

AMENDMENTS TO REGULATIONS FOR SCHOOL FINANCE AND ACCOUNTABILITY 603 CMR 10.00

- Presented to the Board of Elementary and Secondary Education for initial review and vote to solicit public comment: **May 22, 2012**
- Period of public comment: **through September 4, 2012**
- Anticipated final action by the Board of Elementary and Secondary Education: **September 25, 2012**

The proposed amendments increase the threshold for extraordinary maintenance projects, clarify certain statutory provisions addressing pre-payments of special education expenses, and make certain technical changes. Proposed amendments are indicated by underline (new language) or ~~striketrough~~ (deleted language). Sections of the regulations that are not being changed are omitted. For the complete text of the current regulations for School Finance and Accountability, 603 CMR 10.00, see <http://www.doe.mass.edu/lawsregs/603cmr10.html?section=all>.

10.01: Authority, Scope and Purpose

(1) 603 CMR 10.00 is promulgated pursuant to the authority of the Board of Elementary and Secondary Education under M.G.L. c. 69, §1B; c. 70, §§ 3 and 11; c. 71B, §2; c. 72, § 6; c. 76, §§12A and 12B.

(2) 603 CMR 10.00 governs school and school district record keeping and reporting of information required to determine compliance with state and federal education statutes, and regulations; ~~and grant requirements~~, to compute school district spending requirements and annual state aid allocations; ~~;~~ and to evaluate progress toward meeting the objectives of St. 1993, c. 71 (the Education Reform Act of 1993).

10.02: Definitions

Chapter 70 means chapter 70 of the general laws.

Charter School means a public school operating under M.G.L. c. 71, § 89, and 603 C.M.R. 1.00. This term encompasses Commonwealth and Horace Mann charter schools unless otherwise specified.

Circuit Breaker means the reimbursement program for certain costs of special education as specified in G.L. c. 71B, § 5.

Collaborative programs ~~shall~~ means programs and services, including alternative and special education programs for students, offered by an educational collaborative established under M.G.L. c. 40, § 4E.

Department ~~shall~~ means the Department of Elementary and Secondary Education, acting through the Commissioner of Elementary and Secondary Education or his designee.

District or school district ~~shall~~ means a municipal school department or regional school district, acting through its school committee or superintendent of schools, a county agricultural school, acting through its board of trustees or superintendent/director, any other public school established by statute or charter, acting through its governing board or director.

Equipment ~~shall~~ means machines, tools, furniture, vehicles, and other non-expendable items with a useful life of more than one year and a per unit acquisition cost not less than \$5000.

Extraordinary maintenance ~~shall~~ means the periodic servicing, repair or reconditioning of school buildings, grounds, or equipment to extend the useful life of an existing asset, provided that the total cost per project per school of an extraordinary maintenance project shall not exceed \$1500,000.

Function ~~shall~~ means the activity for which a service or material is acquired. The functions classifications in which school districts are required to maintain and report ~~student and~~ financial data shall be identified and described in guidelines for reporting student and financial data published by the Department.

General fund receipts ~~shall~~ means funds received by a school district or municipality that are not granted or contributed to the district or municipality for a designated purpose and are not, by statute, set aside in a special account for expenditure at the discretion of the school committee.

Guidelines ~~shall~~ means detailed descriptions and reporting criteria for each of the reporting categories in which data must be reported to the Department, instructions for computing full-time equivalent membership, apportioning personnel time, allocating costs and attributing expenditures in various reporting categories, and any special rules applicable to particular reporting categories. The Department shall publish guidelines for reporting student and financial data ~~annually,~~ after consultation with school and municipal officials, and shall whenever possible, include in the guidelines advance notice of any anticipated changes in reporting which may necessitate a change in school district or municipal record keeping systems or practices.

Low income student ~~shall~~ means a student enrolled for full time attendance in a public

school who is eligible for free or reduced cost lunches under eligibility guidelines set by the federal government under 42 USC 1758.

Materials ~~shall~~ means non-expendable and expendable items with a useful life of less than one year or a unit acquisition cost under \$5000.

Membership ~~shall~~ means the number of days a pupil is enrolled, divided by the number of days in the school year. The Department may apportion a pupil's membership across the various programs in which the pupil participated. persons enrolled in one or more of the educational programs operated by a school district.

Object ~~shall~~ means the service or commodity obtained as a result of a specific expenditure. The object classifications in which school districts are required to maintain and report ~~student and~~ financial data shall be identified and described in guidelines ~~for reporting student and financial data~~ published by the Department.

Pupil means student.

Program ~~shall~~ means a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. The program classifications for which school districts are required to maintain and report ~~student and~~ financial data are identified at 603 CMR 10.03(3), and shall be described in guidelines ~~for reporting student and financial data~~ published by the Department.

Reimbursement ~~shall~~ means funds received by a school district or ~~mm~~municipality from the state or federal government or from a private insurer as partial or total repayment of a cost incurred by the district or municipality to provide a particular education related service to a particular student or students, but not including any amounts which are included in the state school aid which a district or municipality receives under M.G.L. c. 70.

Reporting Requirements/Reports means data required by the Department to determine compliance, calculate tuition payments, aid or reimbursements or meet state or federal mandates. Required data shall be maintained in accordance with these regulations and Department guidelines and provided to the Department in a form or through an electronic data transfer method established by the Department.

