



Bulletin

2004-06B

COSTS FOR SPECIAL EDUCATION -- FY04 and later

TO: Mayors and Selectmen City and Town Managers
Regional School Superintendents Executive Secretaries
Auditors and Accountants Collectors and Treasurers

FROM: James R. Johnson, Director of Accounts

A handwritten signature in black ink, appearing to read "James R. Johnson".

DATE: March 5, 2004

SUBJECT: Special Education Costs – Budget and Accounting Procedures

This *Bulletin* details budget and accounting procedures under revisions of General Laws Chapter 71B §5A effective July 1, 2003 to reimburse school districts for certain costs of special education students. The provisions have been termed “circuit breaker” provisions in discussions and in the press.

The law provides that “The school committee’s budget recommendation shall exclude any instructional costs eligible for reimbursement under this program.”¹ The law further provides that the reimbursements from the state Department of Education shall supplement local appropriations and prescribes the method of computation of reimbursements.² The city, town or district should establish a “State Special Education Reimbursement Fund” (hereafter called the “Fund”) to be used as provided below.

The provisions further state that no further appropriation action is necessary by the city or town appropriating authority, the local school committee, the regional school district committee or by the member communities of the regional school district. This *Bulletin* provides the procedures needed to implement the provisions.

¹ Ch. 71B §5a (e).

² Ch. 71B §5a (c).

As noted, the section provides that the school committee budget shall exclude the amount of eligible reimbursement. Therefore, a city, town or regional school district committee that has included such a line item from its FY2004 should remove the applicable portion of the line item and transfer the amount to another line item within its budget. If the budget had contained the expected full cost of special education (i.e., including the portion to be reimbursed), reduction of the budget should be examined. Beginning in FY2005, no anticipated reimbursement should be included in the budget.

The Bureau recommends the following procedures for FY2004 and later years:

- a) Reimbursable special education expenses should be charged to an appropriate line item of the school committee budget;
- b) Quarterly state reimbursement of these expenses should be credited to the Fund;
- c) Expenses incurred should be transferred from the regular school budget to the Fund as the reimbursements are received, not to exceed the amount in the Fund;
- d) As of June 30, remaining reimbursable expenses should be transferred to the Fund from the regular school budget, not to exceed the expected state reimbursement;
- e) The amount of expected state reimbursement should be accrued as of June 30;
- f) The accrued state reimbursement must offset the expenses transferred to the Fund. If not, the transfer cannot be made in full;
- g) If the final state reimbursement (usually distributed in July or August), does not equal the receivable, the difference must then be charged to the subsequent fiscal year school budget. In a regional school district, no further budget action in this regard is required on the part of the member communities;
- h) Any difference will have no effect on June 30, 2004 free cash or June 30, 2004 excess and deficiency and will not have to be raised on the subsequent fiscal year city or town tax rate or *pro forma* recapitulation form.

Accounting entries for this reimbursement are attached. We feel that these entries need to be made only for each quarterly application to the Department of Education; however, more frequent entries are in the discretion of the city auditor, town accountant or regional school district accounting official.

We have been asked if use of revolving funds authorized in Chapter 44 §53E½ is appropriate to account for this program. Use of such revolving funds is not appropriate, because the amount in such a fund is subject to an annual limitation. Further, the statute contemplates receipt of funds prior to spending, so accrual of the state payment following the end of the fiscal year would not be permitted.

ENTRIES FOR STATE SPECIAL EDUCATION REIMBURSEMENT PROGRAM

1. The community incurs SPED costs which might be eligible under G. L. Chapter 71B §5A:

General Fund

001-3930	Expenditures	\$5,000	
001-1040	Cash - Unrestricted		\$5,000

Subsidiary Entry

001-300-5300	Professional and Technical	\$5,000	
001-300-5000	Appropriation Control		\$5,000

2. The community establishes a Fund and applies to DOE for reimbursement:

Special Revenue Fund

266-1720	Due from Commonwealth	\$5,000	
266-2670	Deferred Revenue – Intergov.		\$5,000

3. DOE reimburses \$3,000 to community (\$2,000 rejected):

266-1040	Cash - Unrestricted	\$3,000	
266-2670	Deferred Rev. – Intergov.	\$5,000	
266-3910	Revenue		\$3,000
266-1720	Due from Commonwealth		\$5,000

Subsidiary Entry

266-300-4000	Revenue Control	\$3,000	
266-300-4680	Other State Revenue		\$3,000

4. The community transfers the expenditures which were reimbursed from the General Fund to the Special Revenue Fund:

Special Revenue Fund

266-3930	Expenditures	\$3,000	
266-1040	Cash - Unrestricted		\$3,000

Subsidiary Entry

266-300-5300	Professional and Technical	\$3,000	
266-300-5000	Appropriation Control		\$3,000

General Fund

001-1040	Cash - Unrestricted	\$3,000	
001-3930	Expenditures		\$3,000

Subsidiary Entry

001-300-5000	Appropriation Control	\$3,000	
001-300-5300	Professional and Technical		\$3,000