

# Massachusetts Department of Education

## Report on the Implementation of the Special Education Reimbursement (“Circuit Breaker”) Program

January 24, 2006

### FY05 Claims Received

School districts are eligible for reimbursements for students whose programs cost greater than four times the statewide foundation budget (\$30,340 in FY05). By law, districts are reimbursed for 75% of the costs above four times statewide foundation, subject to appropriation.<sup>1</sup> FY’05 claims result in FY’06 reimbursements.

Districts	Students	Claim less Foundation	Net Claim
289	12,021	559,066,078 (319,662,240)	239,403,838

In addition, during FY’05, districts were allowed to claim for extraordinary relief if their FY’05 eligible costs exceeded their FY’04 eligible costs by 25%. Fifty-five districts claimed for relief and twenty-five were determined eligible. Eligible districts received relief in FY’05 totaling \$3M.

### Audits

Chapter 45 also required the Department to conduct audits of FY05 claims. Department staff developed an audit protocol to verify individual student claims submitted by the districts and to ensure that the amounts of the claims were in accordance with the program’s regulations. Verification consisted of examining student’s individualized educational plans (IEP’s) as well as tuition bills paid by the districts for students placed out of district. Overpayments and underpayments identified during the audit process will result in adjustments to reimbursements paid in the third and fourth quarter of this fiscal year.

Thus far we have completed audits of twenty-eight districts with a total of 1305 individual student claims. Audit results indicated that costs were overclaimed for 331 students and underclaimed for 221 students. The following chart shows the reasons for the variances:

Services claimed not included on student’s IEP 236

---

<sup>1</sup> For certain students who are wards of the state, the statutory reimbursement rate is 100% rather than 75%.

Incorrect dates of service	128
Claimed incorrect tuition	110
Did not claim all services rendered	102
Student's cost less than the threshold	59
Did not claim an eligible student	9
Did not include or incorrect cost share	8
<b>Total</b>	<b>652*</b>

(\*Some claims had more than one error)

As stated above, five hundred fifty two students (331+221) claims required adjustment. Of those adjusted, two hundred five were for \$1000 or less. These small differences occurred for a number of reasons: district didn't reconcile the actual tuition paid with the amount claimed; district overpaid private schools by one day's tuition; district paid a different tuition rate than the one established by OSD; district entered incorrect dates on the claim form; etc.

The audit process resulted in a reduction of reimbursement for these students from \$24,282,321 to \$23,171,883, or a reduction of 4.6%. The audit process will continue on an on-going basis. In addition, the analysis of common mistakes will be used to improve the program documentation and training programs for local officials. Our goal is to significantly reduce the number of audit findings in the subsequent years of the program's operation.

### **Actual and Estimated Program Costs – FY04 through FY07**

The following chart summarizes the program's costs in its first three years of operation:

(\$ millions)	FY'04 Actual	FY'05 Actual	FY'06 Estimated	FY'07 Projected
Appropriation	121.6	201.6	201.6	tbd
Net Claims	258.0	248.5	241.4	247.5
Payments to districts	105.8	187.4	182	188.2
Reimbursement rate	40.50%	75%	75%	75%
Other earmarked costs	9.7	13.8	14.7	tbd

We will continue to provide a significant amount of training and technical assistance throughout the year to district business and special education staffs to help them understand the program's requirements and to improve the accuracy of their filings.