School Choice means a program that allows a parent to enroll his or her child in a school district that is not the child's home district. Every year the school committee in each school district decides whether it will accept new enrollments under this program and, if so, in what grades.

Specialized transportation ~~shall~~ means a modified transportation service not normally provided for regular day students, designed to meet the special needs of a student for whom an individualized educational plan has been developed in accordance with

M.G.L. c. 71B, § 14, and 603 CMR 28.00.

Student ~~shall~~ means a person enrolled for full time attendance in the preschool through grade 14 educational programs operated by a public school, educational collaborative, or approved private school.

Certain other words and phrases used in 603 CMR 10.00 are defined at M.G.L. c. 70, § 2, and have those meanings.

10.03: Accounting and Reporting: School Districts

(1) **Student Data.** Each school district shall adopt and maintain a reliable data collection and retention system in which the student data required by 603 CMR 10.00 shall be recorded. This system shall be the basis for the district's periodic reporting of student data to the Department.

A school district shall record at least the following information for each student enrolled in the district's schools:

- (a) identifying information (name, date of birth, parent or guardian)
- (b) demographic information, (race, national origin, gender, primary language)
- (c) residence information (student and parent(s))
- (d) custody/guardianship information
- (e) eligibility for free or reduced price school lunch
- (f) enrollment information (date enrolled; date withdrawn)
- (g) grade, school, and classroom assignment
- (h) program ~~enrollment, membership, and personnel~~ membership, in accordance with 10.03(2)
- (i) transportation assignment, if any
- (j) daily attendance record
- (k) structured learning time schedule
- (l) individual education plan (if any)
- (m) student assessment results
- (n) transcript
- (o) discipline record

(2) **Program Data.** Districts shall maintain enrollment, membership, ~~membership~~ and personnel data, in accordance with the program classification descriptions and reporting criteria set forth in guidelines ~~for reporting student and financial data~~ published by the Department, for each of the following programs operated by the district:

- Regular education (pre-school - 12)
- Special education (preschool - 12 and ungraded)
- ~~Transitional bilingual education~~ English Language Learners
- Career/Vocational Technical education (secondary and post-secondary)
- Adult/continuing education
- ~~Expanded programs for low income students~~
- Other programs

When reporting program data to the Department, school districts shall ~~calculate membership in each program category on a full-time equivalent basis and~~ apportion instructional personnel time in accordance with Department guidelines.

(3) **Financial Data.** Each school district shall adopt and maintain a financial accounting system, in accordance with generally accepted accounting principles and requirements prescribed by the Commissioner of Revenue, in which all revenue and expenditure data shall be recorded. This system shall be the basis for the district's periodic reporting of financial data to the Department ~~of Elementary and Secondary Education.~~

(a) Each school district shall utilize a financial accounting system that permits the reporting of all school district expenditures by fund source, object, and function, and permits the reporting of certain costs by program, ~~grade level~~ and school. The fund source, object, function, program, ~~grade level~~ and school classifications for which reporting shall be required shall be those identified and described with specificity in guidelines ~~for reporting student and financial data~~ published by the Department

(b) In attributing expenditures to a specific reporting category, school districts shall calculate and allocate expenditures in accordance with reporting instructions, formulas, and any special reporting rules set forth in the ~~Department's~~ guidelines published by the Department.

(4) Reporting

~~(a) Foundation Enrollment and Student Information and Student Attendance Reports.~~ On or before October 15 of each year, Every school district shall report to the Department, as of October 1, data to the Department student data, in a form or through an electronic data transfer method established by the Department, the district's foundation enrollment and student attendance as of October 1, required to determine the district's foundation enrollment and other student reports information. The data required ~~for this report~~ shall be compiled and reported in accordance with guidelines ~~for reporting student and financial data~~ published by the Department and any supplementary instructions issued by the Department ~~regarding the foundation enrollment and student attendance reports.~~

~~(b) School Choice Reports.~~ On or before July 1, October 15 and April 15 of each year, every school district that which enrolls non-resident students under the school choice program shall provide to the Department, in a form or through an electronic data transfer method established by the Department, the school choice enrollment and attendance information reports required by M.G.L. c. 76, § 12B(e). The data required data for this report shall be compiled and reported in accordance with guidelines for reporting student and financial data published by the Department and any supplementary instructions issued by the Department regarding completion of the school choice attendance report, and shall be utilized to calculate the tuition assessments and payments provided for by M.G.L. c. 746, § 12B.

~~(c6) Charter School Reports:- Each charter school shall conduct its pre-enrollment and enrollment processes in accordance with M.G.L. c. 71, § 89, and guidelines issued by the Department, elude its principal enrollment process no later than March 15 of each year, and shall file a pre-enrollment report annually with the Department in accordance with deadlines established by the Department~~ On or before May 1 of each year, every charter school shall provide to the Department, in a form or through an electronic data transfer method established by the Department, its projected enrollment as of April 15 for the next school year. On or before October 15 and March 1 of each year, each charter school shall report to the Department its actual enrollment attendance as of October 1 and February 15 of that year. The data required ~~for this report~~ shall be compiled and reported in accordance with ~~Department~~ guidelines and any supplementary instructions issued by the Department ~~regarding completion of the charter school attendance report~~, and shall be utilized to calculate the tuition assessments and payments provided for by M.G.L. c. ~~71~~, § 89.

