

Circuit Breaker: Questions and Answers

What is Circuit Breaker?

Circuit Breaker (CB) is a state program providing school districts with reimbursement for **some*** of the costs incurred for providing a “free and appropriate education” (FAPE) to students with special needs.

For students placed outside of their home towns by the Department of Children and Families, and for students with no parents or guardians residing in the Commonwealth, **all costs are reimbursed.*

What is a school district?

For circuit breaker, a student's school district is:

- Ages 3 – 5: The public school district of the town in which he/she resides. This includes students in OOD placements and students who attend in-district Pre-K in their hometown.
- Ages 6 – 18: The public school district where he/she attends classes, or, in “out of district” (OOD) cases, the public school district of the town in which he/she resides.
- Ages 19 – 21: The public school district of the town in which he/she resides.

When a student reaches his/her 22nd birthday, the state no longer requires a school district to educate that student, and it no longer provides CB funding for that student. This is what people refer to as “aging out” of the program.

To which students does Circuit Breaker apply?

CB applies to those SPED students whose costs exceed:

4 times the state average foundation budget per pupil as calculated under the Chapter 70 program

When the costs to provide a FAPE for a student meet this criterion, the state reimburses the student's school district for 75% of the costs above that threshold.

So...

Circuit Breaker formula

If the state average foundation budget per pupil were \$10,000, and the cost to the district to educate a SPED student were \$50,000, the district's eligible reimbursement for that student would be:

$$(\$50,000 - (4 * \$10,000)) * .75 = \$7,500$$

Is the reimbursement always paid at the full 75% rate?

No. In recent years, the state has typically funded CB at a bit less than the full 75%. For the most recent five years, rates have been as follows:

- FY16 – 73% (projected)
- FY15 – 73.5%
- FY14 – 75%
- FY13 – 74.5%
- FY12 – 68.71%

Does CB apply only to OOD costs?

No. CB applies to any SPED costs that exceed the stated “*4 times the state average foundation budget per pupil as calculated under the Chapter 70 program.*”

People sometimes equate CB with OOD because it is most often only OOD costs that are high enough to be eligible for reimbursement. But it *is certainly possible* that an in-district student’s Individual Education Plan (IEP) could require services having costs high enough to become eligible.

When does a district receive the funds?

CB payments are made four times a year: September, January, March and June.

And remember... CB payments *are for the costs incurred during the **previous** fiscal year.*

So the payments that districts are receiving now (in FY16) are based on costs incurred last year (in FY15).

What are the practical effects of this one year “lag time?”

1. It helps districts budget costs for the coming fiscal year (FY).

In the fall, when a district starts to build its next year’s budget, it knows how much \$\$\$ it is spending currently for each SPED student, and hence how much it is likely to receive from the state to pay its bills the following year.

The state *projects* the rate at which it will reimburse during the following year *in October of the current year*—just at the time budgets are being built.

What are the practical effects of this one year “lag time?”

2. It provides *some* protection to districts from the effects of unanticipated move-ins from other districts within the state.

When a student moves from one district to another within the Commonwealth, the costs for the student are *typically* billed back to the “sending” district.

For example...

Billing examples

- John, who is an OOD student at Accept Collaborative, lives in Medfield. In January 2016, his family moves to Sherborn. For the rest of the current school year (FY16), John's costs will be paid by Medfield (and Medfield will receive John's CB reimbursement for FY16). But because John moved to Sherborn before Sherborn appropriated its FY17 budget, his FY17 costs will be paid by Sherborn (and Sherborn will receive John's FY17 CB reimbursement).

Billing examples continued...

- Jane is also a student at Accept Collaborative. She currently lives in Sherborn, but on May 25, 2016, Jane's family moves to Wayland. Because Wayland already appropriated its budget for FY17 at its late April Annual Town Meeting, Sherborn remains responsible for Jane's costs through FY17 (and Sherborn will receive the CB reimbursement for Jane's costs).

Then why are folks always talking about / worried about “unknown OOD costs that we could be hit with?”

- Most likely, a student could move in from another state.

Playing the odds: How likely is it that a student with an expensive IEP will move to Sherborn in a given year? How likely is it that more than one would move to Sherborn in the same year? How often has this happened in the past?

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

In the two instances above, Sherborn would become responsible for the costs immediately upon move-in and verification of the IEP.

What could Sherborn do “if the worst happened?”

- The state might offer *some* relief in the form of increased assistance. When a district’s claimable SPED costs exceed 125% of the previous year's claimed costs, the district can file a claim for “extraordinary relief.” Not all claims filed are paid.
- The town could appropriate money from Free Cash at Town Meeting to cover the costs. This assumes that there is enough money overall in the school budget to cover all school costs, including SPED, until the end of April. In the meantime, depending on the actual costs, the schools could request a Reserve Fund Transfer just like any other town department.
- Or...

