

Operational Services Division (OSD) Presentation

NOVEMBER 7, 2022



What is the OSD?

- The OSD is an executive branch agency of the Commonwealth of Massachusetts
- The agency falls under the Executive Office for Administration and Finance, and has a variety of responsibilities, including **setting tuition prices for more than 200 approved special education programs in approximately 100 private schools**. These schools accommodate students with needs that cannot be met by their current school district. OSD also sets prices for services not included in tuition, such as one-to-one aides.
- Required by M.G.L. Chapter 7, Section 22N, to submit an “estimated rate of inflation for social service programs,” including MGL Ch. 71B approved private school programs to the Secretary of the Executive Office for Administration and Finance by October 1st of each year for consideration in preparation of the Governor’s annual budget recommendation
- The OSD is also required by the above statute to notify Commonwealth Superintendents of this estimated rate of inflation for their use in planning for increases to Approved Private Special Education programs

What is the OSD's Recent Determination?

- The estimated rate of inflation for FY 2023/24 has been set at **14.0%**, and consists of two components:
 - 5.18% cost of living adjustment (COLA) and
 - 8.82% “Workforce Stability Factor”
- This rate increase applies to MGL Ch. 71B approved private school programs in Massachusetts, as well as to private schools that are located outside of the Commonwealth in states where there is no established state rate or price setting mechanism
- The OSD also sets prices for services not included in tuition, such as one-to-one aides

Is the OSD's October 1 estimate final, or just preliminary?

This is unclear.

- The Governor's proposed FY24 budget must include an increase such as the one determined by OSD, but it is unclear if such a steep and unprecedented tuition hike will make it into the budget
- MGL Chapter 7, Section 22N states explicitly: "The bureau (OSD) shall have the responsibility for prescribing the methods to be used in determining the prices to be reimbursed to providers of special education programs by governmental units. The methods prescribed by the division in determining prices shall incorporate cost containment standards and shall be **fair to both governmental units and providers.**"

The OSD's determination is both unfair and unreasonable.

What are the historical OSD increases for MGL Ch. 71B approved private school programs?

■ Historical OSD Inflation Figures

FY'11	0.75%
FY'12	1.69%
FY'13	2.13%
FY'14	1.80%
FY'15	1.53%
FY'16	1.40%
FY'17	1.83%

Historical OSD Inflation Figures (Cont)

FY'18	1.15%
FY'19	2.33%
FY'20	1.63%
FY'21	2.72%
FY'22	2.26%
FY'23	2.54%
FY'24	14.00%*
*(5.18% COLA & 8.82% "Workforce Stability Factor")	

What is the 'Workforce Stabilization Factor?'

- The “workforce stabilization factor” (included in the OSD’s FY24 rate calculation) is intended to mitigate a ‘fiscal cliff’ and assist with recruitment, hiring and retention of qualified staff
- Approximately \$140M in state funding has been made available for this program based on a 14% increase in the OSD-approved price for students in each program

What is the estimated total cost of the OSD rate increase statewide?

- A conservative estimate is approximately \$92,807,590
 - This amount represents 14% of FY21 school district expenditures on in-state private school tuitions, or \$662,911,356 (*most recent data available from DESE*)
- If this rate increase stands and is funded by the Legislature in FY24, our school district will need an additional \$1.2M (approximate) from local or state resources to pay for the increase in private school special education tuition
- The 14% rate increase would go into effect for FY 2023/24, funded by local appropriations from cities and towns. If approved, school districts would need to obtain sufficient appropriation from their cities and towns to cover the 14% increase in FY24

Will Circuit Breaker reimburse the cost of this increase in FY24?

- No. The payments to private schools would not be reimbursed until FY25.
- It is highly unlikely that the current appropriation would be sufficient to cover the cost of the OSD increase
- For context, the current year statewide appropriation for Circuit Breaker is \$441,031,605. The \$92.8 million estimated cost of the OSD rate increase represents a full **21% of the entire state-wide appropriation**
- An extraordinary increase in the cost of tuition would certainly diminish the amount of money that each district receives, further diminishing its effect on mitigating the financial burden to each district

Important to note...

- Approved special education schools in Massachusetts provide a valuable and important service and education to many students throughout the Commonwealth, and we appreciate and acknowledge the wonderful work of our colleagues in the private school setting.
- It is fair and reasonable for OSD to propose a rate hike that may even go beyond what it has historically provided, especially given inflationary and workforce pressures all schools, public and private, are facing.
- All schools are struggling to fill positions to serve special education students. It's an incredibly tight and unpredictable labor market, and it is reasonable to provide some increase to help obtain and retain qualified staff.
- Local school districts do not have the ability to impose a 8.82% “workforce stability” salary increase on the local community and taxpayers.
- OSD should consider a “phased-in rate increase” over the next several years as a way to help local districts plan for and anticipate fair, reasonable, and sustainable private special education tuition increases that will not adversely impact educational programs and students, including in district special education students, in local districts

What Cities and Towns should immediately advocate for

- Fiscal relief in FY24, the year in which the OSD increase will take effect. This fiscal relief could take the form of additional, one-time state funds for districts that could offset the impact of this extraordinary increase on city and town budgets.
- A three-year, phased implementation of the workforce stability factor increase. A phased approach is needed to help school districts and private education schools achieve sustainable budget increases that will not adversely impact educational programs for students and staff.
- A significantly expanded Circuit Breaker appropriation at the state level. Significant additional funds will be needed to hold districts harmless at the current reimbursement rate, if the OSD's recommended increase goes into effect.
- Creation of a statewide Special Education Commission. The charge would be to look comprehensively at the fiscal sustainability of special education service delivery in Massachusetts, examine the underlying cause of increasingly complex student needs, and evaluate the adequacy of the underlying structure that supports these students in Massachusetts

Questions/Comments/Suggestions