



PERFORMANCE AUDIT REPORT

K-12 Education: Evaluating Special Education Costs

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas**

December 2018

Legislative Division of Post Audit

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To: Members, Legislative Post Audit Committee

This report contains the findings, conclusions, and recommendations from our completed performance audit, *K-12 Education: Evaluating Special Education Costs*. The audit team included Heidi Zimmerman, Josh Luthi, Tanner Rohrer, and Josh Rueschhoff. Chris Clarke was the audit manager. Terry Collins was the audit consultant.

In the course of the audit, we also noted a minor issue that was not directly related to answering the audit questions. We conveyed that issue to agency officials in a separate management letter. The management letter is not included as part of this report, but is available upon request.

We would be happy to discuss the findings, conclusions, and recommendations presented in this report with any legislative committees, individual legislators, or other state officials.

Sincerely,

A handwritten signature in black ink that reads "Justin Stowe". The signature is written in a cursive, flowing style.

Justin Stowe
Legislative Post Auditor

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K-12 Education: Evaluating Special Education Costs

Background Information

School districts are required by state and federal law to provide services to students with special education needs. Special education services are provided to students with a range of disabilities, including, but not limited to, learning disabilities, speech and language difficulties, or other health impairments. Additionally, in Kansas, gifted students are served within districts' special education programs. Special education services can include additional paraprofessional support in the regular classroom, therapy services such as physical therapy or speech-language therapy, or specialized technology that can assist a student in the classroom. Districts can deliver these services using district-employed staff or by joining an interlocal or cooperative. In 2018, Kansas school districts spent almost \$900 million to provide special education services to about 86,500 students.

School districts use a mix of federal, state, and local sources to pay for special education services. Districts can use this funding for a wide variety of special education services, such as transportation and assistance from specialists. The federal government and the state provide special education funding to Kansas school districts that districts can use for a variety of special education services. The federal government also reimburses school districts for certain special education or related services districts provide to students who are enrolled in Medicaid. Districts can also use local option budget or state general funds to pay for special education services.

Objectives, Scope, and Methodology

To comply with the requirements of 2018 Substitute for Senate Bill 423, the Legislative Post Audit Committee approved an audit of K-12 special education on April 25, 2018. This performance audit answers the following questions:

- 1. What does it cost school districts to provide special education and related services?**
- 2. Has special education funding been calculated and distributed in accordance with state law in recent years?**
- 3. What types of funding mechanisms do other similar states use to calculate and distribute special education funding?**

To answer Question 1, we began by selecting nine special education organizations (three independent districts, three cooperatives, and three interlocals) representing several organization sizes and geographical locations in the state. We

reviewed 225 individualized education plans for special education students in those districts to understand the needs students have. We surveyed and interviewed organization staff to better understand how they handled special education services and to determine whether they felt current resource levels were adequate. We hired a consultant to provide his perspective on how special education services are provided in Kansas and to provide feedback on the reasonableness of our cost methodology. We reviewed the available literature for best practices related to how to deliver services to students in special education. Based on this information, we estimated how much it would cost all special education organizations in Kansas to provide special education and related services at certain staffing levels.

To answer Question 2, we compared the statutory requirements for calculating and distributing special education funding with the state's actual calculation and distribution methods. We worked with Kansas Department of Education (KSDE) officials to understand how they allocate special education funding, and how much special education funding each district received in school years 2015 through 2017. We also replicated some of KSDE's calculations and reviewed supporting documentation to determine whether KSDE had distributed funding in accordance with statute.

To answer Question 3, we contacted officials in five nearby states and reviewed those states' statutes and other documents to understand how they calculate and distribute special education funding. We also reviewed a 2016 report prepared by the Connecticut School Finance Project to understand the broad categories of special education funding models used throughout the country.

***Compliance with
Generally Accepted
Government Auditing
Standards***

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Overview of Special Education in Kansas

Federal and State Laws Require School Districts to Offer Services to the State's 86,500 Special Education Students

The federal **Individuals with Disabilities Education Act (IDEA)** requires states to provide special education services to children with disabilities between the ages of 3 and 21. IDEA, passed in 1975, defines children with disabilities as children who need special services because of conditions like developmental delays, hearing or visual impairments, emotional disturbance, or autism. IDEA requires states to identify and evaluate a student who may have a disability, and to then provide that child with a free and appropriate education. The services a school district must provide are identified in the student's individual education plan (IEP). The IEP is determined by a group of individuals including teachers, psychologists, administrators, and the student's parent or guardian.

Additionally, the federal Rehabilitation Act of 1973 prohibits discrimination against children with disabilities in public schools. This law imposes similar obligations on school districts that IDEA does.

In Kansas, the Special Education for Exceptional Children Act requires school districts to provide several additional special education services. The Special Education for Exceptional Children Act (K.S.A. 72-3403 et seq) generally mirrors federal law, but imposes additional obligations on school districts, including:

- Districts are required to identify and provide services to gifted students.
- School districts must first use interventions in the regular education classroom before referring a student to special education. These interventions could include one-on-one instruction or presenting the information in alternative ways.
- School districts must provide special education services to children who reside in the district but attend a private school, even if the private school is located outside the district of residence.

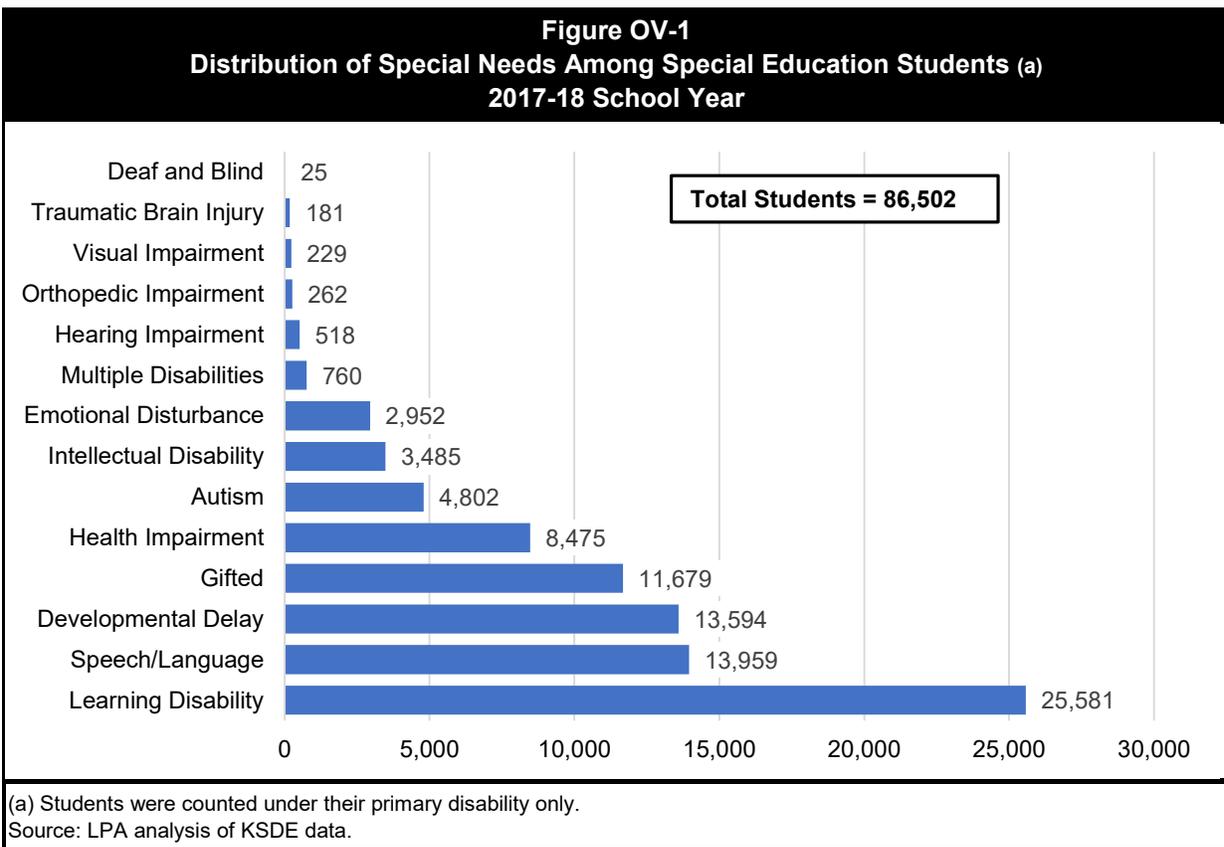
School districts can provide services themselves or through other organizations. School districts are responsible for providing appropriate educational services to their students. A district can provide services in one of two ways:

- **A district can provide special education services independently with its own resources and under the jurisdiction of its local school board.** In 2017-18, 33 districts independently provided special education services.
- **Districts can join other districts to form a special education cooperative or interlocal.** A cooperative is administered by a

member district, while an interlocal is managed by a separate, independent entity consisting of one or more board members from each participating district. In 2017-18, 253 districts were part of one of Kansas' 21 cooperatives and 18 interlocals.

