

# WHITMAN-HANSON REGIONAL SCHOOL DISTRICT CIRCUIT BREAKER QUESTIONS AS OF 1/04/22

- 1) Can you please provide a general overview of what Circuit Breaker is and how Circuit Breaker works?

**This question's answer will not refer to a chart or graph.**

Here is a brief overview from Ms. Lisa Forbes who works in our Special Education office:

## What is Circuit Breaker?

Circuit Breaker is the state's special education reimbursement program. Its intent is to provide relief to districts for high-cost special education students. Each year, the state calculates a "foundation budget" through a complicated formula using Chapter 70 figures and state average per pupil foundation costs. Once the special education "foundation figure" is established, the district knows the expenditure that **we must pay with no reimbursement**. Any amount **BEYOND** that foundation figure is what the district will be reimbursed at 75%.

**For example: \$72,609 (actual tuition expenditure)-\$44,106 (state calculated foundation budget)= \$28,503**  
**\$28,503 X .75=\$21377.25(the figure the district will get reimbursed)**

It is important to note that the final appropriation is based on state wide funding sources and while always hopeful the district will receive 75% over the foundation costs, it is not always the final reimbursement figure. **Also noteworthy, the foundation budget increases each year potentially leading to less reimbursement over tuition costs.**

Circuit breaker reimbursements should be deposited into a special education reimbursement account. **These funds may be expended by the school committee in the year received or in the following fiscal year for any special education- related purposes**, without further appropriation. As with all special revenues, the appropriating authority can and should consider the projected reimbursements for the following fiscal year when deliberating on the school district's general fund budget.

## Out of District Placements:

- Whitman Hanson currently has 42 students attending out of district placements.
- Tuitions are paid to 17 different placements ranging in costs from \$13,095.00 to \$344,196.33.
- We have 34 students in day placements and 8 students residentially placed
- Predicted cost for this year's tuitions is \$4,337,127.00
- Predicted transportation cost for this year is \$1,150,000.00

Important to note: The Special Education budget is a constantly moving target. There will be students, who based on level of need, will transition to an out of district placement after the budget has been determined. Subsequently, there could be students who move out of or into the Whitman-Hanson district at any point after the budget has been determined. Students may also move from day to residential placements.

**Out of District Historical Perspective:**

- 2013 37 students
- 2014 34 students
- 2015 42 students
- 2016 35 students
- 2017 33 students
- 2018 37 students
- 2019 48 students
- 2020 36 students
- 2021 42 students

**There was a large fluctuation in out of district placements between FY'14-15 with an increase of 8 students, FY'18-19 with an increase of 11 students.**

**Special Education costs for in district students can include above and beyond the expenditures for staff:**

- Transportation
- Occupational Therapy
- Physical Therapy
- Home-Based Services
- Assistive Technology/Augmentative Communication
- Independent Education Evaluations
- Home/Hospital Tutoring

**Other Factors Fluctuating Circuit Breaker funding/Special Education costs:**

- **We currently have 8 students residentially placed. This was a total increase of \$1,414,765.06.**
- **Over the past several years, as the level of need increases for our students, the district is using more diverse, private placements on a regular basis that specialize in the specific and unique needs of our students.** These placements are significantly more costly than collaborative placements.
- From year to year the number of students aging out changes. Some years we have a large number of students that do not qualify for a full year, allowable reimbursement due to their 22<sup>nd</sup> birthday occurring mid-year and other years we have none. **So even though the eligible numbers may not fluctuate greatly, the allowable reimbursement can have great fluctuations.**

- DESE has recently allowed submission through circuit breaker claiming of transportation reimbursement for most of our out of district students that require specialized transportation vehicles. **The reimbursement rate is 25%. Last year that would've been reflected as an additional \$146,493.00 on the claim.**

### What is Extraordinary Relief?

The Special Education Circuit Breaker program includes a provision that allows districts to claim for extraordinary relief when claimable Special Education costs exceed 125% of the previous year's claimed costs.

- **Last year's Circuit Breaker Claim: total expenditure was \$4,581,256.00**
- **To file for extraordinary relief, we would have to spend \$5,726,570.00 or \$1,145,314.00 over the budget amount.**
- **The intent to file for extraordinary relief needs to be done by February 26<sup>th</sup>.**
- **WH has never qualified for extraordinary relief. This mechanism is largely in place for smaller districts with a small OOD tuition budget that can be greatly impacted by the smallest of fluctuations.**

### Circuit Breaker Best Practices

1. Circuit Breaker funding provides some protection to the district from the effects of unanticipated move-ins from other districts outside of or within the state. **These are unpredictable and unforeseen costs that cannot be accurately budgeted for. One or two move-ins can deplete an already certified special education tuition budget.**

-If a student moves in from out of state and requires a higher level of services, the district will assume financial responsibility immediately upon the student's enrollment

-Another case might be a student who moves to Whitman-Hanson from another MA community where he/she did not have an IEP requiring expensive services, but upon evaluation by Whitman-Hanson educators, it was deemed the best option for the student would be placement at one of the local collaboratives or private out of district programs.

