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To: Education Funding Task Force

From: Jennifer Light, Senior Fiscal Analyst

Re: Special Education Funding in State Aid

SPECIAL EDUCATION FUNDING IN FOUNDATION AID

Special education funding holds a unique place within state aid to school districts as it is the only weighting that is an independently appropriated section of state aid and also technically included within the Foundation Aid calculations. The purpose of this memorandum is clarify the relationship between special education funding and Foundation Aid. Given the complexity of school finance and the impact of special education funding, this overview is intended to provide a clearer understanding of the dynamics at play to allow for informed decisions about Special Education State Aid when creating Kansas' new school finance formula.

Funding Sources

In Kansas, special education funding comes from three main sources: local, state, and federal funding. The federal government requires states to provide special education services to children with disabilities between the ages of 3 and 21, including, but not limited to, children with developmental delays, hearing or visual impairments, emotional disturbances, or autism. Federal aid to Kansas remains relatively static and is provided both directly to school districts and through the Kansas State Department of Education (KSDE). For the past several years, federal special education aid has been approximately 10.0 percent of total funding for special education aid. To continue receiving federal aid, the State must maintain its level of effort[1], meaning it must spend at least as much on special education in the current fiscal year as it did in the previous year.

The rest of the funding for special education in Kansas comes from state and local sources. For the last several years, Special Education State Aid has made up approximately 50.0 percent of the overall funding for special education, while local contributions are approximately 40.0 percent.

Although these funding proportions may appear straightforward, the percentages listed above do not account for the Base Aid for Student Excellence (BASE) or other weightings provided by the State for each student in the Kansas School Equity and Enhancement Act

1 The terms commonly used to refer to this requirement are either "maintenance of effort" or "maintenance of fiscal support".

(KEESA) finance formula. That portion of funding is included in State Foundation Aid, rather than in Special Education State Aid. There are also additional criteria for local funding, which is discussed later in this memo (See the *LOB Modified Total Foundation Aid* section).

Special Education Funding as Standalone State Aid

Special Education State Aid, as provided by current law, is done in the form of reimbursement for the "excess costs" which are associated with providing special education services. KSA 72-3422 sets the reimbursement rate for Special Education State Aid at 92.0 percent of total state excess costs, but provides for prorating state aid if the appropriation for Special Education State Aid does not equal 92.0 percent of excess costs. Excess costs and the statutory amount of state aid are calculated through a statutory formula. KSDE is responsible for calculating excess costs and the statutory state aid amount. Recently, Special Education State Aid has been funded at approximately 74.0 percent to 80.0 percent of statewide excess costs.

SPECIAL EDUCATION STATE AID

FY 2019	$ 490.4 million
FY 2020	497.9 million
FY 2021	505.4 million
FY 2022	505.4 million
FY 2023	522.9 million
FY 2024	528.1 million
FY 2025*	601.0 million
FY 2026*	611.0 million
FY 2027*	611.0 million

**These amounts were appropriated during the 2025 Legislative Session.*

For a more in-depth discussion of Special Education State Aid, please see the *Kansas School Finance System Memo, 2025*, located on the KLRD website.

Special Education Funding in Foundation Aid

The final part of funding for special education comes from local funding. School districts are allowed by statute[2] to adopt a local option budget (LOB) in addition to the State Foundation Aid that a district receives each year. LOB is calculated as a percentage of a district's modified Total Foundation Aid.

Total Foundation Aid

Total Foundation Aid is the total amount of aid a school district is entitled to receive and is determined by multiplying the BASE by the district's weighted full-time equivalent (FTE) enrollment. Total Foundation Aid is used to calculate the amount of State Foundation Aid each district is entitled to receive and the amount of LOB a school district may adopt. The formula is as follows:

- Total Foundation Aid = BASE x Weighted FTE enrollment

2 KSA 72-5143

Special Education Weighting (KSA 72-5157)

In order to calculate the Total Foundation Aid amount, a weighted FTE number for special education students is needed. This number is derived from the school district's Special Education State Aid for the current school year. The formula is as follows:

- Special Education State Aid / current year BASE = special education weighting.

For example, School District A received $1.9 million in Special Education State Aid. BASE for the year was $5,378. The calculation would be as follows:

  - $1,900,000 / $5,378 = 353.3 Special Education Weighted FTE.

Therefore, to get to Total Foundation Aid, 353.3 weighted FTE would be added with the other weightings and adjusted enrollment FTE.