Throughout the rest of the report, we will use the phrase “special education organization” to refer to the 72 entities (33 districts, 21 cooperatives, and 18 interlocals) that provide special education services to Kansas students.

In the 2017-18 school year, special education organizations provided services to about 86,500 students (18% of all students). Kansas recognizes 14 different special needs students may have. *Figure OV-1* shows the number of students who received special education services by the special needs class their district reported to the Kansas Department of Education (KSDE). As the figure shows, the largest group of students received special education services to address a learning disability.



Kansas Uses a Complex Formula Set in Statute to Determine State Special Education Funding

Special education organizations receive dedicated special education funding from the state each year. In Kansas, a statutory formula determines how much funding organizations receive.

State law requires special education funding (categorical aid) to be calculated specifically to cover district’s “excess costs.”

The state provides both regular education base state aid funding and categorical aid for special education students. Categorical aid is intended to help organizations cover the excess cost of providing special education services. Excess costs are those costs related to special education students that are above and beyond the average regular education cost per pupil and are not covered by other types of revenue, such as federal funding. The process used to calculate the amount of categorical state aid for special education is summarized in *Figure OV-2*, on the next page. KSDE is primarily responsible for calculating categorical state aid. As the figure shows, that process involves multiple steps.

- **First, KSDE staff must determine the total special education expenditures for all school districts.** Districts report all special education spending from all types of funds (local, state, and federal) to the department. KSDE then assumes a certain amount of growth over the previous year’s expenditures. For example, KSDE determined statewide special education expenditures totaled about \$862 million in the 2017 school year. Based on that, KSDE projected increases in special teachers and salaries for an estimated total of \$906 million in special education expenditures for the 2018 school year.
- **Second, department staff determine excess costs by subtracting the funding that will be available from other sources to help pay for special education services.** As *Figure OV-2* shows, KSDE subtracted \$197 million in regular education funding that districts receive for these students as part of base state aid. KSDE also subtracted about \$140 million in federal special education funding and Medicaid funding. That left about \$569 million in excess costs for the 2018 school year. This amount represents costs for providing special education services for students that is not otherwise already funded.
- **Finally, KSDE determines the categorical aid amount by multiplying the excess costs by 92%.** Under current state statute, the state should fund categorical aid at 92% of the excess costs as determined through the above steps. As the figure shows, categorical aid for the 2017-18 school year would be about \$523 million per the statutory calculation. However, as discussed further in Question 2, the Legislature only provided about \$446 million in funding.

Any remaining costs districts incur are paid for with local funding or other state funding.

**Figure OV-2
Statewide Calculation and Distribution of State Categorical Aid
2017-18 School Year**

Amounts Used in the 2017-18 Calculation		
STEP 1 EXPENDITURE CALCULATION	Actual Special Education Expenditures, FY 2017	\$862,481,386
	Plus Estimated Increase in Special Education Teachers & Salaries for FY 2017 and FY 2018, per KSDE	+ \$38,811,662
	Estimated Expenditures for FY 2018	= \$906,491,448
STEP 2 EXCESS COST CALCULATION	Less Per-Pupil Cost of Regular Education	(\$197,240,910)
	Less Federal Aid	(\$104,000,000)
	Less Medicaid Reimbursements	(\$36,200,000)
	Less State Hospital Administrative Costs	(\$300,000)
	FY 2018 Excess Costs	= \$568,750,538
STEP 3 CATEGORICAL AID CALCULATION	Excess Cost x 92%	X 92%
	Categorical Aid	\$523,250,495 (a)
DISTRIBUTION OF CATEGORICAL AID (b)	Medicaid replacement aid to be distributed	\$8,997,430
	Catastrophic aid to be distributed	\$947,963
	Transportation aid to be distributed	\$65,786,176
	Special teacher aid to be distributed	\$447,518,926
<p>(a) The Legislature did not appropriate this amount for the 2017-18 school year. Instead, the Legislature appropriated about \$446 million, or 79%, of excess costs.</p> <p>(b) These amounts do not reflect the actual amount distributed in the 2017-18 school year because the Legislature did not appropriate enough funds to do so. See Question 2 for more information on this issue. Source: LPA analysis of KSDE data.</p>		

State law then requires categorical aid to be distributed in specific ways, largely as reimbursements for various types of special education costs. These amounts must be determined in a specific order. As *Figure OV-2* shows, for the 2017-18 school year:

- First, about **\$9 million in Medicaid replacement state aid** was distributed. Districts receive this aid based on the number of Medicaid-enrolled students who receive special education services in the district.

- Second, almost **\$1 million in catastrophic aid** was paid to districts who applied for additional funding for a student whose services are exceptionally expensive. Districts receive 75% of the excess costs for each student whose total excess costs are above a set threshold (\$55,500 for the 2017-18 school year).
- Third, districts were reimbursed **\$66 million for transportation costs** incurred for transporting special education students and mileage reimbursements for special education staff. Districts are reimbursed for 80% of their total transportation costs.
- Last, **\$447 million in special education teacher aid** should have been distributed to each organization based on its total special teacher and paraprofessional FTE staffing levels. Although this was the calculated amount to be distributed it was not the actual amount distributed to school districts in the 2017-18 school year. Question 2 discusses this issue in more detail.

The state's method for calculating and distributing funding is not intended to cover 100% of all special education costs. The state's method of calculating funding for special education is intended to encourage prudent spending. For example, districts are more likely to spend money efficiently when they must cover a portion of those expenditures. Additionally, by providing funding based on district expenditures instead of special education students, the state reduces the incentive to over-identify students for additional funding.

Further, districts do not receive reimbursement for all of their expenditures. As mentioned above, districts are reimbursed for only three types of expenditures: transportation, costs related to extraordinarily expensive students (catastrophic aid), and special teachers and paraprofessionals. However, districts incur many other types of expenditures including for training, assistive technology devices for students, and administration which are not reimbursable.

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

If staffed at recommended levels, we estimate it would cost special education organizations in Kansas between \$940 million and \$1.2 billion to provide special education and related services annually. The amount organizations spend on special education can differ from the cost to provide those services (p. 9). We built a model to estimate how much it would cost organizations to provide required special education services (p. 10). If staffed at recommended levels, we estimate it could cost between \$940 million and \$1.2 billion annually to provide special education and related services—which exceeds current spending by \$41 million to \$361 million (p. 12). However, it may be difficult for districts to hire the number of staff suggested in our model because of current teacher shortages (p. 16).

The Amount Organizations Spend on Special Education Can Differ from the Cost to Provide Those Services

Under state and federal law, school districts must provide all special education services a student needs, as determined by the Individualized Education Plan (IEP) team. Both state and federal law require districts to provide services to exceptional students (in Kansas, exceptional children include both students with disabilities and gifted students). State and federal law also require districts to have an IEP in place for each exceptional student. A student’s IEP is developed by a team of individuals, which must include at least one parent, one special education teacher, one regular education teacher, a representative of the school district, and someone qualified to interpret evaluation results (typically a psychologist). This team is responsible for setting appropriate and measurable goals for the student and must determine what services the student needs to meet those goals. Special education organizations must provide these services regardless of the cost to the organization.

The cost of providing special education services can differ from the amount an organization spends. In this report, we use the term cost to describe all of the resources (e.g. staff, materials, building space, transportation, etc.) needed to provide required special education services. This is very different than expenditures, which we use to describe what special education organizations actually spent to provide services. Costs can differ from actual expenditures for two primary reasons:

- **Inefficient use of resources can result in expenditures that are greater than costs.** For example, if a district relies on inefficient bus routes to transport special education students, the amount spent on transportation would be greater than actual resources required.

- **A lack of resources (e.g. a lack of qualified teachers or insufficient funding) can result in expenditures that are less than costs.** For example, if best practices suggest one special education teacher for every 14 students is best, but there is a shortage of qualified teachers, the district may hire fewer teachers than best practice suggests.

In the 2017-18 school year, Kansas special education organizations spent almost \$900 million to provide special education and related services to students. The goal of this audit was to evaluate how much it would actually cost to provide those services.

We Built a Model to Estimate How Much It Would Cost Organizations to Provide Required Special Education Services

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 selected three districts, three interlocals and three cooperatives to capture all types of special education organizations and to get a reasonable mix of organization sizes and locations in Kansas. The nine organizations we chose represent about 25,000 special education students (28% of all special education students statewide) and 51 districts (about 20% of all districts). We visited each organization, conducted extensive interviews, and asked each organization to submit data on a variety of issues including expenditures, staff, and time spent on various tasks. We also reviewed 225 IEPs from a sample of students in those organizations to understand what services students receive and how those services vary across the different types of student needs. **Appendix B** shows additional information about the nine organizations in our selection.