-During the course of the certified budget, students may unexpectedly require placement in an out of district program

-If a student moves in from a collaborative, Whitman-Hanson will assume fiscal responsibility immediately upon the student's enrollment

-Current day placed students may require a higher level of services mid-year requiring a change in placement to a residential facility.

2. Having Circuit-Breaker as a "security fund" holds an amount of money thought to be reasonably sufficient to cover the costs of an unexpected move-in as stated above **OR** a change to a current IEP

requiring significantly more costly services. These could include 1:1 nursing care, home services, 1:1 paraprofessional support, specialized equipment, etc.

3. Per the Department of Elementary and Secondary Education, regulations allow communities and school districts to carry forward up to one year's worth of state reimbursement. The Division of Local Services advises communities to build balances in their SPED circuit breaker accounts in years when actual costs compare favorably with the budget so that in years when SPED costs increase unexpectedly or the circuit breaker reimbursement drops, there will be some circuit breaker revenue to cover any unforeseen costs. Building a circuit breaker balance is a good management practice as it eliminates some of the risk associated with these unpredictable SPED costs. This practice exists in many Massachusetts school districts.

4. While it is always projected to be a 75% reimbursement rate, it is not guaranteed and subject to "annual appropriation". As with all special education costs, the percentage could change or fluctuate. The foundation budget increases each year. Many out of district tuitions do not reach the minimum expenditure to qualify for reimbursement. To use circuit breaker to "build the budget" rather than to appropriate circuit breaker funds on an as needed or emergency basis could potentially be a risk. Using circuit breaker funds to "balance" the budget at the end of the fiscal year is a more responsible budgeting approach than to build a budget based on unpredictable reimbursement funding that is not guaranteed. **Using circuit breaker funds for one-time and unforeseen expenditures is a more responsible budgeting approach.**

**5. Important to note: Circuit breaker funds can ONLY BE USED for expenditures that generate reimbursement funding i.e. tuition, transportation, ancillary services (OT, PT, Speech, 1:1 staffing)**

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2) Can you please share an overview of Special Education expenses over the last several years?

**This question's answer will refer to the Table and Chart labeled A. Total SPED Costs.**

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3) Can you please review the DESE requirement for the utilization of the Circuit Breaker Fund in 603 CMR 10.07? Has the District followed the requirements outlined in 9 (d)? Has the District followed the requirements outlined in 9 (d) (3)?

**This question refers to CMR 10.07 (9) (d) which states the following:**

*(d) Local Budget Planning. In preparing a budget recommendation for the subsequent fiscal year for consideration by the local appropriating authority, a school district shall exclude the estimated reimbursement expected to be received under this program.*

1. Upon receipt of reimbursements paid under this program, such amounts shall be deposited in the Special Education Reimbursement Fund and recorded as additional appropriations to the school committee and may be spent by the school committee without further action on the part of the local appropriating authority.
2. Reimbursements shall be made by the Department to the school district in four quarterly payments. Reimbursements shall coincide with the distribution of funds made available pursuant to M.G.L. c.70. Each payment shall equal 25% of the estimated annual reimbursement, provided that payments may be adjusted to reflect audit determinations for prior year claims.
3. Reimbursements made by the Department and deposited in the Special Education Reimbursement Fund may carry forward for one fiscal year.
4. Districts can pre-pay tuition crossing fiscal years in accordance with M.G.L. c.71,§, § 71D and M.G.L. c.40 § 4E.

**This question's answer will refer to the Table and Chart labeled B. Circuit Breaker Activity.**

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- 4) Can you please share how the reimbursement rate or foundation amounts have varied over the last several years (FY15 forward)?

**This question's answer will refer to the Table and Chart labeled C. Foundation and % Enrollment.**

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- 5) Can you please review Circuit Breaker receipts and expenditures from FY15-FY22? Are there any discrepancies between the District's receipts and expenditures and the DESE EOY Reports available online at <https://www.doe.mass.edu/finance/circuitbreaker?>

**This question's answer will refer to the Commonwealth of Massachusetts Uniform Massachusetts Accounting System Manual page 163, from which the relevant section is excerpted below:**

*"UMAS Modified Accrual*

*For UMAS accounting purposes, Special Revenue Funds are reported using a "UMAS modified accrual" basis meaning that revenues are recorded on a cash basis during the fiscal year and year-end adjusting entries for certain transactions may be recorded in accordance with the Director's annual year-end guidance to Accountants and Auditors."*

**This question's answer will also refer to the Table and Chart labeled D. Circuit Breaker Revenue and E. Circuit Breaker Expenditures.**

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- 6) Jeff, what was the first budget that you and your team prepared?