~~(7) Year End School Indicator Report. On or before August 15 of each year, every school district shall report to the Department, in a form or through an electronic data transfer method established by the Department, the district's Year End School Indicator Report, which shall include data on student graduation, dropout, suspension and expulsion, and may include such other student data as the Department specifies in the report instructions. The data required for this report shall be compiled and reported in accordance with Department guidelines and any supplementary instructions issued by the Department regarding the Year End School Indicator Report.~~

~~(d8) End-of-Year Pupil and Financial Report.~~ Each city, town and regional school district shall submit an End-of-Year Pupil and Financial Report to the Department on or before September 30 of each year. A district's actual expenditure and revenue data of the prior fiscal year and estimated expenditures and revenues of the current fiscal year shall be reported in the form prescribed by the Department, in accordance with the category definitions and reporting criteria set forth in guidelines published by the Department.

1. a) Cities, towns and regional school districts shall file any corrections to the annual End-of-Year Pupil and Financial Report as soon as they become aware of any errors or omissions in the information reported. Such corrections may be filed until June 30 of the next year. ~~but must be filed by December 15 of the reporting year in order to affect the next year's state aid and required local contribution calculations.~~ Any corrections to the End-of-Year Pupil and Financial Report so filed are subject to verification by the Department ~~of Elementary and Secondary Education~~, and may be rejected if not supported by proper documentation.

2. Cities, towns and regional school districts shall file an amendment to the annual End-of-Year Pupil and Financial Report indicating any supplemental budget action for the current school year. Such

amendments shall be filed within 30 days of the vote approving any such supplemental appropriations.

~~3.(c) A district's student enrollment, program membership, and attendance data, actual expenditure and revenue data of the prior fiscal year and estimated expenditures and revenues of the current fiscal year shall be reported in the form prescribed by the Department, in accordance with the category definitions and reporting criteria set forth in guidelines for student and financial reporting published by the Department.~~

~~3.(d)~~ Upon review of a district or municipality's End-of-Year Financial Report, the Department may require submission of supporting documentation in cases of unusually large increases or decreases in actual or estimated expenditures or revenues from the previous reporting period, and may supply its own determination where the documentation is not forthcoming or does not support the expenditures or revenues.

~~(e9)~~ Every school district shall compile and report, in a timely manner, such other student, financial, programmatic and personnel data as the Commissioner or Board of Elementary and Secondary Education shall, from time to time, request.

~~(f10)~~ The Commissioner may, at the written request of a school district, extend the time for submission of any report required under 603 CMR 10.03.

~~(g14)~~ At the discretion of the Commissioner, the Department may withhold release of all or some part of a district or municipality's quarterly state school aid if the school district has not filed the reports required under 603 CMR 10.03 in an acceptable form by the required filing deadlines or any extensions of those deadlines granted by the Commissioner.

~~(h12)~~ In instances of gross non-compliance with the reporting requirements set forth in 603 CMR 10.03, the Commissioner may, after giving school district and municipal officials notice and a reasonable opportunity to correct the district's non-compliance with one or more of the reporting requirements set forth in 603 CMR 10.03, impose a financial penalty upon the district as provided for by M.G.L. c. 72, § 6. The Commissioner shall determine the amount of the penalty to be imposed, up to a maximum of one hundred and eightieth of the district's annual M.G.L. c. 70 school aid for each day that the report is overdue.

10.04: Financial Accounting and Reporting: Other Municipal Departments

(1) ~~In a municipality that operates its own school district, T~~he following expenditures from local revenues by a municipal department other than the school department which result in services to or on behalf of the school district, shall be reported to the Department on or before September 30 of each year in accordance with the expenditure categories and cost allocation methods set forth in guidelines ~~for reporting student and~~

~~financial data~~ published by the Department.

(a) **Administrative Services.** The cost of municipal accounting, auditing, central data processing, central purchasing, employee benefits administration, ~~and~~ financial services for the school department~~,-~~

(b) **Educational Media and Library Services, Exclusive of Capital Outlay.** The activities of librarians and catalogers, and the costs associated with cataloguing books, pamphlets, periodicals and other materials for use by school district students where there is an agreement between the school district and the library board for specific services to be provided to students.

(c) **Health Services.** The salaries of health personnel who provide direct services or instruction to public school students or school department employees pursuant to an agreement between the school district and the municipality for the provision of these services and related costs for supplies, materials and other direct expenditures in support of services covered by the agreement; the salaries of public safety officers, on an hourly basis, who provide direct classroom instruction on alcohol and substance abuse and violence prevention to public school students pursuant to an agreement between the school district and the municipality for the provision of these services; the salaries of health personnel who provide direct services which state law requires be provided to non-public students or non-public school employees and who make regularly scheduled visits to non-public schools for this purpose and related costs for supplies, materials and other direct expenditures in support of these and other services provided in accordance with M.G.L. c. 71, § 57.

(d) **School Security Services.** Salaries and other expenses of security staff or school police who are scheduled solely on school grounds where there is an agreement between the school committee and the municipality for specific services to be provided.

(e) **Student Transportation Services.** All costs incurred as a result of programs transporting public school students once daily to and from school, and the costs incurred in transporting non-public school students once daily to and from school to the extent required by M.G.L. c. 76 § 1.

