



**Massachusetts Department of Education**  
Report on the Implementation of the Special Education  
Reimbursement (“Circuit Breaker”) Program

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February 12, 2007



This document was prepared by the  
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# Massachusetts Department of Education

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("Circuit Breaker") Program  
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## Introduction

The Department of Education respectfully submits this "Report on the Implementation of the Special Education Reimbursement ("Circuit Breaker") Program pursuant to Chapter 139 of the Acts of 2006, line-item 7061-0012, which states:

*"provided further, that the department shall conduct audits of fiscal year 2006 claims; provided further, that if the claims are found to be inaccurate, the department shall recalculate the fiscal year 2007 reimbursement amount and adjust the third and fourth quarter payments to the districts to reflect the new reimbursement amount; and provided further, that the department shall file a report with the house and senate committees on ways and means not later than February 15, 2007 on the results of the audits"*

## FY06 Claims Received

School districts are eligible for reimbursements for students with disabilities whose programs cost greater than four times the statewide foundation budget (\$31,616 in FY06). By law, districts are reimbursed for 75% of the costs above four times statewide foundation, subject to appropriation.<sup>1</sup> FY05 claims result in FY06 reimbursements.

| Districts | Students | Claim       | Less Foundation | Net Claim   |
|-----------|----------|-------------|-----------------|-------------|
| 294       | 11,874   | 662,349,805 | (337,405,952)   | 255,064,667 |

In addition, during FY06, districts were allowed to claim for extraordinary relief if their FY06 eligible costs exceeded their FY05 eligible costs by 25%. Thirty-seven districts claimed for relief and 28 were determined eligible. Eligible districts received relief in FY06 totaling \$3M. It should be noted that the districts received a prorated share of relief because eligible claims exceeded the \$3M available by \$1.6M.

## Audits

Chapter 139 of the Acts of 2006 also required the Department to conduct audits of FY06 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

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

of examining student's individualized education program (IEP) 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 28 districts with a total of 1,545 individual student claims. In addition, we have audited another 22 districts but the results of these audits are not yet final. Completed audit results indicated that costs were over claimed for 421 students and under claimed for 126 students. The following chart shows the reasons for the variances:

|  |      |
|--|------|
| Services claimed not included on student's IEP | 215  |
| Incorrect classification/claiming of services  | 334  |
| Incorrect dates of service                     | 133  |
| Claimed incorrect tuition                      | 87   |
| Did not claim all services rendered            | 26   |
| Student's cost less than the threshold         | 127  |
| Did not include or incorrect cost share        | 5    |
| Total  | 927* |

(\*Some claims had more than one error)

As stated above, 547 student (421+126) claims required adjustments. Of those adjusted, 198 were for \$1,000 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 \$20,870,439 to \$19,846,515, or 4.9%. 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. The Department's 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 FY08

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

| (\$ millions)                | FY04<br>(Actual) | FY05<br>(Actual) | FY06<br>(Actual) | FY07<br>(Estimated) | FY08<br>(Projected) |
|------------------------------|------------------|------------------|------------------|---------------------|---------------------|
| <b>Appropriation</b>         | 121.6            | 201.6            | 201.6            | 207.7               | TBD                 |
| <b>Net Claims</b>            | 258              | 248.5            | 241.4            | 255.1               | 280.5               |
| <b>Payments to districts</b> | 105.8            | 187.4            | 182              | 192.9               | 213.6               |
| <b>Reimbursement rate</b>    | 40.50%           | 75%              | 75%              | 75%                 | 75%                 |
| <b>Other earmarked costs</b> | 9.7              | 13.8             | 14.7             | 14.8                | TBD                 |

The Department 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.