We used that information to develop a model to estimate the total cost of providing special education services statewide. The model uses the information we gathered from the nine special education organizations, our consultant, and a literature review to estimate the total amount all organizations might spend to provide special education services if resources were not limiting factors. Our estimate includes the costs to provide special education and related services to students age 3-21 because state and federal law requires school districts to provide services to students in this age range. Further, because public schools are required by state law to provide special education services to private school students, we included those costs as well. Last, our estimate includes costs related to staff, training, administration, supplies, facility maintenance, and other miscellaneous costs.

Our model was based largely on an input-oriented professional judgment approach. Our cost estimates reflect staffing levels that organization officials, literature, and a consultant suggested were

optimal to help students achieve their IEP goals. Our consultant has more than 45 years of experience in special education and was recommended by both KSDE and the Kansas Association of School Boards. Staffing levels for those staff who primarily work with students, which make up about 75% of the costs in our model, were largely set in two ways:

- **For related service staff, such as physical therapists and psychologists, we set staffing levels at an amount that was directly related to student needs.** For these staff, we reviewed a sample of IEPs and worked with a consultant to determine a range of services students with different types of needs typically need. Then, staff amounts were set at a level appropriate to provide those services.
- **For other staff including teachers and paraprofessionals, staff amounts were set using teacher-to-student ratios.** These ratios were based on literature and what organization officials told us they needed to provide services for their students. **Appendix C** describes how we set staffing levels in more detail.

For other components of our model (such as transportation and supply costs) we used a variety of other methods such as regression models and analysis of current staffing and expenditure trends to estimate costs.

We did not create an outcomes-based model because appropriate outcomes vary considerably for students who receive special education services. For some students, state assessments may be an appropriate measure, but other students may not take the regular state assessment. Additionally, students receive the services their IEP team thinks are necessary to help them meet their goals. These goals are unique to each student and can vary from academic goals (e.g. improvement in letter recognition) to behavioral goals (e.g. reduce the number of outbursts in class). As a result, we did not have objective and consistent measures to determine outcomes for special education students.

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. Critiques of the professional judgement model note that the experts who help determine how many resources are required may not specify the most efficient combination of resources necessary to achieve intended results. Although some staffing levels were set to what special education staff told us they needed, those staffing levels were similar to suggested staffing levels recommended by professional and academic research. For example, the number of teachers special education staff told us they needed placed the number of teachers within a range that one study noted was “healthiest” for special

education organizations. In some areas, such as student transportation and administration, we did not try to determine the efficiency of district's current practices. However, we did base costs on average or median district expenditures, which we think helps ensure that our estimates are less likely to be inflated. Moreover, only about 20% of our model's total costs are based primarily on organizations' current expenditures. Nevertheless, to the extent that the nine organization expenditures or their opinions on appropriate staffing levels are unreasonably inflated, our cost estimates would be somewhat as well.

Last, we used current average salary and benefit data provided by nine special education organizations. If those organizations' expenditures are significantly more or less than the statewide average, our total cost estimate would reflect that difference.

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

We estimate the total cost to provide special education services in Kansas could range from \$940 million to \$1.2 billion because students' needs vary greatly. We reviewed 225 student IEPs to understand the type and range of services students need. The estimated range our model produced reflects different assumptions about how many services students might need. For example, the low-end estimate assumes that most students statewide would have moderate needs and therefore receive a moderate amount of services. However, our high-end estimate assumes students have much more significant needs and receive a greater amount of services. In reality, needs vary across the student population so costs may be somewhere in between our two estimates.

About three-quarters of our total estimated costs are associated with staff who provide direct services to students. *Figure 1-1* shows our total cost estimates by category. As the figure shows, we estimate it would cost special education organizations between \$712 million and \$888 million (or between 73% and 76% of our total estimated costs) for staff who provide direct services to students.

- **Special education teachers represent 30% to 38% of the total costs in our model.** These teachers typically teach in a dedicated special education classroom but may occasionally teach in the regular education classroom with the regular education teacher (a practice called co-teaching).
- **Paraprofessionals represent about 18% of the total costs in our model.** These staff provide a variety of services including working with students in small groups, helping a student stay focused, or assisting a student with moving from class to class. Paraprofessionals must work under the supervision of a teacher or other licensed staff.

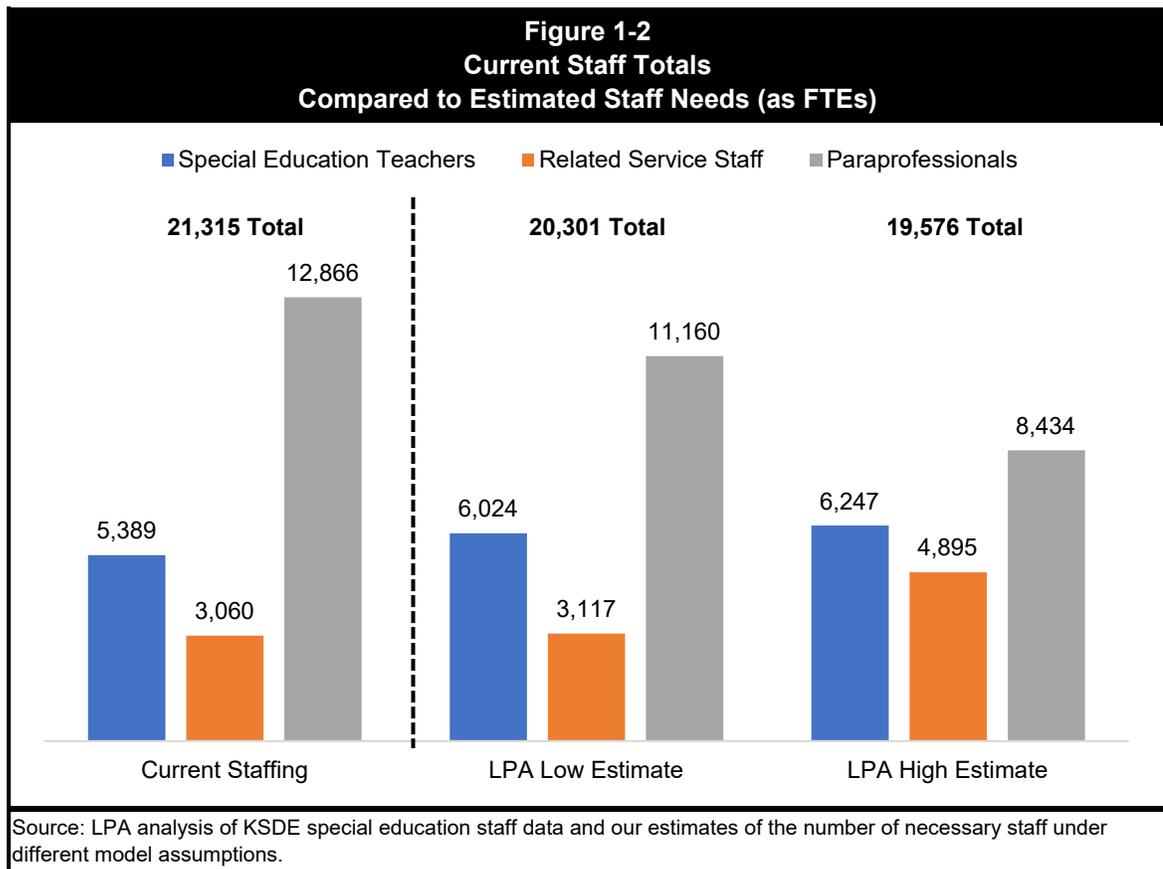
- **Related service providers represent 20% to 25% of the total costs in our model.** These staff provide services that help students better participate in their education. For example, an occupational therapist may help a child gain the skills he needs to properly hold a pencil. These providers include staff such as physical therapists, occupational therapists, and speech pathologists.

