**Section 900.330 Reasonable Cost Provisions**

a) Only reasonable costs that are necessary for the accomplishment of program goals and objectives shall be allowable. A cost is reasonable if, in its nature or amount, it does not exceed what would be incurred by a prudent buyer under the circumstances prevailing at the time the decision was made to incur the costs. Accordingly, the Board shall seek to approve expenditures for goods and services at a cost that is as low as possible without sacrificing the quality of goods or services received. Parameters for frequently incurred costs, including staffing costs, will be developed by the Board based on analysis of regional variations in costs for comparable services.

1) In determining allowable costs for new programs (i.e., those without audited historical cost data), the Board will consider the special education and related services that will be required in response to the unique characteristics of the children to be served.

2) For new residential programs, allowable costs may be determined based on costs approved by another child care agency of the State of Illinois.

b) Reasonable cost ceilings for support, administration and occupancy costs shall be determined as follows:

1) All providers will be grouped by type of program offered based on actual costs for support, administration, and occupancy of facilities. Allowable costs for support, administration and occupancy utilize a cost range ceiling of 125% of the median per diem cost for support, administration, and occupancy as a reasonable upper limit.

2) For a private for-profit provider, reimbursement will be allowable at 115% of the median cost for support, administration and the physical plant operation and maintenance portion of the occupancy costs for all facilities where a similar type of program is offered. When actual costs exceed 115% of these medians, a cost ceiling of 125% of these medians will be utilized.

3) Calculation of median costs for the coming rate year will be based on cost reports received prior to April 15. Cost reports not received prior to April 15 may be included in the median calculation using the prior year's cost report, adjusted for inflation, as established by the Board.

c) Reported costs will be updated for inflation experienced and projected for the time between the period covered on the cost report and the middle of the current school year. The Board will develop an appropriate index for inflation factors each year using the component method to update costs of programs for the same time periods.

d) Allowable costs approved by the Illinois Purchased Care Review Board for any nonpublic school program or segment thereof shall not exceed the allowable costs for that program approved by any other Illinois State agency for the same program or program segment.

e) Each Illinois State agency that approves room and board rates for nonpublic providers will notify the Illinois Purchased Care Review Board of the approved rate for each nonpublic program receiving funding subject to Section 14-7.02 of the School Code.

f) The Board may use as bases for allowable costs those costs reimbursed by the state in which a provider's facility is located. These may, however, be adapted to meet known differences in cost determination methodologies. The Board may waive allowable cost provisions for a provider's out-of-state program or programs. Circumstances that would lead the Board to waive allowable cost provisions include but are not limited to the following:

1) Fewer than six Illinois children are served by the program or programs except that until August 31, 2023, the Board may waive the allowable cost provisions when it deems the number of pupils placed with a provider by Illinois school districts totals twelve or fewer;

2) The out-of-state provider submits a substitute cost report as prescribed by the Board and/or the provider requests that the Board adopt the official rate of another state or local governmental agency;

3) The out-of-state provider will only provide treatment services at a non-negotiable or stated cost and the treatment services are not available in other settings;

4) The placement of a child in the out-of-state program is the result of a court order; or

5) The provider is providing emergency and student-specific placement pursuant to 23 Ill. Adm. Code 226.330(g) or (i).

g) For school year 2021-2022 (SY21-22) only, the rate for any out-of-state provider accepting six to twelve Illinois students for which a rate was calculated for SY21-22 will not be retroactively adjusted for SY21-22. Effective school year 2022-2023, for providers with twelve or fewer students placed by Illinois school districts, the Board may waive the certified audit and/or cost report pursuant to Section 900.320(b)(1) regardless of whether rates were calculated for SY22.

h) Per-student allowable costs shall be determined in the following manner:

1) Per-student allowable costs for room and board will be determined based on actual enrollment or 90% of licensed capacity, whichever is larger.

2) Per-student allowable education costs shall be determined based on program enrollment, as reported by the provider and verified by ISBE. This verification shall be based on the total reimbursement days claimed by all school districts for each program. In the event of a discrepancy between the enrollment reported by the provider and the enrollment reported by ISBE, the higher enrollment figure shall be used in determining the per-student allowable education cost, except as provided for in Section 900.342(a)(6).

i) Cost determination for an out-of-state public school program shall be made based on documented prior costs or the operating budget for the public program.

1) Cost information shall be reported annually by an authority representing the out-of-state public school district or other public entity operating the program.

2) Additional information such as enrollment, school calendar, weighting factors, or budget detail may be required if such information is not included with the cost information submitted for review.

3) Any increase in the actual costs of a program determined after the original cost determination shall be submitted to the Board in the form of an appeal. The Board must approve any increase before payment is made by any Illinois school district. Only appeals that address changes in the current school year will be considered.

(Source: Amended at 46 Ill. Reg. 13299, effective July 13, 2022)