(f) **Operation and Maintenance of School Facilities.** The direct costs of salaries, supplies, materials and contractual expenses for the ordinary and extraordinary maintenance of school buildings, grounds and equipment. School maintenance expenditures shall be reported for services performed within a school building or on school grounds, and shall include other property used by the public schools only where there is an agreement between the municipality and the school district concerning the use and maintenance of that property.

(g) **Employee Benefits.** The actual costs of pensions paid to school department

retirees or the actual costs of assessments paid to state, county or municipal retirement systems on account of school department employees or retirees, including any special assessments for early retirement incentive programs for school department employees; the direct insurance premiums for active and retired school district employees, after deducting all employee contributions; contributions to self-insurance trust funds from the municipality's general fund; and the indirect costs of administering employee benefit programs.

(h) **Non-Employee Insurance.** The direct insurance premiums for school buildings, grounds, equipment and liability coverage, contributions to non-employee self-insurance trust funds from the municipality's general fund, and the indirect costs of administering school facilities and liability insurance programs.

~~(i) **Instructional Expenditures.** Expenditures for textbooks and instructional equipment and technology made at the request of the school district from funds raised through the issuance of municipal bonds issued for that purpose; expenditures under the terms of a capital lease for the acquisition, at the request of the school district, of instructional equipment for the public schools.~~

(j) **Rental/Lease of School Buildings and Non-Instructional Equipment.**

Expenditures for the lease or rental, at the request of the school district, of buildings and non-instructional equipment for the public schools, not including any capital lease which provides for the municipality's acquisition of the leased building or equipment at the conclusion of the lease term.

(k) **Interest on Borrowing for School District Purposes.** Actual interest paid in borrowing for Revenue Anticipation Notes to support current year school district operations, interest on bonds and loans used to finance the purchase or construction of schools, textbooks, instructional equipment and technology, non-instructional equipment, and school building maintenance.

(l) **Other Recurrent School-Related Expenditures.** Other items of a recurrent nature for school purposes such as the salaries of crossing guards and the costs of public safety inspections.

(m) **Acquisition, Improvement and Replacement of School Sites, Buildings, Equipment and Student Transportation Vehicles.** Such costs shall be limited to funds expended for school capital construction and major reconstruction projects ~~approved by the Department in accordance with 603-CMR 38.00,~~ maintenance projects which exceed the cost limit for extraordinary maintenance, the actual cost of student transportation vehicles, amortized in accordance with guidelines published by the Department, and other specific appropriated items, including school building planning costs and lease/purchases of buildings or non-instructional equipment, that are intended to acquire a new asset for the school district.

(n) **Programs with Other Public and Private Schools and Educational**

Collaboratives. The tuition or assessment paid for instructional programs provided by other school districts ~~public~~ or private schools to students resident in the municipality who attend those schools by agreement of the district school committee or as a result of placement by a state agency.

(2) Where the Department's guidelines ~~for student and financial reporting~~ permit districts to select among two or more permissible methods for allocating the municipal expenditures set forth in 603 CMR 10.04~~5~~ (1~~2~~) (a) through (m), one method shall be chosen by the school district and used consistently from year to year. The allocation method used to report expenditures by municipal departments other than the school department may be changed only with the approval of the Commissioner ~~of Education~~.

(3) When school and municipal officials cannot agree on the correct reporting, allocation and documentation of expenditures by municipal agencies for educational purposes, they shall so notify the Department. The Commissioner shall, upon receipt of such notice, appoint a designee to conduct an informal hearing to encourage the parties to reach an agreement and make a final determination on the issues in dispute if no agreement is reached within a reasonable time period. The Commissioner ~~of Education~~ shall consult with and seek assistance from the Commissioner of Revenue or his designee in attempting to resolve such disputes.

10.05: Documentation Requirements.

(1) Each school district shall retain the financial data recorded during each school year for seven years after the date of submission to the Department ~~of Elementary and Secondary Education~~ of the End-of-Year ~~Pupil and~~ Financial Report for that school year. Records containing data involved in any claim or expenditure which has been questioned by a state or federal audit shall be further retained until final resolution of any audit questions.

(2) Each school district shall maintain, for every school year, a roster identifying the students enrolled and amount of time spent in each program identified in 603 CMR 10.03(2~~3~~). The special education roster shall further identify the educational environment/placements of each student receiving's special education ~~program~~ ~~prototype~~. Separate rosters shall be maintained for each approved vocational education program which a district offers.

(3) A signed individual education plan (IEP) shall be maintained for each student receiving special education services other than those receiving home/hospital services, in accordance with 603 CMR 28.00. A physician's written request for home or hospital education services shall be maintained for every child receiving a publicly funded home or hospital education program under 603 CMR 28.00.

(4) Each school district shall maintain records identifying the students served and dates of service for all reported tuition payments for students who resident in the district who and attend out-of-district programs for special education; ~~approved transitional bilingual~~

~~education, and-or~~ approved public career and vocational education programs at district expense.

(5) The program rosters and out-of-district tuition records for each school year shall be retained by the district for seven years after the date of submission to the Department of the End-of-Year ~~Pupil and~~ Financial Report for that school year. Program rosters and tuition records containing student information involved in any claim or expenditure which has been questioned by a state or federal audit shall be further retained until final resolution of any audit questions.

(6) Student records other than the program rosters and tuition payment records described in 603 CMR 10.0~~56~~(2) and (4), shall be maintained and disposed of in accordance with 603 CMR 23.00.