Figure 1-1 LPA Estimated Cost to Provide Special Education Statewide (in millions)				
Cost Sector	Total Costs for All Organizations			
	Low Range Estimate		High Range Estimate	
	\$	%	\$	%
DIRECT SERVICES STAFF COSTS				
Special Education Teachers	\$353.5	37.6%	\$366.5	30.1%
Related Service Staff	\$190.1	20.2%	\$298.5	24.5%
Paraprofessionals	\$168.2	17.9%	\$222.5	18.2%
Sub-Total	\$711.8	75.7%	\$887.5	72.8%
OTHER COSTS				
Other Related Services <i>(e.g. student transportation, assistive technology, extended school-year services)</i>	\$99.0	10.5%	\$192.6	15.8%
Indirect Service Staff <i>(e.g. salary and benefits for staff who primarily provide training and consultation services to teachers or other staff)</i>	\$48.2	5.1%	\$49.8	4.1%
Administration <i>(e.g. salary and benefits for administrators and administrative staff)</i>	\$34.5	3.7%	\$34.5	2.8%
Miscellaneous <i>(e.g. supplies, insurance, utility bills, and teacher transportation)</i>	\$26.0	2.8%	\$31.1	2.6%
Training <i>(training for staff who provide services to students or teachers)</i>	\$10.5	1.1%	\$13.2	1.1%
Extraordinarily High Cost Students <i>(costs related to students who are placed in facilities other than a public school, such as a residential school, or who have extraordinary costs for other reasons)</i>	\$6.8	0.7%	\$6.8	0.6%
Facility Modification and Maintenance <i>(costs to modify buildings to accommodate students with disabilities and the costs related to maintain separate facilities used specifically for special education)</i>	\$3.8	0.4%	\$3.8	0.3%
Sub-Total	\$228.8	24.3%	\$331.7	27.2%
GRAND TOTAL (a)	\$940.4	100.0%	\$1,219.2	100.0%
(a) Does not add due to rounding. Source: LPA estimate based on data provided by KSDE, interviews with staff in nine special education organizations and our consultant, and a literature review.				

Additionally, if organizations hired staff at levels suggested by our model, the state would be responsible for between about \$105 and \$138 million in Kansas Public Employees Retirement System (KPERs) costs annually. This amount would be incurred by the state, rather than by special education organizations, because the state pays the employer share of KPERs on their behalf. This amount is in addition to the \$940 million to \$1.2 billion we estimated it costs special education organizations to provide special education services.

Our model assumes more special education teachers and fewer paraprofessionals than currently staffed. This is because literature and many of the special education staff we interviewed told us having more teachers and fewer paraprofessionals was better for students. Further, organizations appear to currently staff paraprofessionals at a rate that is much greater than is ideal.

Figure 1-2 shows how the total number of teachers, paraprofessionals, and related service staff would change based on our cost estimate. As the figure shows, the total number of staff would decrease from about 21,300 to between 19,600 and 20,300. However, this decrease is driven entirely by a reduced number of paraprofessionals.



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. These per-student cost estimates reflect costs at the high end of our estimates because that is where we saw the greatest variation in costs across organizations. We found a few reasons for these differences:

- **Per-student costs are less for larger organizations.** In our model, smaller organizations generally had higher per-student costs than larger organizations (\$15,900 per student for organizations with fewer than 400 students compared to \$13,800 for organizations with more than 1,200 students). This is likely because larger organizations can spread fixed costs such as rent and utilities across a greater number of students which results in lower per-student costs.
- **Per-student costs are more for organizations that have more high-need students.** *Figure 1-3* shows the related service costs by special need. The costs in this figure are in addition to the cost of teachers and paraprofessionals. As the figure shows, students with hearing impairments or multiple disabilities can be much more expensive than students with learning disabilities or speech difficulties. Organizations with larger shares of these high-cost students will generally have greater per-student costs.

Student Need	Low-End Estimate	High-End Estimate
Hearing Impairment	\$1,637	\$38,037
Multiple Disabilities	\$6,560	\$12,691
Deaf-Blindness	\$6,380	\$11,816
Intellectual Disability	\$0	\$10,303
Traumatic Brain Injury	\$669	\$10,099
Visual Impairment	\$7,037	\$9,612
Health Impairment	\$0	\$9,253
Autism	\$790	\$8,276
Orthopedic Impairment	\$1,043	\$8,075
Emotional Disturbance	\$0	\$8,001
Developmental Delay	\$1,053	\$7,376
Speech and Language	\$526	\$2,690
Learning Disability	\$0	\$1,584
Gifted	\$0	\$0

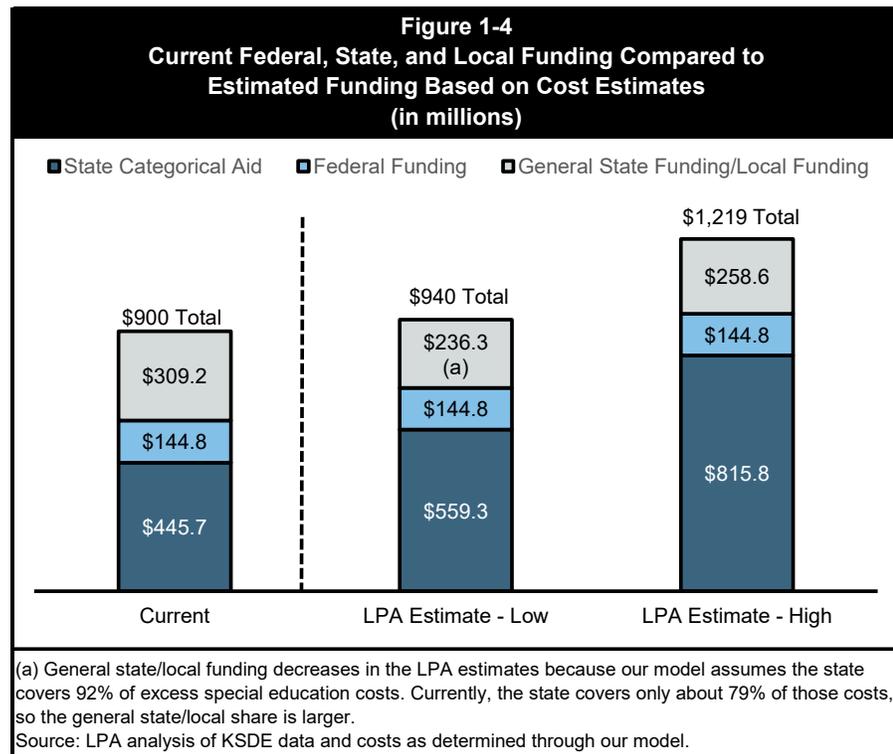
Source: LPA analysis based on review of 225 student IEPs, consultant feedback, and data from nine special education organizations.

- **Per-student costs are more for interlocals than districts and cooperatives.** Interlocals tend to cost more on a per-student basis (about \$15,000 per student, compared to about \$13,700 for districts and cooperatives) because they are entirely separate entities and often have expenditures that do not exist or are lesser for cooperatives and districts. For example, interlocals may have expenses related to maintaining a separate building that cooperatives or districts do not have because those types of organizations are typically housed within a school district building.

Appendix D shows our cost estimate, in total and per-student, for each special education organization in the state. For interlocals and cooperatives, the cost shown is the total cost for the interlocal or cooperative including any costs incurred by the member districts. For example, it is typically a district’s responsibility to make any necessary modifications to a school building (building ramps, widening doorways, etc.) even if the district belongs to a cooperative or interlocal. In our model, the costs associated with that activity are included in the interlocal or cooperative’s total.

It May Be Difficult for Districts to Hire the Number of Staff Suggested in Our Model Because of Current Teacher Shortages

Our special education cost estimates exceed current expenditures by between \$41 million and \$319 million. Special education organizations spent \$900 million on special education and related services in the 2017-18 school year. Our estimated costs exceed current expenditures largely because organizations reported that they cannot hire the amount of staff they believe is most appropriate for their students.



State categorical aid would increase by \$113 million to \$370 million over 2017-18 funding levels if school district's special education expenditures reflected our estimated costs. *Figure 1-4*, on page 16, compares federal, state, and local funding currently to our cost estimate. As the figure shows, state funding would increase with an increase in total special education expenditures, but federal funding levels would remain stable. Local and general state funding levels decrease because currently the state provides funding for only 79% of excess costs. However, in our model we assumed the state would pay the statutorily required 92%. As a result, the local and general aid share of costs decreases as state aid increases.

Special education administrators and staff suggest it is unlikely organizations can hire the increased number of teachers and staff our cost model suggests. Our cost estimate assumes up to a 32% increase in the total number of teachers and related service staff. However, administrators and other staff we interviewed told us they are unable to hire enough qualified staff to fill all their current positions.

- **Administrators and staff told us they are unable to hire the number of special education teachers and paraprofessionals they think is ideal.** Officials told us Kansas has been experiencing a general teacher shortage and noted that special education can be a particularly difficult area in which to work. Additionally, although our model assumes fewer paraprofessionals, some officials also told us that paraprofessionals were difficult to hire due to low pay, a nine-month work calendar, and other employment options.
- **Additionally, they told us they have trouble hiring enough related service providers.** Many organizations told us they needed more related service staff, but that there were not enough available to hire. They also told us it has been difficult to hire service providers like physical therapists and speech pathologists because districts cannot offer pay competitive with the medical field. Additionally, rural organizations told us it is difficult to attract these types of staff to western Kansas.

