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MEMORANDUM

To: Committee on K-12 Education Budget
From: Nick Myers, Office of Revisor of Statutes
Date: February 13, 2024
Subject: Bill Brief – House Bill 2738

Special Education Excess Costs

K.S.A. 72-3422(a) requires the state board of education to calculate the statewide amount of school district 'excess costs' for the provision of special education and related services. The statute establishes that such statewide excess costs amount shall be used to determine the amount of special education state aid that should be appropriated to school districts. The statute provides that the amount of state aid appropriated shall be 92% of such statewide excess costs amount. The term 'excess costs' is not in the statute, but the term is generally known as the additional costs required to provide special education and related services that are over and above the costs to provide a general education.

Section 2 of House Bill 2738 would amend the statewide special education excess costs calculation established in K.S.A. 72-3422 to count additional state and local funding within such calculation. Attached to this memorandum is a chart that shows how the current excess cost calculation is performed and how the statewide excess cost calculation would be performed under HB 2738.

Currently, excess costs are only required to be determined on a statewide basis and not for each individual school district. Section 1 of HB 2738 would require the state board of education to determine each individual school district's excess costs using the same excess cost calculation methodology that HB 2738 uses to determine statewide excess costs. For school districts that are part of an interlocal or cooperative, the state board shall assign the associated costs to each school district that is part of such interlocal or cooperative agreement on the basis of the amounts paid by each school district that participates in such interlocal or cooperative.

Special Education State Aid Distributions

Section 2 of HB 2738 would require the state board of education to establish a special education state aid equalization distribution schedule and to distribute certain amounts of special education state aid to school districts pursuant to such special education equalization distribution schedule. The equalization distribution schedule developed by the state board must be developed in a way that provides for a more equitable distribution of special education state aid based on the discrepancies between the excess costs for each school district.

Specifically, the amount of special education state aid appropriated in excess of the amount appropriated in fiscal year 2023-2024 (\$528,018,516) shall be distributed to school districts pursuant to such equalization distribution schedule in each year. HB 2738 would require the state board of education to continue to distribute \$528,018,516 of the total amount appropriated in such year pursuant to the current distribution method established in K.S.A. 72-3422.

Reporting

After the state board of education determines each individual school district's excess costs, section 1 of HB 2738 would require the state department of education to report each school district's excess cost amount and to publish such amounts on the state department of education's website. Additionally, on or before January 31 of each year, the state department of education would be required to prepare and submit a report to the house committee on K-12 education budget and the senate standing committee on education that provides each individual school district's excess costs and how special education state aid will be distributed pursuant to the equalization distribution schedule established by the state board.

Local Option Budget Transfers

HB 2738 would amend K.S.A. 72-5143 to require each school district to transfer the amount raised by the local option budget that is attributable to the special education weighting to the school district's special education fund.

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Step	K.S.A. 72-3422 Statewide Excess Cost Calculation	HB 2738 Revised Statewide Excess Costs Calculation
1	Determine total general fund and local option budgets of all school districts.	Determine the weighted FTE enrollment excluding the special education weighted FTE as provided on the legal max calculation.
2	Subtract the total amount attributable to the assignment of certain weightings from step 1.	Multiply the amount determined in step 1 by the BASE aid.
3	Divide the amount determined in step 2 by the total FTE student enrollment in all school districts.	Divide the amount determined in step 2 by the total unweighted FTE student enrollment in all school districts.
4	Determine the total FTE student enrollment of students receiving special education services.	Determine the total FTE student enrollment of students receiving special education services.
5	Multiply the amounts of step 3 and step 4.	Multiply the amounts of step 3 and step 4.
6	Determine the amount of federal funds received by all school districts.	Multiply the amount determined in step 5 by the statewide average local option budget percent.
7	Determine the amount of revenue received by all school districts under contracts with state institutions.	Determine the amount of federal funds received by all school districts.
8	Add amounts from step 5, step 6 and step 7.	Determine the amount of revenue received by all school districts for Medicaid reimbursements and under contracts with state institutions.
9	Determine the total amount of school district expenditures for the provision of special education	Add amounts from step 5, step 6, step 7 and step 8.

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10	Subtract the amount determined in step 8 from the amount determined in step 9. This is the total excess cost amount.	Determine the total amount of school district expenditures for the provision of special education
11	Multiply total excess costs by 92%, such amount is the computed amount of state aid for the provision of special education.	Subtract the amount determined in step 9 from the amount determined in step 10.
12		Divide the amount determined in step 11 by an amount equal to one plus the statewide average local option budget percent.
13		Subtract the amount attributable to the special education weighting that is provided to school districts as supplemental state aid from the amount determined in step 12. This is the total excess cost amount.
14		Multiply total excess costs by 92%, such amount is the computed amount of state aid for the provision of special education.