The town could establish a Circuit Breaker Stabilization Fund

- Many towns have these funds.
- Such a fund holds an amount of money thought to be reasonably sufficient to cover the costs of an unexpected move-in or a change to a current IEP requiring significantly more costly services.

How does a CB Stabilization Fund work?

- The Fund itself would be established through passage of an Article at Town Meeting.
- Establishing the Fund does not require that it be funded.
- If there is a desire on the part of the town to “fund the Fund,” an amount of money is appropriated at Town Meeting.
- Because this would be a stabilization fund, a 2/3 vote would be required to establish / fund.

Where does the money for the Fund come from?

- It could come directly from the town's General Fund (Free Cash).
- It could come from the “turn back” of unused monies from the local (Pine Hill) budget that would be returning to the town's General Fund at the close of the fiscal year.

For example, if the average Sherborn cost for one OOD tuition for one year were \$68,000, and the total “turn back” from FY16's OOD expenses were \$86,000, then it might be reasonable to fund a CB Reserve Fund for FY17 at \$86,000—using the full expected turn back from FY16's OOD budgeted but unused funds.

What happens to the \$\$\$ once it's in the Fund?

- Once in the Fund, the \$\$\$ can be used ***only for qualifying SPED expenses.***
- If not needed, the \$\$\$ remains in the Fund until it is needed.

Because the monies are added to the Stabilization Fund through an Article, they remain “attached” to the Article; that is, they do not fall out to Free Cash at the end of the year.

The town may draw on these funds as needed; for example...

What happens to the \$\$\$ once it's in the Fund?

- **Year 1:** Establish Fund and deposit \$100,000.
No move-ins; no extraordinary expenses
All deposited monies remain in Fund.
- **Year 2:** One move-in costing \$48,000.
Withdraw \$48,000 from Fund.
\$56,000 remains in Fund.
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- **Year 5:** One move-in costing \$50,000.
Withdraw \$50,000 from Fund.
\$2,000 remains in Fund.
Vote at ATM to replenish Fund.

What do people mean when they say that we “fund Circuit Breaker at N%?”

They mean that in determining the amount of money to appropriate in the budget for high-cost SPED expenses (typically OOD), we are assuming that the state will reimburse the district at a rate of N% of eligible costs.

Then we appropriate a line item that is the total cost of the needed services, minus the amount we expect back from the state.

For example...

How much CB reimbursement should we anticipate?

- Total amount of anticipated expenses OOD expenses for 13 students: **\$800,000**.
- If foundation number is \$10,000, **\$280,000** is reimbursable: $(800,000 - ((4 * 10,000) * 13))$.
 - If CB reimbursement rate = 40%, expected return = $(\$280,000 * .40) = \mathbf{\$112,400}$.
 - **Line item amount:** $\$800,000 - \$112,400 = \mathbf{\$688,000}$.
 - If CB reimbursement rate = 75%, expected return = $(\$280,000 * .75) = \mathbf{\$210,000}$.
 - **Line item amount:** $\$800,000 - \$210,000 = \mathbf{\$590,000}$.

What about transportation?

- There is no reimbursement for transportation costs. Districts pay 100% of transportation costs for OOD students.
- Districts also pay 100% of transportation costs for high needs students even if they are in-district students, but are unable to use the same school buses used to transport regular education students.

How are the costs of regional-age students funded / reimbursed?

- It depends on whether the students are being educated OOD or in-district.
- From the state's point of view, a student with qualifying SPED costs is funded by his/her **home** district (the district associated with the student's 'town of residence'), and reimbursements for those costs are returned to that home district.
- So...

CB reimbursement for Dover-Sherborn

Regional-aged students: OOD

- For OOD students aged 3 – grade 5 and grade 12+ through age 21, costs are funded by, and reimbursements are made to, the town where the student lives.
- For OOD students of regional age, because their “home system” is the Region, it is the *Region* that interacts with the state for the payment and reimbursement of funds.
- The OOD school bills the Region, the Region pays the bill with funds acquired from the town of residence. State reimbursement for expenses goes to the Region, which acts as a “pass through” and forwards the reimbursement to the town of residence.

CB reimbursement for Dover-Sherborn Regional-aged students: In-district

- Although it is not a usual occurrence, in some cases in-district students can have costs that exceed the threshold for CB reimbursement.
- When those students are attending the Regional Schools, their costs are part of the Regional Budget, and reimbursements are made to the Region. Those reimbursed funds remain at the Region; they are not passed to the town of residence of the student.