Special education organizations told us they provide the services students need, but staff shortages are making it increasingly difficult. In this audit, we were not asked to evaluate whether students received all the services to which they are entitled. Organizations told us they thought they are providing appropriate levels of services to all special education students. However, staffing shortages have resulted in higher caseloads and class sizes than literature, special education staff, and our consultant told us were optimal. Further, some organizations told us high caseloads contributes to staff burnout, which further exacerbates an already difficult hiring situation. Additionally, staff shortages sometimes result in students receiving services from an

assistant (such as an occupational therapy assistant) or from an online service. In these situations, students still receive the services they need but may receive them from a less ideal provider.

OTHER FINDINGS

Some Districts Had More of Their Special Education “Excess” Costs Covered by State Aid Than Others

Due to time constraints, for the following analysis, we looked only at districts that provide special education services in-house and not through a cooperative or interlocal.

For the 33 districts we evaluated, state categorical aid covered between 57% and 148% of estimated district excess costs.

Across the 33 districts we examined, we found significant differences in the percentage of special education expenditures that state special education funding covered. For example, Lansing received enough funding to cover 57% of its excess costs whereas Wellington received funding equivalent to 148% of its excess costs. These results are consistent with what we have found in past audits. *Appendix E* shows the 33 districts we evaluated and the extent to which categorical aid covered their excess costs.

The percentage of excess costs that categorical aid covers varies due to how much and what kind of expenditures districts have. We identified three factors that influence how much of a district’s excess costs will be covered by categorical aid including:

- **Districts that spent more per student received funding that covered a smaller percentage of their costs.** Districts that received funding that covered more than 100% of their costs spent, on average, about \$8,300 per student. In contrast, districts that received funding that covered less than 75% of their costs spent, on average, about \$11,300 per student.
- **Districts that pay staff more will receive funding that covers a smaller percentage of their costs.** In the 2017-18 school year, districts received about \$27,800 per special teacher FTE. A special education teacher costs, on average, about \$60,000 of which, special teacher aid covers 46%. As a result, a district that pays more than average will receive funding that covers a smaller percentage of their costs.
- **Districts that have a greater proportion of costs that are not reimbursable will also receive funding that covers a smaller percentage of their costs.** Only three types of expenditures receive reimbursement: transportation, costs related to extraordinarily expensive students (catastrophic aid), and special teachers and paraprofessionals. However, districts incur many other types of expenditures including training, assistive technology devices for students, and administration which are not reimbursable. As a result, districts that have more of these types of costs will receive funding that covers a smaller percentage of their total excess costs.

Last, when district expenditures exceed funding they must use local funds or other state general education funds to pay for the excess. However, when districts receive funding that exceeds their expenditures, they can keep that funding, but they must spend it within their special education program.

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

Special education funding has been correctly calculated and distributed in the years we reviewed, but the Legislature has provided less funding than required by state law. KSDE calculates special education funding in accordance with state law but may slightly overestimate organizations' expenditures (p. 21). The Legislature has not appropriated funding in accordance with statute in recent years (p. 22). In the years we reviewed, KSDE has distributed each of the four types of special education aid correctly (p. 23).

KSDE Calculates Special Education Funding in Accordance with State Law, but May Slightly Overestimate Organizations' Expenditures

State law defines the process by which categorical aid should be determined but does not define how KSDE should determine total expenditures. KSDE has the responsibility to calculate categorical aid. Categorical aid is first based on total special education expenditures, which statute requires KSDE to determine. However, statute does not describe what year of expenditures the department should base its calculations on or how to determine total expenditures.

As a result, KSDE bases its calculations on estimated current year expenditures. KSDE does this by adding an inflation factor to the previous year's expenditures. The inflation amount varies from year to year (it has ranged from 1.0% to 2.5% in the last few years) and is based on KDSE's estimate of the likely increases in staff and salary costs. KSDE officials told us they take this step to ensure that organizations receive funding based on the most current expenditure amount possible. They told us that if they used prior year expenditure levels as the base, districts could face serious budget difficulties if expenditures increased significantly from one year to the next.

KSDE's methodology appears reasonable but it may slightly overestimate organizations' expenditures. Staff from the Office of Revisor of Statutes told us that agencies typically have flexibility in implementing vague statutory provisions. Additionally, because of the timing involved (funding for the next year is determined before the previous school year is over) some type of estimation is necessary.

If actual expenditures turn out to be different from the estimate, it could result in more or less funding than is statutorily required. In four of the last five years, we found that KSDE's expenditure estimates were slightly more than actual expenditures. In those five

years, KSDE's estimates ranged from 0.9% less than actual expenditures to 2.3% more than actual expenditures. Because of the magnitude of special education funding, even slight variances result in large dollar amounts. For example, in 2015, the department overestimated expenditures by 2.3%, or nearly \$20 million, which would have resulted in an \$18 million overpayment had the Legislature based funding on the statutory formula. However, as discussed more fully below, the department's overestimations have not resulted in overpayments in recent years because the Legislature has not used the statutory formula to set categorical aid.

The Legislature Has Not Appropriated Funding in Accordance with State Law in Recent Years

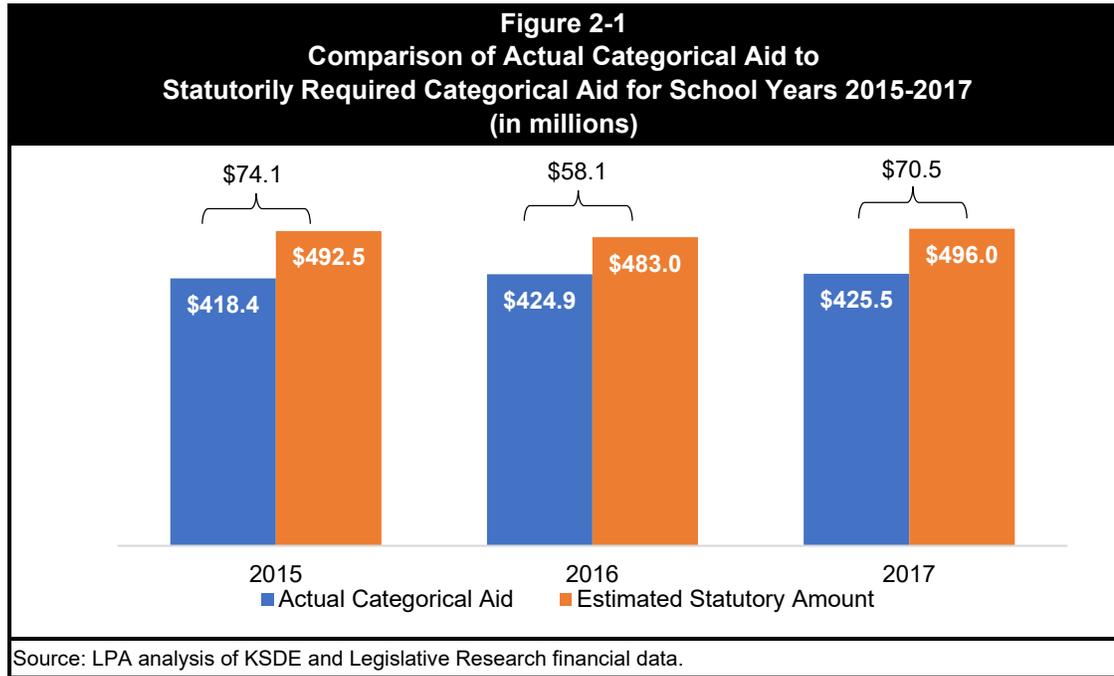
As discussed in Question 1, state law requires that the state's categorical aid should be equal to 92% of special education organizations' excess costs.

The Legislature has not appropriated enough funding to meet the statutorily required 92% in recent years. Since the 2012 school year, the Legislature has routinely set the categorical aid appropriation at less than 92% because of budget difficulties. Legislative research staff told us the main considerations in the last several years have been to provide enough funding to meet the federal maintenance of effort requirement (this is required to be eligible for federal special education funding) and the governor's budget request rather than following the formula defined in statute.

As a result, in school years 2015 through 2017, categorical aid was only funded at 78% to 81% of organizations' excess costs. *Figure 2-1*, on the next page, compares the amount of funding organizations should have received based on the statutory formula to the amount they actually received. As the figure shows, in recent years special education organizations have received between \$58.1 million and \$74.1 million less in special education funding than they were statutorily entitled to receive.

This funding shortage primarily affects the amount of special teacher aid that districts receive. State law requires that KSDE calculate Medicaid replacement aid, transportation, and catastrophic aid before calculating special teacher aid. As a result, special education organizations still receive the statutorily required amount of these types of funding even when the Legislature does not appropriate the statutorily required amount of categorical aid. The remaining funding is then distributed based on a set amount per special teacher FTE. When there are fewer funds left after catastrophic, Medicaid replacement, and transportation aid are paid, organizations receive less per special teacher than they otherwise would. For example, in 2017-18 districts received

\$27,810 per special teacher FTE although we estimated they would have received about \$32,600 per special teacher FTE if total funding had been equivalent to 92% of excess costs.



