizations in the state.*
- It may be difficult for districts to hire the number of staff suggested in our model because of current teacher shortages. (p.16)
 - *Our special education cost estimates exceed current expenditures by between \$41 million and \$319 million.*
 - *Special education staff suggest it is unlikely organizations can hire the increased number of teachers and staff our cost model suggests due to teacher and other staff shortages.*
 - *Special education organizations told us they provide the services students need, but staff shortages are making it increasingly difficult.*

- Some districts had more of their special education “excess” costs covered by state aid than others. (p.18)
- *For the 33 districts we evaluated, state categorical aid covered between 57% and 148% of estimated district excess costs.*
- *The percentage of excess costs that categorical aid covers varies due to how much and what kind of expenditures districts have.*

QUESTION 2: Has Special Education Funding Been Calculated and Distributed to School Districts in Accordance with State Law in Recent Years?

- KSDE calculates special education funding in accordance with state law, but may slightly overestimate organizations’ expenditures. (p.21)
 - *State law defines the process by which categorical aid should be determined but does not define how KSDE should determine total expenditures.*
 - *As a result, KSDE bases its calculations on estimated current year expenditures.*
 - *KSDE’s methodology appears reasonable but it may slightly overestimate organizations’ expenditures.*
- The Legislature has not appropriated funding in accordance with state law in recent years. (p.22)
 - *The Legislature has not appropriated enough funding to meet the statutorily required 92% of excess costs in recent years.*
 - *As a result, in school years 2015 through 2017, categorical aid was only funded at 78% to 81% of organizations’ excess costs.*
- In the years we reviewed, KSDE allocated each of the four types of special education aid correctly. (p.23)

QUESTION 3: What Types of Funding Mechanisms Do Other Similar States Use to Calculate and Distribute Special Education Funding?

- The six states we reviewed distributed funding based on a reimbursement method, a needs-based method, or both. (p.25)
 - *Of the six states we reviewed, only Kansas and Nebraska reimbursed districts for certain expenditures and set a statutory limit on the amount of special education funding it provides.*
 - *Iowa, Oklahoma, and Tennessee distribute funding based on the needs of the students with no limit on the amount of special education funding it will provide.*
 - *Missouri uses a combination of reimbursement and needs-based funding.*
- A 2016 Connecticut report identified eight primary mechanisms for state funding of special education nationwide. (p.27) The study categorized all states as follows:
 - *A single student weighting provides a set amount of state funding for each student with a disability in the district (9 states).*
 - *A multiple student weighting uses multiple weights that provide different funding levels for different categories of disabilities (12 states).*
 - *Resource-based funding provides funds based on the resources (such as teachers) each district uses to provide special education services. (5 states).*
 - *Census-based funding allocates special education funding based on each district’s total enrollment rather than the total number of special needs students (8 states).*

State law requires categorical aid to be distributed in four specific ways, largely as reimbursements for various types of special education costs.

This includes funding for students who receive special education services and are enrolled in Medicaid, reimbursement for extraordinarily expensive students (catastrophic aid), reimbursement for transportation expenditures, and reimbursement for special teachers.

The state’s method for calculating and distributing funding is not intended to cover 100% of all special education costs.

- A partial reimbursement method compensates districts for a portion of the special education related expenditures reported to the state (5 states). This is the method used in Kansas.
 - A block grant provides special education funding to districts based on allocations from a previous year (1 state).
 - A combination of two approaches described above (6 states).
 - Some states had no separate special education funding mechanism (4 states).
- At least half of U.S. states, including Kansas, require school districts to provide gifted services. (p.28)

SUMMARY OF RECOMMENDATIONS

We recommended the Legislature consider either funding categorical aid at the statutory amount or changing statute to reflect the method by which the Legislature sets special education funding. We also recommend the Legislature consider whether more explicit instructions to KSDE regarding how they determine statewide special education expenditures would better convey Legislative intent. (p.29)

AGENCY RESPONSE

The Kansas Department of Education generally concurred with our findings. (p.31)

HOW DO I REQUEST AN AUDIT?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

Legislative Division of Post Audit

800 SW Jackson Street
Suite 1200
Topeka, Kansas 66612
Telephone (785) 296-3792
Website: <http://www.kslpa.org/>

Justin Stowe
Legislative Post Auditor

For more information on this audit
report, please contact:

Heidi Zimmerman
Heidi.Zimmerman@lpa.ks.gov