



OLR RESEARCH REPORT

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MASSACHUSETTS'S SPECIAL EDUCATION REIMBURSEMENT (I.E., CIRCUIT BREAKER) PROGRAM

By: John Moran, Principal Analyst

You asked for a summary of Massachusetts's special education reimbursement program (commonly called the "circuit breaker") that requires the state to reimburse for a larger part of the cost of educating a special education student once the costs for the student exceed a specific threshold.

CIRCUIT BREAKER PROGRAM

The state [circuit breaker program](#) was started in 2004 to provide additional state funding to districts for high-cost special education students. This program is similar to Connecticut's excess cost grant for special education. Under both grants the respective states provide additional funding when the education costs of a special education student exceed a designated threshold that is well above the regular education cost per student. The goal of both programs is to provide local school districts with additional state funding for high-cost special education students based on the actual cost of the individual students.

In Massachusetts for FY 13, approximately \$232 million was paid to districts under this program.

The threshold for eligibility is tied to four times the state average foundation budget per pupil as calculated under state law, with the state paying 75% of the costs above that threshold, subject to the budget appropriation (see below for more on the average foundation budget).

When the recession hit in 2008 and 2009, subsequent appropriations were not sufficient for the state to pay the full 75%. But by FY 13 and 14, full funding had been restored for the circuit breaker program.

For FY 14, the state average foundation budget per pupil is \$10,351, so if a special education student costs a district \$50,000, the district's eligible reimbursement for that student would be:

$$(\$50,000 - (\$10,351 \text{ multiplied by } 4)) \text{ multiplied by } .75 = \$6,447.$$

Circuit breaker reimbursements are for the district's prior year's expenses. Each summer, districts submit claim forms to the Massachusetts Department of Elementary and Secondary Education (ESE) listing the types and amounts of special education instructional services provided to each student during the previous fiscal year. Standard rates for each type of service are established annually by ESE based on statewide surveys. The standard rates are used to calculate the reimbursable cost for each student; this is intended to simplify the claim process and minimize the documentation required to be submitted with each claim. Administrative and overhead costs are not reimbursable. For students attending private special education schools, the eligible cost for reimbursement is based on the approved tuition rate set by the state's Operational Services Division.

The reimbursement is 100% above the threshold rather than 75% for children (1) placed in a school district outside their home town by the Department of Transitional Assistance or the Department of Children and Families or (2) who have no parents or guardians in the state.

A school committee (i.e., school board) may expend circuit breaker reimbursements in the year received or in the following fiscal year for any special education-related purposes, without further appropriation.

Audits of Circuit Breaker Claims

ESE audits circuit breaker claims and makes adjustments to future payments if inappropriate costs are discovered. The single biggest reason for costs being disallowed is that the services provided had not been clearly documented on the student's Individual Education Program (IEP). Only services required by the IEP are eligible for reimbursement.

A 2010 report, [The Special Education Reimbursement Program](#), to the Massachusetts legislature analyzed audits of 47 districts that resulted in a reduction of 1.6% of the reimbursements to the districts. The total reimbursement for this group dropped from \$14,744,189 to \$14,513,365 as a result of the audits. Of the 1,225 claims reviewed, 502 were found to have some error.

The report's authors noted that all the districts selected for the audit had not been previously audited, and that first-time audits usually find more errors or otherwise inappropriate claims than are found with districts that have previously been audited. The report indicated that the analysis of common mistakes developed through the audits will be used to improve program documentation and training for local school district officials.

Extraordinary Relief

In addition to the regular circuit breaker reimbursements, the "extraordinary relief" program provides up to \$5 million to help districts experiencing a significant increase in their special education costs. Under this program, districts may file an additional claim form in February for the current year's estimated expenses. If the expenses have increased by 25% or more over the prior fiscal year, then the district will be eligible for an additional extraordinary relief payment to help fund the increase.

Foundation Budget

The foundation budget is an amount, calculated by ESE, that assigns an adequate, but not excessive, spending level for each local and regional school district. Each district's foundation budget is updated each year to reflect inflation and changes in enrollment. As a result, when districts' foundation budgets are presented in per pupil terms, there is considerable variation. But for the circuit breaker program, the statewide average foundation budget is used. The FY14 statewide average is \$10,351 per pupil.

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