

Testimony before the
Senate Committee on Education

on
SB 620 – Medicaid Replacement Aid

by

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February 21, 2008

Madam Chair and Members of the Committee:

Thank you for the opportunity to offer comments today on **SB 620**, which would change the distribution of special aid to recognize changes in Medicaid reimbursement. Because there has been considerable discussion about special education funding, I am including a broader statement on this issue.

KASB's long-standing position on special education is the state should fund 100 percent of the "excess cost" formula. Although that formula has historically been based primarily on reimbursement of teacher units, rather than actual district costs, the only position adopted by our Delegate Assembly regarding distribution has been that use of a weighting system should be considered. There have been no alternative proposals advanced through our policy-making process. However, much more attention is being focused on the current formula in light of the Post Audit report on the current distribution formula and the replacement of Medicaid funding. We would offer the following comments.

First, the whole point in having a separate funding system for special education is that districts have different costs in serving these children. Therefore, the system ought to reflect these differences, and the more closely it reimburses districts for these actual cost differences, the better.

Second, we believe changes in the formula should be adopted so no districts face abrupt losses in funding.

Third, the Legislature needs to decide on a comprehensive plan for dealing with special education. For example, if the Legislature decides to reimburse districts for their actual costs, a separate system for funding catastrophic costs, which the 2010 Commission recommended adjusting, or reimbursing for Medicaid, which this bills addresses, should not be necessary.

Fourth, the state should carefully study whether changes in funding may have unintended negative consequences. For example, one reason some districts are currently receiving a lower percentage of excess costs is because they pay their teachers more. These districts will argue this is because salary costs are higher in their areas. On the other hand, some districts appear to be getting more than their “fair share” because their salaries are low and pupil teacher ratios are high. Reducing funding for these districts could further depress salaries, make it harder to employ the required number of teachers, and result in even higher “class sizes.” This could, in turn, further reduce state reimbursement and create new inequities.

Fifth, the Legislature needs to understand that reimbursement for actual costs may tend to increase spending on special education. From the viewpoint of students, parents and advocates, that would be a very good thing. Parents want the best for their children, and that often means more expensive services. Often, it is the school system that is put in the position of having to say no. Many advocates claim districts are not providing nearly enough special services – you will no doubt hear that today from those concerned about dyslexia. Yet school districts are also being told the state is spending enough on education, that state spending and taxation is too high, and that school advocates should stop asking for more. But special education is just one area where the state, the federal government, and parents are asking the schools to do more.

In conclusion, KASB supports the concept of linking special education reimbursement more closely to actual costs, but we encourage the Legislature to move with caution.

Thank you for your consideration.