(7) A written contract or agreement, signed by the parties, or comparable documentation shall be executed and retained to support all non-salary personnel expenditures and all service fees and charges reported by a school district or municipality.

(8) Each school district shall maintain documentation of written Department approval of all vocational education ~~and transitional bilingual education~~ programs operated by the district.

(9) In support of reported financial data, each school district shall maintain books of original entry, general and subsidiary ledgers, related accounting records, and as appropriate, memorandum records, work sheets, supporting cost allocations and computations, payroll and expenditure warrants, written contracts, staff logs (specifying name and period and type of service), appointment books, evidence of teaching credentials or approval by programs, teaching schedules, canceled checks and paid invoices.

(10) In support of reported vocational education tuition expenditures, each school district shall maintain written documentation of approval, in accordance with M.G.L. c. 74, § 7, of the student's enrollment and approved (regular education) or agreed upon (~~transitional bilingual or~~ special education) tuition rate.

(11) In support of all reported and estimated education-related expenditures by a municipality from accounts other than the school committee appropriation, the municipality shall maintain municipal payroll and expenditure warrants, cancelled checks, bid documents, contracts, paid invoices, books of original entry, employee schedules, and copies of the agreements between school committee and municipal officials which are the basis of reported expenditures and cost allocations.

(12) Each school district or municipality which reports student transportation expenses shall maintain the lease contract, bid specifications and responses to the bid in support of reported student transportation expenditures.

(13) Each school district shall maintain deeds of school sites in support of reported school site or school building acquisition and improvement expenditures.

10.06: Annual School Spending Requirements

(1) The Commissioner ~~of Education~~ shall determine each school district's actual net school spending in the prior fiscal year and the estimated net school spending in the current year from information contained in the End-of-Year ~~Pupil and~~ Financial Report.

(2) The sum of the following expenditures for public education from local revenues and M.G.L. c. 70 school aid, reported in accordance with 603 CMR 10.04 and 10.05 and the guidelines ~~for reporting student and financial data~~ published by the Department, shall be considered a school district's annual net school spending for purposes of determining compliance with the requirements of M.G.L. c. 70:

- (a) district and school site administrative services and materials
- (b) student instructional services, materials and equipment
- (c) student support services; including attendance, health services, food services (not including the cost of food), and school security
- (d) student activities; including athletics, performance groups and clubs
- (e) operation and routine maintenance of school facilities and equipment
- (f) extraordinary maintenance of school facilities
- (g) health insurance and retirement contributions for current school district employees
- (h) non-employee insurance
- (i) rental or lease of land, buildings, or building space for student instruction or school administration purposes for a period not exceeding three years
- (j) interest on short term borrowing in anticipation of revenue to fund current year operating expenses, except in a year when state aid payments to the district or municipality have been delayed or forfeited for failure to comply with student or financial data reporting requirements;
- (k) tuition and related charges for students attending other public schools, collaborative programs, or private schools by agreement of the school committee or assignment by a state agency;
- (l) assessments, minus any reimbursements, for school choice and charter school students attending schools outside the district;
- (m) the cost of health insurance for retired teachers in a school district where such costs were considered by the Department to be part of the district's net school spending in fiscal year 1994.

(3) In calculating actual or estimated net school spending, a city, town or regional school district's total expenditures for the items specified in 603 CMR 10.06(2) shall be reduced by the school district or municipality's general fund receipts for tuition received for students attending the district's schools, earnings on investments by the school district, rental fees for the use of school district facilities, insurance reimbursements for services provided to students in the district's schools, [reimbursements pursuant to M.G.L. c. 40S.](#) and any other general fund revenues generated by the school district

available to support current year operating expenses.

(4) The Department shall compare each school district's net school spending in the prior fiscal year with the net school appropriation required by M.G.L. c. 70, § 6 to determine the district's compliance with M.G.L. c. 70 net school spending requirements. For the purposes of this calculation, actual expenditures in the prior year by municipal departments other than the school department for school district purposes shall be used for the following expenditure categories: school district employee retirement and insurance programs, interest on short term borrowing in anticipation of revenue to fund current year operating expenses, tuition payments on behalf of resident students, and assessments for charter school and school choice students. Estimated expenditures by municipal departments other than the school department shall be deemed to be the actual expenditures in all of the other categories in which municipalities are permitted to report expenditures pursuant to 603 CMR 10.05.

(5) The Commissioner ~~of Education~~ shall, ~~within 30 days a,~~ after receipt of a district's End-of-Year ~~Pupil and~~ Financial Report, notify the school district superintendent and municipal officials of any prior year spending deficiency and resulting expenditure obligation carried forward into the current fiscal year pursuant to M.G.L. c. 70, § 11. In such instances, any funds remaining in the school district's account at the close of the fiscal year shall be reserved by the municipal accountant or regional school treasurer and shall be made available to the school district without further appropriation. If the amount of the prior year's net school spending deficiency is greater than the amount of the school district's unspent funds available to be carried forward, an amount sufficient to meet the carried forward spending obligation must be appropriated by the municipality or municipalities responsible for the financial support of the school district.

(6) If, in any fiscal year, a district's actual expenditures for public education are less than the amount required under M.G.L. c. 70 taking into consideration any permitted carry-forward, the Department shall direct the Commissioner of Revenue to reduce the district's state school aid distribution by the amounts set forth in M.G. L. c. 70, § 11. When a deduction is so taken, there shall be no corresponding reduction in the district's net school spending requirement for the current year.