In the Years We Reviewed, KSDE Has Allocated Each of the Four Types of Special Education Aid Correctly

It appears KSDE allocated funding correctly, provided guidance to school districts that aligned with statute, and had sufficient audit procedures to detect irregularities. We evaluated whether the department had accurately allocated each of the four types of special education aid (catastrophic, Medicaid replacement, transportation, and special teacher aid) to special education organizations in the last three years. To do this we reviewed statutory requirements, interviewed staff at KSDE and at the Office of the Revisor of Statutes, and reviewed guidance documents KSDE provides to special education organizations. **Figure 2-2**, on the next page, shows the areas we evaluated and the results of our assessment. As the figure shows, KSDE’s allocations aligned with state law in the areas we reviewed.

**Figure 2-2
Results of LPA Review of KSDE Categorical Aid Allocations to Districts
School Years 2015-2017**

MEDICAID REPLACEMENT AID	Did KSDE allocate less than statutory maximum (\$9 million) as Medicaid replacement aid?	✓
	Did KSDE calculate the per-child Medicaid replacement aid payment correctly?	✓
	Did KSDE calculate each district's total Medicaid replacement aid amount correctly?	✓
	Did KSDE guidance on when to determine Medicaid student counts align with statute?	✓
	Is KSDE's audit process sufficient to detect irregularities?	✓
CATASTROPHIC AID	Did each district claim, meet, or exceed the statutory threshold for "catastrophic" cost?	✓
	Did KSDE calculate each catastrophic aid reimbursement in accordance with statute?	✓
	Did KSDE guidance on catastrophic aid align with statute?	✓
	Is KSDE's audit process sufficient to detect irregularities?	✓
TRANSPORTATION REIMBURSEMENTS	Did KSDE calculate each district's transportation reimbursement correctly?	✓
	Did KSDE guidance on transportation reimbursements align with statute?	✓
	Is KSDE's audit process sufficient to detect irregularities?	✓
SPECIAL TEACHER REIMBURSEMENTS	Did KSDE correctly calculate special teacher FTEs?	✓
	Did KSDE correctly allocate funding based on district FTEs?	✓
	Did KSDE guidance on special teacher reimbursements align with statute?	✓
	Is KSDE's audit process sufficient to detect irregularities?	✓
Source: LPA analysis of state statutes and KSDE data.		

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

Kansas and the five other states we reviewed varied in terms of how special education funding is determined and distributed. The six states we reviewed distributed funding based on a reimbursement method, a needs-based method, or both (p. 25). A 2016 Connecticut report identified eight primary mechanisms for state funding of special education (p. 27). At least half of U.S. states, including Kansas, require school districts to provide gifted services (p. 27).

The Six States We Reviewed Distributed Funding Based on a Reimbursement Method, a Needs-Based Method, or Both

We compared Kansas' method for calculating and distributing special education funding to five states we selected (Iowa, Missouri, Nebraska, Oklahoma, and Tennessee). We selected most of these states because they are either geographically close or similar to Kansas in terms of population. However, we chose Tennessee because they require districts to provide gifted services under special education (like Kansas).

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. Kansas partially reimburses districts for expenditures related to transportation, certain staff, and certain high-cost students. Nebraska provides partial reimbursement for allowable costs including salaries, training, and transportation.

Additionally, Kansas and Nebraska both limit total special education funding at a percentage of excess costs. Nebraska officials reported that their legislature has provided funding for about 50% of excess costs in recent years. In comparison, Kansas provided funding to cover between 78% and 81% of excess costs in recent years (although statute requires 92%).

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. *Figure 3-1*, on the next page, shows the basis for which funds are distributed to school districts in the states we assessed. As the figure shows, Iowa and Oklahoma provide funding for each student based on the needs of the student or required service levels. This method directs more funding to districts that have students who have more significant needs and less funding to those whose students' needs are not as great. Tennessee provides funding based on the number of

teachers the district is predicted to need. A district with higher needs students is likely to need more teachers and thus receives more funding.

Figure 3-1
Comparing the Funding and Distribution Process of Kansas with Other States

Funding Basis	State	Does the state limit the total amount of special education funding?	On what basis are funds distributed to school districts?
Needs-Based	Iowa	No	Per-student funding based on: • the type of services the student requires
	Oklahoma	No	Per-student funding based on: • the needs of the student
	Tennessee	No	Funding based on: • the number of teachers the district is predicted to need (teacher levels based on student need)
Reimbursement	Kansas	Yes (92% of excess costs)	Partial reimbursement for: • transportation • teachers and paraprofessionals • extraordinarily expensive students Small amount of per-student funding for: • students who receive special education services and are enrolled in Medicaid
	Nebraska	Yes (A percentage of excess costs as determined by the legislature each year (a))	Partial reimbursement for: • salaries for special education staff and certain support staff • professional development • transportation • assistive technology • certain pre-school costs • utilities
Needs-Based and Reimbursement	Missouri	No	Partial reimbursement for: • assistive technology • reading assistance for blind students • students placed out-of-district • extraordinarily expensive students Per-student funding for: • every special education student in the district above a certain number of students

(a) Nebraska officials told us special education funding has covered about 50% of excess costs in recent years.
Source: LPA interviews with state officials and review of documents and statutes.

Missouri uses a combination of reimbursement and needs-based funding. Missouri provides funding to districts that have higher than average concentrations of students in special education because those districts are likely to have greater costs. Additionally, Missouri reimburses school districts for certain types of expenditures such as assistive technology or expenditures related to placing a student outside of a public school. Missouri limits how much it will spend on certain types of reimbursements but has no limit for the total amount of special education funding.

A 2016 Connecticut Report Identified Eight Primary Mechanisms for State Funding of Special Education Nationwide

In 2016 the Connecticut School Finance Project released a modified version of a classification scheme used by the National Association of State Directors of Special Education to categorize the various approaches states use to fund special education. Their results provide a general framework for understanding different special education funding mechanisms used throughout the country.

The report categorized all states into one of eight methods of special education funding. We did not always agree with how states were categorized. For example, the Connecticut study places Missouri in the single weight category but our work indicates that placing them in the combination category might be more accurate. Nevertheless, the study provides an overview of the several types of special education funding mechanisms states use. *Appendix F* shows how the Connecticut study categorized each state.

- 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). This is also referred to as needs-based funding.
- 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).
- 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

Kansas state law requires school districts to provide services to gifted students through their special education programs although federal law does not require this. We specifically examined how other states provide services to gifted students because many stakeholders told us it was unusual for a state to require the services to be provided under special education.

Most states require school districts to provide gifted services and many states align some aspect of that requirement with special education requirements. A 2015 study by the National Association for Gifted Children found a variety of requirements for how states provide gifted services. Forty-two states, including the District of Columbia, reported to the association's request for information although not all the states responded to all the questions. Specifically, the report noted:

- 28 states reported having a legal mandate to provide services to gifted students.
- 23 states reported that some aspect of how they provide gifted services is similar to special education. For example, some states require districts to actively identify gifted students or guarantee due process in the same manner that students who receive special education services do.
- Only nine states, including Kansas, require gifted students to have an IEP.

Last, 27 states reported they receive funding to provide services to gifted students. The most common method for distributing that funding was through a weighting that provided additional funding for each student who received gifted services.

Conclusion and Recommendations

Conclusion

The method used and extent to which states fund special education varies widely across the country. Kansas law calls for a reimbursement method that links funding to school district's special education expenditures (but that method not been used in recent years). Our analysis suggests that it would potentially cost school districts hundreds of millions more to provide special education at recommended staffing levels. If organizations hired the additional staff our model suggests is necessary, their expenditures would increase which would trigger additional state funding. However, a current shortage of special education teachers, paraprofessionals, and related service staff will likely make it difficult for school districts to incur all these additional costs in the near future.

Recommendations

Kansas Legislature

1. To address issues with state law's lack of clarity regarding how KSDE should determine total special education expenditures (page 21), the Kansas Legislature should consider reviewing K.S.A. 72-3422 to determine whether more explicit instructions would better convey Legislative intent.
2. To address categorical aid not having been appropriated at the statutory level in recent years (page 22), the Kansas Legislature should consider either funding categorical aid at the statutory amount or changing K.S.A. 72-3422 to reflect the method by which the Legislature sets special education funding.

APPENDIX A
Agency Response

On October 22, 2018 we provided copies of the draft audit report to the Department of Education. The department generally concurred with the audit's findings. Its response is included as this appendix.