**FY2020 was prepared with the former Director of Business Services  
FY2021 and FY2022 were prepared with John Tuffy, Interim Business Manager  
FY2023 is in progress with John Stanbrook, Director of Business and Finance**

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- 7) Can you please walk through what was budgeted for expenses, and what was utilized from Circuit Breaker from FY20 going forward? Can you please share your thinking for how you developed your expense estimates? Can you share your specific thinking for preparing the FY22 Budget? Can you please share year-to-date information on the FY22 budget assumptions, compared to year-to-date expenses?

**This question's answer will refer to the Table and Chart labeled F. Circuit Breaker FY20-FY22.**

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- 8) Can you please share what information was shared, if any, with the School Committee from FY20 pertaining to circuit breaker balance, estimated receipts, expenses, or amount transferred from Circuit Breaker?

**This question's answer will not refer to a chart or graph.**

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- 9) Can you please analyze the impact of not following 603 CMR 10.07 and had the regulation been followed, how the budgets for FY14 going forward would have changed?

**This question's answer will refer to the Table and Chart labeled G. Operating Budgets.**

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- 10) Can you share how you plan to avoid exceeding the 1 year carry over balance in Circuit Breaker as stated in 603 CMR 10.07 9 (d) (3)?

**This question's answer will not refer to a chart or graph.**

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11) Does Mass. Association of School Committees (MASC) have any suggested best practices for handling Circuit Breaker?

**This question's answer will not refer to a chart or graph.**

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12) Could you please review what impact, if any, there have been to Special Education services as a result of how Circuit Breaker funds have been utilized?

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13) December 27, 2021 Circuit Breaker- Public Question Shawn Kain Question #1- It is my understanding that last year's budget was miscalculated. Does the School Committee and administration agree with this understanding?

Reasoning: The image below displays the draft assessment calculation from last year. Line #6 shows the \$600K in circuit breaker aid that was subtracted from the budget. But that was not an accurate estimate of the total circuit breaker reimbursement that the administration anticipated from the State. This is my understanding because the administration explained that they have been conservative with the circuit breaker number in case of unexpected special education costs (i.e. a move-in of a student requiring intense special education services). For an accurate calculation, it is my understanding that we should have (first) subtracted the total estimated circuit breaker funds from the budget, then (second) withheld a portion of those funds to provide a cushion for unexpected special education costs. This interpretation seems to be in-line with the school finance regulation below. a. b. "Local Budget Planning. In preparing a budget recommendation for the subsequent fiscal year for consideration by the local appropriating authority, a school district shall exclude the estimated reimbursement expected to be received under this program." from the Department of Elementary and Secondary Education, School Finance- Education Laws and Regulations.

**This question's answer will not refer to a chart or graph.**

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14) Shawn Kain Question #2- It is my understanding that the administration is able to generate a fairly accurate estimate of circuit breaker reimbursement when calculating the budget. Does the School Committee and administration agree?

Reasoning: It is my understanding that in FY22 there were 38 students who were eligible for a circuit breaker reimbursement claim. Each claim includes the specific special education

services and the associated costs that are eligible for reimbursement. In addition, the information below helps us understand the general circuit breaker reimbursement process.

a. "Circuit breaker reimbursements are for the district's prior year's expenses. Each summer, districts submit claim forms to DESE listing the types and amounts of special education instructional services provided to each student during the previous fiscal year...Payments are made to districts on a quarterly basis. Because the program is subject to appropriation, the first quarter's payments are usually calculated using an interim reimbursement rate of less than 75 percent. After all the claim forms have been received and reviewed, and DESE verifies that there are sufficient appropriations to pay all claims, the reimbursements are recalculated using the full 75 percent rate. The program has been fully funded every year since FY05, its second year of operation." from the Department of Elementary and Secondary Education, A Primer on the Financial Aspects of Special Education.

**This question's answer will not refer to a chart or graph.**

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15) Shawn Kain Question #3- The administration used the example of a high cost special education student (residential, for \$325K) move-in as a reason to hold back reimbursement funds. After reviewing the Move-in law below, it is my understanding that such a student would continue to be funded by the former community of residence for the remainder of the budget cycle. Does the School Committee and administration agree with this interpretation of the law? a. For students that move into the district after the start of the fiscal year, and who attend an approved residential school- "such school committee of the former community of residence shall pay the approved budgeted costs, including necessary transportation costs, of such day or residential placement, including placement in a pediatric nursing home, of such child for the balance of such fiscal year."

**This question's answer will not refer to a chart or graph.**

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16) Do we have any idea why any audits from DESE, our Treasurer, or the financials auditor, CLA, would not have identified the issue with Circuit Breaker being allocated to the budget, prior to the assessments?

**This question's answer will not refer to a chart or graph.**

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17) Can we have a copy of the Treasurer's function?

**This question's answer will refer to the Treasurer's job description.**



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18) Can we have a copy of the CLA Engagement letter?

**This question's answer will refer to the FY20 and FY21 CLA Engagement Letters.**

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19) Does the administration have any initial thoughts on this process moving forward?

**This question's answer will not refer to a chart or graph.**

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