10.07: Special Education Payments and Reimbursements

(1) Each school district shall pay for the special education and related services specified in the approved individual education plan for every student in need of special education for whom the district is assigned financial responsibility under 603 CMR 28.00.

(2) School districts which enroll non-resident students pursuant to M.G.L. c. 74-, § 7 (vocational schools), M.G.L. c 76, §12A (Metco receiving districts), § 12B (school choice receiving districts), or c. 71, § 89 (charter schools) shall provide and pay for the special education and related services specified in the approved individual education plan for every student so enrolled whose special education needs can be met in a program operated by the district.

(3) For the purposes of determining the tuition for students within individual education plans under M.G.L. c.76, § 12B, and under any other program for which the Department is required to establish a tuition reflecting the full cost of such services, said tuition shall include:

- (a) the cost of instructional services as calculated pursuant to 603 CMR 10.07(6).
- (b) an allowance for overhead and indirect costs to be published annually by the Department based on the current state average per pupil allotments for non-instructional services in the foundation budget as defined in M.G.L. c.70; and
- (c) actual costs for transportation services required by the student's individual education plan.

(4) State payments to school districts under the special education circuit breaker reimbursement program, so-called (M.G.L. c.71B, s.5A,) shall be made in accordance with 603 CMR 10.07(5) through 10.07(11). Claims for reimbursement under this program shall be submitted by the district that has financial responsibility under 603 CMR 28.03(4).

(5) Definitions

Eligible student shall mean a student eligible for special education services consistent with the requirements of 603 CMR 28.00 and for whom the district has developed an individualized education program (IEP) as defined in 603 CMR 28.02.

Instructional costs shall mean the cost to the district of providing services specified on the eligible student's IEP, as calculated pursuant to 603 CMR 10.07 (6) through 603 CMR 10.07 (8). Instructional costs shall not include transportation, administrative, overhead, evaluation, or service coordination costs, or any costs paid directly or indirectly by third parties.

(6) **Instructional Cost Groups.** The Department ~~of Elementary and Secondary Education~~ shall annually establish pricing standards for each of the following instructional cost groups. Such pricing standards shall be annually increased using the estimated rate of inflation as determined by the Operational Services Division for use in program pricing.

(a) **Consultation Services:** Any consultation services required by the IEP of the eligible student shall be included for purposes of determining reimbursement eligibility at the group service rate for the type of service according to the identified cost group.

(b) **General Education Services:** Instructional costs for eligible students may include an allowance for the cost of general education services. Such allowance shall be published annually by the Department based on the current state average per pupil allotments for instructional services in the foundation budget as defined in M.G.L. cChapter 70 of the General Laws. No other general education services may be included in the calculation of instructional services for the student. General education services include, but are not limited to, any instructional services provided by the general education teacher(s) responsible

for the general education classroom(s) of the school whether or not such teacher's services are identified on the eligible student's IEP.

(c) Special Education Services Provided by Certified or Licensed staff:

Services specified on the eligible student's IEP and provided by a person with certification or license in his or her professional area or an approved waiver of a teaching certificate in an area of special education. Certification shall meet the requirements of 603 CMR 7.00 and the requirements for recertification at 603 CMR 44.00, as necessary. Such services may include teaching services and services in related service areas of occupational therapy, behavior therapy, speech and language therapy, audiology, physical therapy, or counseling, but shall not include persons holding professional certificates for occupational therapy assistants or physical therapy assistants. Such services may be provided individually or in groups. Such services must comply with the definition of "special education" in 603 CMR 28.02. The additional costs of special educators providing extended day or year services as specified on the eligible student's IEP shall be included in the calculation of individual student instructional cost.

(d) Specialized Health Care Services: Services provided in accordance with an eligible student's IEP in the areas of nursing services or individualized services associated with special health care needs. Specialized health care services may be provided individually.

(e) Other Specialized Services Provided by Professional Staff: Specialized services provided in accordance with an eligible student's IEP in the areas of music therapy, adaptive physical education, recreation therapy, vision training, home/school facilitation and interpretation for the deaf or hard of hearing. Such services must be provided by professionals trained through an accredited program or through meeting the requirements of their professional organization. Specialized services may be provided individually or in groups. The additional costs of such professional staff providing extended day or year services as specified on the eligible student's IEP shall be included in the calculation of individual student instructional cost.

(f) Specialized Services Provided by Staff Who Have Received Specialized Training: Specialized services provided in accordance with an eligible student's IEP that are provided under the supervision of a certified or licensed professional by staff who have been required to participate in specialized training. Examples of such specialized services include the use of applied behavior analysis, mobility training, a job coach, a work experience assistant, a certified occupational therapy assistant, a physical therapy assistant and/or instruction using specialized equipment needed by the student. This cost group includes only services provided by specially trained staff under the supervision of professional staff. Services in this cost group may be provided individually or in groups. The additional costs of such staff providing extended day or year services as specified on the eligible student's IEP shall be included in the calculation of individual student instructional cost.

(g) Services Provided by Support Staff: Services provided by support staff under the supervision of a certified or licensed professional in accordance with an eligible student's IEP. This cost group includes services provided by a

personal care assistant, a teaching assistant, or an aide. Training provided to staff in this area does not constitute "specialized training" as in 603 CMR 10.07(6)(g) unless such training was required as part of the eligible student's IEP. Services in this cost group may be provided individually or in groups. The additional costs of support staff providing extended day or year services as specified on the eligible student's IEP shall be included in the calculation of individual student instructional cost.