Division of Fiscal and Administrative Services

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November 2, 2018

Mr. Justin Stowe
Legislative Post Auditor
Legislative Division of Post Audit
800 S. W. Jackson Street, Suite 1200
Topeka, Kansas 66612-2212

Dear Mr. Stowe:

Thank you for the opportunity to review your recent performance audit, *K-12 Education: Evaluating Special Education Costs*. Our concerns are limited to the following:

Question 2, Paragraph 1 concerning the process by which categorical aid should be determined and how KSDE should determine total expenditures. The last sentence indicates that state law does not describe what year of expenditures the department should base its calculations on or how to determine total expenditures.

- KSA 72-3422(a) provides for the calculation of total special education expenditures
- KSA 72-3422(b) provides for the calculation of special education state aid
- KSA 72-3422(g) further clarifies that special education expenditures are paid from the special education fund.

These estimates are reviewed annually by the Legislative Research Department, the Division of the Budget, and legislative subcommittees.

Please feel free to contact this office if we can assist you further.

Sincerely,

Dale M. Dennis, Deputy
Commissioner of Education

DMD:tjm

h:\eg:LDPA—Special Education—11-2-18

APPENDIX B
Additional Information for the Nine Organizations We Selected

This appendix shows the various characteristics we considered when selecting districts to review for this audit. The nine organizations in our sample represent a reasonable cross section of districts statewide in terms of location, organization type, and number of students receiving special education services.

Appendix B				
Selected Information for the Nine Organizations We Reviewed				
2017-18 School Year				
Organization Name (a)	Location	Organization Type	# Member Districts	Special Needs Students
Wichita USD	Wichita	District	1	8,297
Wyandotte Comprehensive Special Education Cooperative	Kansas City	Cooperative	3	4,194
Sedgwick County Area Educational Services Interlocal Cooperative	Goddard	Interlocal (a)	9	3,382
Central Kansas Cooperative in Education	Salina	Cooperative	12	3,129
Lawrence USD	Lawrence	District	1	2,062
Southwest Kansas Area Cooperative District	Ensign	Interlocal	14	1,735
West Central Kansas Special Education Cooperative	Hays	Cooperative	4	848
Three Lakes Educational Cooperative	Lyndon	Interlocal	6	823
Silver Lake USD	Silver Lake	District	1	102

(a) The names of some interlocals in Kansas contain the term "cooperative" but they are still considered interlocals by KSDE and by LPA.
Source: LPA analysis of KSDE data.

APPENDIX C

Detailed Methodology for Setting Staff Levels in the Cost Model

To determine how many teachers, paraprofessionals, and related service staff were necessary to help students make progress on their IEP goals we reviewed literature, interviewed staff at nine special education organizations, and requested feedback from our consultant. Staffing levels in our model were set based on the following things:

- **Student to teacher ratio was based on literature and the number of teachers the nine organizations we interviewed told us was optimal for their organization.** The low end of our estimate set one teacher for every 14.6 students while the high end set it at one teacher for every 14.1 students. Both metrics result in a number of teachers that is much closer to the number of teachers a 2009 Vermont study found to be the “healthiest”. That study found that schools with one special education teacher for every 50 to 79 total students reported they had the resources they needed to adequately provide services. Under our model, Kansas schools would have one teacher for every 79 to 82 students (currently it is one teacher per 93 students).
- **The paraprofessional to teacher ratio was based on literature and what special education organization staff told us they needed.** The low end of our estimate sets 1.8 paraprofessionals for every one teacher while the high end set it at 1.4 paraprofessionals for every one teacher. Currently, Kansas special education organizations have an average of three paraprofessionals per teacher. Both the literature we reviewed and the staff we interviewed told us that generally, fewer paraprofessionals and more teachers is better.
- **Related service staff was based on the number of staff it would take to provide the services that students with different types of exceptionalities would need.** Based on IEPs, organization officials, and our consultant we determined a range of services students with different types of exceptionalities typically require. From that we determined how many staff it would take to fulfill all those services for the state’s 86,500 SPED students. We also considered the amount of time those staff spend on other tasks such as performing student evaluations, assisting with IEPs, and traveling.

APPENDIX D
Total and Per-Student Cost Estimates by Special Education Organization

This appendix shows the total and per-student cost estimate for both the low and high end of our cost model. For interlocals and cooperatives, the cost shown is the total cost for the interlocal or cooperative and any costs incurred by the member districts. For example, it is typically a district's responsibility to make any necessary modifications to a school building (building ramps, widening doorways, etc.) even if the district belongs to a cooperative or interlocal. However, in our model costs associated with that activity are included in the interlocal or cooperative's total.

Appendix D					
LPA Special Education Total and Per Student Cost Estimates					
School Year 2018					
#	Organization Name	Low End Estimate		High End Estimate	
		\$ (millions)	Per Student	\$ (millions)	Per Student
202	Turner-Kansas City	\$6.0	\$10,475	\$7.7	\$13,330
207	Ft Leavenworth	\$3.2	\$10,966	\$4.0	\$13,575
229	Blue Valley	\$40.4	\$10,159	\$50.6	\$12,722
230	Spring Hill	\$8.7	\$11,058	\$10.4	\$13,293
231	Gardner Edgerton	\$12.0	\$10,873	\$15.3	\$13,917
232	De Soto	\$8.9	\$10,631	\$11.7	\$13,962
233	Olathe	\$53.8	\$10,778	\$67.8	\$13,593
234	Fort Scott	\$3.4	\$10,842	\$4.6	\$14,366
259	Wichita	\$89.4	\$10,773	\$114.2	\$13,763
260	Derby	\$13.8	\$10,332	\$16.5	\$12,365
261	Haysville	\$11.0	\$10,880	\$14.6	\$14,420
263	Mulvane	\$3.9	\$11,478	\$5.3	\$15,507
290	Ottawa	\$4.7	\$11,183	\$6.5	\$15,483
308	Hutchinson	\$11.7	\$10,761	\$14.4	\$13,229
321	Kaw Valley	\$3.0	\$10,359	\$4.2	\$14,504
330	Mission Valley	\$1.3	\$11,806	\$1.9	\$17,274
345	Seaman	\$8.4	\$11,392	\$11.6	\$15,756
353	Wellington	\$4.6	\$10,953	\$6.6	\$15,613
372	Silver Lake	\$1.3	\$12,520	\$1.8	\$18,055
383	Manhattan-Ogden	\$15.2	\$10,623	\$20.5	\$14,296
389	Eureka	\$1.1	\$12,481	\$1.7	\$18,852
407	Russell County	\$2.1	\$10,667	\$2.6	\$13,418
409	Atchison	\$5.0	\$11,017	\$6.4	\$14,052
437	Auburn Washburn	\$11.1	\$10,874	\$15.0	\$14,737
450	Shawnee Heights	\$6.3	\$10,801	\$8.0	\$13,708
453	Leavenworth	\$8.2	\$11,119	\$10.0	\$13,494
457	Garden City	\$12.4	\$12,394	\$16.4	\$16,394
469	Lansing	\$6.1	\$10,459	\$7.8	\$13,318
475	Geary County	\$15.7	\$10,754	\$21.3	\$14,579
480	Liberal	\$6.6	\$12,094	\$8.8	\$16,032
497	Lawrence	\$23.1	\$11,181	\$30.1	\$14,584
501	Topeka	\$33.6	\$10,767	\$44.0	\$14,114
512	Shawnee Mission	\$37.7	\$10,456	\$45.3	\$12,571