State Foundation Aid

State Foundation Aid is determined by subtracting Local Foundation Aid from Total Foundation Aid. Local Foundation Aid, which is sometimes called local effort, includes the following:

- The unencumbered balance of a district's general fund;
- Certain grants received by a district;
- Special Education State Aid[3]; and
- Any tuition for non-resident pupils of a district[4].

Building off the example in the Special Education Weighting section, if School District A had a Total Foundation Aid amount of $4.2 million and received $1.9 million in Special Education State Aid, then State Foundation Aid (if there were no unencumbered balances in the general fund, none of the possible grants, and no tuition for non-resident pupils) would be $2.3 million.

  - $4,200,000 - 0 - 0 - $1,900,000 - 0 = $2,300,000.

Since Special Education State Aid is removed as part of the Local Foundation Aid, the only funding for special education students that is received through State Foundation Aid is BASE and any amount students could accrue underneath any of the other weightings. [*Note*: Any State Foundation Aid generated by a special education student is not required to be used for special education services but would be received by the district as funding for any other regular education student. This funding is accounted for in the excess cost formula by calculating and subtracting the "regular education cost" of the special education student.]

LOB Modified Total Foundation Aid

LOB budgets are calculated as a percentage of a school district's modified Total Foundation Aid. LOB budgets are the reason that special education is a weighting for Total

3 KSA 72-3423, KSA 72-3425

4 KSA 72-3123a, KSA 72-3125

Foundation Aid. This allows school districts to raise local funds to help support special education in addition to receiving state and federal aid. There are two modifications to Total Foundation Aid when it comes to determining LOB, one which impacts all the weightings, and one that only impacts the Special Education weighting. Except for those changes, Total Foundation Aid for the purposes of the LOB is calculated in the same manner as in the main school finance formula (weighted FTE enrollment x BASE = Total Foundation Aid).

Artificial BASE. The first modification is the use of what is commonly referred to as an "artificial BASE." In any year in which the BASE is less than the artificial BASE, then school districts shall use the artificial BASE to calculate the modified Total Foundation Aid.[5] As of FY 2020, the artificial BASE increases annually based upon the average percentage increase of the Consumer Price Index for All Urban Consumers, Midwest Region (CPI-U Midwest) during the three immediately preceding school years. For FY 2025, the artificial BASE was $5,452. Since BASE was $5,378 in FY 2025, when calculating the modified Total Foundation Aid, the total weighted FTE was multiplied by $5,452 rather than $5,378. As an example, if School District A has a total weighted FTE of 2,025.5, then the calculation would be as follows:

- 2,025.5 x $5,452 = $11,043,026 in modified Total Foundation Aid.

The $11.0 million calculation would then be used in the determination of LOB, rather than $10.9 million (which is what the amount would have been without this modification).

FY 2009 Option for Special Education State Aid. The second modification relates specifically to Special Education State Aid. A school district may use the Special Education State Aid amount from FY 2009 to calculate its LOB in any year in which the district's actual Special Education State Aid amount is less than the aid amount for FY 2009.[6] Therefore, if School District A received $1.9 million in Special Education State Aid this year and received $2.0 million in FY 2009, the school district would include the $2.0 million (converted to FTEs) when calculating LOB.

The new calculation for modified Total Foundation Aid would be as follows:

- 2,025.5 (Total Weighted FTE) - 353.3 (weighting for $1.9 million FY 2025 Special Education funding) = 1,672.2.
- 1,672.2 x $5,452 (artificial BASE) = $9,116,835
- $9,116,835 + $2,000,000 (2009 Special Education Funding) = $11,116,835
- $11.1 million would be the modified Total Foundation Aid, which would be used in the calculation for LOB.

Transfers

School districts are required to transfer the Special Education State Aid funding into the school district's special education fund.[7] As of FY 2025, school districts are also required to transfer funding from its LOB fund to its special education fund which is the equivalent to the

5 KSA 72-5144(2)(e)

6 KSA 72-5144(2)(b)

7 KSA 72-3422(g)

amount of the district's Total Foundation Aid which is attributable to the special education weighting.

A district is not required to transfer more funding into its special education fund than the Special Education State Aid or LOB amount attributable to the Special Education weighted FTE. However, should a school district need more funding for the provision of special education, it can choose to add more funding to its special education fund from either the general fund, or the LOB fund, or any other fund legally allowed to transfer funds. Since these would be additional discretionary funds, the funding could be local, state, federal, or a mixture.