(h) **Supervisory Services:** Supervision of staff in the delivery of services to students according to the student's IEP. Supervisory services eligible for reimbursement under this instructional cost group must be provided by a person with appropriate certification or license in his or her professional area. Supervision must be explicitly identified on the student's IEP, and the supervisor must be readily available to supervise the delivery of services. Administrative supervisory services are not included in this instructional cost group.

(i) **Specialized Equipment:** Equipment purchased for and provided to an eligible student that is specified on the eligible student's IEP and is necessary for the student to benefit from the services on the IEP. The need for such equipment must be documented on the student's IEP and may be considered in the calculated individual student instructional costs in the year of purchase only. Equipment includes, but is not limited to, specialized books or materials and specialized equipment. Equipment does not include the costs of adapting classrooms or materials used by more than one student ~~nor~~ the costs of adapting vehicles or buildings.

(7) **Tuition Costs.** If a student is tuitioned to a program outside of the district, 603 CMR 10.07 (6) shall not apply and the instructional cost shall be based on the tuition paid by the district. Program tuition rates shall exclude all transportation costs, and shall not exceed the rates approved by the Operational Services Division if such approval is required.

(8) **Extended Day and Extended Year.** Costs for extended day or extended year services shall be eligible only if such services are specified on the student's IEP, and shall be calculated in accordance with 603 CMR 10.07 (6) or 603 CMR 10.07 (7).

(9) **Reimbursement for Individual Districts.** Instructional costs eligible for reimbursement under this program shall be reported by a school district to the Department in a form and manner as prescribed by the Department. The Department may require such reports to include state-assigned student identification numbers (SASIDs) and such other personal identifying information as is needed. The Department shall review reports provided by individual districts and shall approve reported costs that are eligible for reimbursement pursuant to 603 CMR 10.07 within 30 days of the submission by the district, subject to the following requirements:

(a) **Annual Calculation.** Calculation of costs for individual students shall be based on the actual costs of the student's program. Services included in the calculation shall be supported by documentation of the student's IEP and associated student records which shall be kept on-site at the district and made

available to the Department or the Department's authorized representative upon request.

(b) **Temporary Absences.** Districts may claim reimbursement for students experiencing temporary changes in the delivery of an IEP program due to illness or temporary absence, provided that such absence does not exceed 20 consecutive school days.

(c) **State Reimbursement.** Subject to appropriation, for each student the state's share shall equal 75% of the prior year's approved instructional costs in excess of four times the full amount of the prior year's state average per pupil foundation budget as defined in M.G.L. c.70 and as set by the Department. For students who have no father, mother, or guardian living in the commonwealth, and for any school age child placed in a school district other than a home town by, or under the auspices of, the department of transitional assistance or the department of social services, the state's share shall equal 100% of the prior year's approved instructional costs in excess of said four times the full amount of the prior year's state average per pupil foundation budget. In the event that appropriations are insufficient to fully fund all reimbursements due under 603 CMR 10.07, the total due to each district shall be prorated by an equal percentage.

(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.

~~(10) **Direct Payment to Approved Private Residential Schools.** Residential schools and residential programs that have sought and received program approval using the procedures of 603 CMR 28.09 shall be eligible to receive direct payment of all sums authorized by 603 CMR 10.07 for specific students. Such direct payment shall only be made available upon the request of the district and the private school and upon receipt of required forms and notices by the Department. Such payments shall be made in the fiscal year following the year in which services are provided. Direct payment from the Department shall not be available for approved day schools, unapproved schools, programs approved for individual students that are not otherwise approved private~~

~~residential programs, or summer programs.~~

(101) School districts shall submit such information as the Department requires for the purposes of 603 CMR 10.07, in such form and within the filing deadlines established by the Department.

10.08: Transportation Reimbursement, Resident Students

(1) To qualify for receipt of state funds appropriated to reimburse school districts and municipalities for costs incurred in transporting public and private school students residing in the school district to and from school, school districts and municipalities shall maintain and report to the Department the transportation-related student and financial information specified in, and shall calculate transportation costs in accordance with, guidelines ~~for reporting student and financial data~~ published by the Department.

(2) School districts and municipalities shall submit all transportation reimbursement claims to ~~the~~ Department within the time frame set by the Department for the submission of such claims. Claims shall be filed in a form, and shall contain the student and financial information, prescribed by the Department. Claims which are filed after the filing deadline established by the Department or which do not contain the required information may be denied.

(3) Subject to appropriation, school districts and municipalities that meet the requirements set forth in 603 CMR 10.10(2) may receive reimbursement for the following categories of student transportation services:

(a) Costs incurred in providing transportation to and from school once daily to public and non-public school students who reside in the district, live at least one and one-half miles from their assigned school, and are enrolled for full time attendance in a pre-school through grade 12 educational program at a school located within the boundaries of the district. M.G.L. c. 71, §§ 7A, 7B and 16C; c. 71A, § 8.

(b) Costs incurred in providing transportation to students enrolled for full time attendance in preschool through grade 12 educational programs operated by a school district who are transported to and from an assigned school within the district to reduce or eliminate racial imbalance and racial isolation in accordance with M.G.L. c. 15, § 1I and c. 71, § 37D.