**Appendix D (continued)
LPA Special Education Total and Per Student Cost Estimates
School Year 2018**

#	Organization Name	Low End Estimate		High End Estimate	
		\$ (millions)	Per Student	\$ (millions)	Per Student
602	NKESC	\$13.1	\$10,976	\$17.6	\$14,746
603	ANW Special Education Cooperative	\$12.2	\$12,079	\$17.4	\$17,218
605	South Central Kansas Special Education Cooperative	\$15.1	\$10,849	\$21.0	\$15,046
607	Tri County Special Education Cooperative	\$14.9	\$10,744	\$18.7	\$13,468
608	Northeast Kansas Education Service Center (Keystone)	\$11.2	\$11,360	\$15.5	\$15,696
609	Southeast Kansas Education Service Center (Greenbush) (a)	\$1.1	N/A (a)	\$1.1	N/A (a)
610	Reno County Education Cooperative	\$9.1	\$11,471	\$12.7	\$16,035
611	High Plains Educational Cooperative District	\$13.3	\$10,811	\$17.5	\$14,177
613	Southwest Kansas Area Cooperative District	\$18.4	\$10,578	\$25.4	\$14,649
614	East Central Kansas Cooperative in Education	\$9.5	\$11,452	\$12.9	\$15,537
615	Brown County Kansas Special Education Interlocal	\$3.7	\$11,244	\$5.2	\$15,774
616	Doniphan County Education Cooperative	\$3.3	\$11,537	\$4.3	\$15,112
617	Marion County Special Education Cooperative	\$5.1	\$13,286	\$7.4	\$19,166
618	Sedgwick County Area Educational Services Interlocal Cooperative	\$35.9	\$10,620	\$49.9	\$14,768
619	Sumner County Educational Services Interlocal	\$4.0	\$12,063	\$5.9	\$17,876
620	Three Lakes Educational Cooperative	\$9.2	\$11,125	\$12.5	\$15,130
636	North Central Kansas Special Education Cooperative	\$8.6	\$11,960	\$12.1	\$16,719
637	Southeast Kansas Interlocal	\$27.4	\$10,824	\$37.7	\$14,867
638	Butler County Special Education Interlocal	\$30.0	\$10,600	\$38.4	\$13,573
700	Special Education Cooperative	\$4.5	\$10,754	\$6.1	\$14,345
701	Coffey County Special Education Cooperative	\$3.5	\$10,839	\$5.3	\$16,469
702	Twin Lakes Educational Cooperative	\$6.2	\$10,643	\$8.5	\$14,464
704	Learning Cooperative of North Central Kansas	\$5.9	\$10,424	\$7.3	\$12,875
706	Flint Hills Special Education Cooperative	\$11.8	\$10,549	\$16.6	\$14,806
707	Barton County Cooperative Program of Special Services	\$8.0	\$10,275	\$10.3	\$13,225
708	West Central Kansas Special Education Cooperative	\$8.8	\$10,341	\$10.7	\$12,609
709	Holton Special Education Cooperative	\$7.1	\$10,704	\$9.2	\$13,903
710	Chautauqua and Elk County Special Education Services	\$2.3	\$11,506	\$3.7	\$17,935
711	Wyandotte Comprehensive Special Education Cooperative	\$48.4	\$11,537	\$53.9	\$12,852
712	Tri County Special Services Cooperative	\$3.4	\$11,069	\$4.6	\$14,814
714	Rice County Special Services Cooperative	\$3.8	\$10,807	\$5.4	\$15,467
715	McPherson County Special Education Cooperative	\$10.2	\$10,872	\$14.7	\$15,683
716	Marshall County Special Education Cooperative	\$2.7	\$10,866	\$3.3	\$13,398
717	Marshall Nemaha County Educational Services Cooperative	\$1.9	\$11,431	\$2.3	\$13,738
718	Harvey County Special Education Cooperative	\$9.9	\$10,493	\$12.5	\$13,274
720	East Central Kansas Special Education Cooperative	\$20.0	\$11,620	\$24.8	\$14,450
723	Central Kansas Cooperative in Education	\$32.3	\$10,318	\$40.4	\$12,897
724	Special Services Cooperative of Wamego	\$6.1	\$11,248	\$8.2	\$15,183
725	Cowley County Special Services Cooperative	\$16.9	\$10,360	\$20.7	\$12,686
726	Tonganoxie/Basehor-Linwood Special Education Cooperative	\$7.8	\$10,866	\$10.2	\$14,161
Total		\$940.4	\$10,871	\$1,219.2	\$14,094

(a) Greenbush is a service center rather than a special education interlocal. It provides certain special education services to school districts such as operating special education schools on behalf of other special education organizations, providing student evaluations, and processing Medicaid claims. Because our model used districts, cooperatives, and interlocals as the basis of analysis, many costs that may in actuality be incurred by Greenbush have been accounted for within other organizations. Additionally, we did not count it as a special education organization because its primary purpose is as a service center rather than a special education organization.
Source: LPA estimate based on data from KSDE, interviews and data from with staff in nine special education organizations, our consultant, and a literature review.

APPENDIX E
Percentage of Excess Costs Covered by School District

This appendix shows excess costs, categorical aid, and the percentage of excess costs categorical aid covered for the 33 school districts in the state that provide special education services in-house (rather than as a part of a cooperative or interlocal). Time and data constraints prevented us from evaluating this for all 72 special education organizations.

Appendix E 2018 Categorical Aid, Estimated Excess Costs, and Percentage of Excess Costs Covered 2017-18 School Year					
USD	School District	Actual Categorical Aid Received	Estimated Excess Costs	Difference between Aid Received and Excess Costs	% of Excess Costs Covered by Categorical Aid
353	Wellington	\$2,123,635	\$1,439,154	\$684,481	148%
389	Eureka	\$589,133	\$453,264	\$135,869	130%
308	Hutchinson	\$4,397,886	\$3,430,296	\$967,590	128%
372	Silver Lake	\$549,956	\$491,479	\$58,477	112%
409	Atchison	\$1,941,978	\$1,744,368	\$197,610	111%
260	Derby	\$5,507,334	\$4,957,295	\$550,039	111%
480	Liberal	\$2,586,974	\$2,400,275	\$186,699	108%
407	Russell County	\$755,410	\$709,519	\$45,891	106%
263	Mulvane	\$1,666,356	\$1,583,389	\$82,967	105%
383	Manhattan-Ogden	\$7,132,216	\$6,951,598	\$180,618	103%
453	Leavenworth	\$3,868,195	\$3,828,361	\$39,834	101%
234	Fort Scott	\$1,241,514	\$1,235,070	\$6,444	101%
345	Seaman	\$4,155,650	\$4,417,273	(\$261,623)	94%
230	Spring Hill	\$2,769,544	\$2,959,157	(\$189,613)	94%
457	Garden City	\$4,991,494	\$5,402,136	(\$410,642)	92%
321	Kaw Valley	\$1,536,988	\$1,696,918	(\$159,930)	91%
202	Turner-Kansas City	\$3,068,346	\$3,398,042	(\$329,696)	90%
261	Haysville	\$5,157,128	\$6,025,539	(\$868,411)	86%
290	Ottawa	\$2,355,092	\$2,841,118	(\$486,026)	83%
231	Gardner Edgerton	\$6,115,307	\$7,378,402	(\$1,263,095)	83%
437	Auburn-Washburn	\$5,521,087	\$7,054,694	(\$1,533,607)	78%
207	Ft Leavenworth	\$1,378,463	\$1,821,588	(\$443,125)	76%
501	Topeka	\$15,346,952	\$20,390,882	(\$5,043,930)	75%
475	Gear County	\$7,250,046	\$9,682,469	(\$2,432,423)	75%
497	Lawrence	\$12,450,262	\$17,490,243	(\$5,039,981)	71%
330	Mission Valley	\$676,541	\$991,919	(\$315,378)	68%
512	Shawnee Mission	\$19,495,585	\$28,648,749	(\$9,153,164)	68%
233	Olathe	\$27,800,879	\$40,999,864	(\$13,198,985)	68%
232	De Soto	\$4,858,841	\$7,188,059	(\$2,329,218)	68%
450	Shawnee Heights	\$2,707,301	\$4,007,895	(\$1,300,594)	68%
229	Blue Valley	\$21,801,651	\$32,318,502	(\$10,516,851)	67%
259	Wichita	\$43,328,346	\$69,823,754	(\$26,495,408)	62%
469	Lansing	\$2,596,382	\$4,542,548	(\$1,946,166)	57%
	Total	\$227,722,472	\$308,303,820	(\$80,581,348)	74%

Source: LPA analysis of KSDE data.

APPENDIX F
Special Education Funding by State

This appendix shows how the Connecticut study discussed in Question 3 categorized each state by special education funding mechanism.

Appendix F Summary of Methods States Use to Fund Special Education		
Method	States	# States
Single Student Weighting	Louisiana, Maryland, Missouri, Nevada, New Hampshire, New York, North Carolina, Oregon, Washington	9
Multiple Student Weighting	Arizona, Colorado, Georgia, Indiana, Iowa, Kentucky, Maine, New Mexico, Ohio, Oklahoma, South Carolina, Texas	12
Resource-Based	Delaware, Hawaii, Mississippi, Tennessee, Virginia	5
Census-Based	Alabama, Alaska, California, Idaho, Massachusetts, Montana, New Jersey, North Dakota	8
Partial Reimbursement	Kansas , Michigan, Nebraska, Wisconsin, Wyoming	5
Block Grant	Utah	1
Combination	Florida, Illinois, Minnesota, Pennsylvania, South Dakota, Vermont	6
No Separate Funding	Arkansas, Connecticut, Rhode Island, West Virginia	4
Source: Connecticut School Finance Project, 2016.		

APPENDIX G Cited References

This appendix includes a list of the studies and reports cited in this report.

1. Exploring Special Education and Paraprofessional Service Delivery in Inclusion-Oriented Schools. (2009, August). *The Journal of Special Education*.
2. Improving How Connecticut Funds Special Education. (2016, March). *Connecticut School Finance Project*.
3. State of the States in Gifted Education. (2015, November). *National Association for Gifted Children*.