(c) Costs incurred in providing specialized transportation service provided to meet ~~the special~~~~the special~~ transportation service needs specified in a student's individual education plan (IEP).

(d) Costs incurred in transporting a resident student to and from an approved vocational school in another school district, in accordance with M.G.L. c. 74, § 8A.

10.09: Transportation Reimbursement, School Choice and Charter School Students

(1) Subject to appropriation, any parent or school district that provides transportation to

a low income student to enable that student to attend school in a school district other than the district where the student resides pursuant to M.G.L. c. 76, § 12B, or to attend a charter school located outside the school district where the student resides, may receive reimbursement of transportation costs, to the extent permitted by 603 CMR 10.09(2).

(2) School choice and charter school transportation reimbursement is limited to reimbursement of the costs of transporting the eligible student(s) to and from school once a day for each day of instruction, as follows:

(a) In the case of transportation provided by a school or school district, reimbursement will not exceed 100% of the average cost of transporting students in the school or district providing the transportation.

(b) In the case of transportation provided by a public carrier or regional transportation authority, reimbursement will be the actual fare paid.

(c) In the case of transportation provided by a parent, reimbursement will be provided at the same rate set by the State Director of Special Education, as state employees as required under ~~rate of \$0.28 per mile.~~

(d) In the case of transportation purchased from a properly licensed private carrier, reimbursement will be the amount charged by the private carrier, up to a maximum of the rate cited in (c) above: state employee rate as required under ~~603 CMR 28.07(6) \$0.28 per mile per eligible student.~~

(3) School districts and charter schools shall offer vouchers to parents of students who meet the eligibility requirements for transportation reimbursement set forth in 603 CMR 10.09(1) to enable parents to arrange transportation without having to advance payment for such services. Schools and school districts will be reimbursed for vouchered expenses in accordance with 603 CMR 10.09(5).

(4) To qualify for school choice or charter school transportation reimbursement, parents and school districts shall provide transportation that complies with all relevant state laws and regulations concerning safety.

(5) The following procedures shall be followed by schools and school districts to receive reimbursement for transportation provided or paid for on behalf of low income school choice or charter school students:

(a) Schools and school districts eligible for reimbursement shall submit their claims to the Department on a quarterly basis, in a form established by the Department.

(b) Parents requesting reimbursement shall file such claims with the office of the superintendent or director of the school or school district in which the eligible student attends school. The superintendent or director shall verify the claims and, if they meet the criteria set forth in 603 CMR 10.09, shall reimburse the parent and include the reimbursement amount in the district's school choice transportation reimbursement claim.

(c) Private carriers who transport eligible students pursuant to a school choice or charter school transportation voucher issued under 603 CMR 10.09(3) shall

submit such vouchers to the issuing school district(s) for payment. The district that issued the voucher shall pay the carrier in accordance with the terms of the voucher, and shall include the amounts so paid in the district's reimbursement claim.

(6) The Department may request information to support a district's school choice and charter school transportation reimbursement claim prior to accepting the claim for payment, and may audit any claims.

(7) Reimbursement for the costs of school choice and charter school transportation provided by school districts shall be deposited by the municipal or regional treasurer in a separate account, and may be expended by the school committee without further appropriation.

10.10: Audit Procedures

(1) Every school district shall, within nine months of the close of its fiscal year, arrange for and undergo an independent audit of its financial records and submit the report of this audit to the Department. The audit will be conducted, at a minimum, in accordance with the compliance supplement for Massachusetts school districts issued by the Department. The Department may waive the requirement of an annual compliance supplement audit for an elementary school district that has only one school.

(2) The Department may, at its discretion, audit all or any part of a district's records to ascertain whether the student, personnel and financial data reported by a school district are accurate, to ensure that the school district is complying with the applicable laws and regulations governing school district expenditures and operations, and to determine whether the school district is maintaining effective controls over revenues, expenditures, assets, and liabilities.

(a) Audits by the Department shall be conducted according to the Governmental Auditing Standards published by the United States General Accounting Office.

(b) School districts shall cooperate with the Department ~~of Elementary and Secondary Education~~ in the scheduling and conduct of audits. If a school district fails to comply with Department requests for documentation within ten working days, the Department may consider the reported data in question to be unsupported and take appropriate actions based on that finding.

(c) At the conclusion of an audit the Department shall conduct an exit interview with the school district to explain any actions that will be taken as a result of the audit finding, and shall issue a written audit report. The audit report may be used to adjust school aid or local contribution requirement calculations.

(d) A school district that, at the conclusion of an audit, disagrees with an audit determination contained in the written audit report issued to the district by the Department may, within 10 working days after receipt of the written audit report, file a written request to the Commissioner ~~of Education~~ for reconsideration of the audit determination.

(e) The request for reconsideration shall include: a statement of the issues

disputed, with appropriate supporting documentation, and copies of all documents, correspondence, data, exhibits and other information, including affidavits of witnesses where relevant, which the district wishes the Commissioner to consider in reviewing the challenged audit determination.

(f) The Commissioner or his designee, upon review of the Department's audit records and the district's audit reconsideration submission, may either:

1. issue a final audit determination based on the records submitted by the Department and the district; or
2. convene a hearing to further consider the district's appeal, and thereafter issue a final audit determination. The decision of the Commissioner or his designee shall be final.