

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

843

SPECIAL EDUCATION FINANCING
WARRANTS REVIEW

MARCH 1979



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

SENATORS
ALBERT RODDA
PAUL CARPENTER
JOHN NEJEDLY
ROBERT PRESLEY

ASSEMBLYMEN
RICHARD ROBINSON
DANIEL BOATWRIGHT
LEROY GREENE
BRUCE NESTANDE

□ STATE CAPITOL
SACRAMENTO 95814
(916) 323-1168

□ 925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

RICHARD ROBINSON
CHAIRMAN

April 2, 1979

843

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report concerning financing of special education for handicapped pupils in California.

The report finds that districts having traditional special education programs report substantially large numbers of unserved and inadequately served handicapped pupils than districts participating in the State's Master Plan for Special Education. These differences are associated with significantly less state financial support for traditional special education programs.

The study also indicates that improved information is needed on an ongoing basis to strengthen financial planning and administration of special education programs.

The report makes recommendations for addressing disparities in special education financing and for improving state-level information concerning special education.

The auditors are Dr. Joan S. Bissell and Eugene T. Potter, Supervising Auditors; and Douglas L. Williams and Ann Arneill. Support staff is Linda K. Smith.

Respectfully submitted,

RICHARD ROBINSON
Assemblyman, 72nd District
Chairman, Joint Legislative
Audit Committee

Attachment

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SUMMARY

Our review of special education financing in California indicated disparities in statutory funding provisions for special education and problems in the State Department of Education's fiscal administration of these programs.

Present statutes provide substantially greater state funding per pupil for special education in districts under the State's Master Plan for Special Education than in districts with traditional special education programs. Master Plan participants receive 70 percent more state special allowances per pupil than traditional districts. These traditional districts also report that 11 percent of their handicapped pupils are either unserved or inadequately served. Inadequately serving these pupils could jeopardize federal funding to California under Public Law 94-142 and under other programs serving handicapped children.

The Department of Education's data for fiscal planning and administration of special education programs also needs improvement. For example, in 1977-78 Master Plan participants received eight percent less funds than they were entitled to based upon the actual amount of services they provided. The absence of reliable data within the Department of Education concerning special education programs has been a major factor hindering financial planning.

To address problems related to special education financing, we have recommended that the Legislature reconsider special education funding provisions contained in present statutes. Particular attention should be given to whether new funds presently designated for Master Plan expansion should be distributed to districts statewide to assist them in complying with federal requirements which took effect during the present school year. This redirection of funding could provide for partial implementation of the Master Plan during a phase-in period.

We have also recommended that the Department of Education develop an information system adequate to support sound decision-making regarding special education.

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we have reviewed the financing of California's special education programs for handicapped children. This study was conducted under the authority vested in the Auditor General by Government Code Section 10527.

This report examines the sources and uses of funds for educational services to children with exceptional needs. Fiscal issues reviewed include variations in funding between Master Plan and traditional special education programs (hereafter referred to as traditional programs), funding policies at the state level and fiscal administrative procedures of the State Department of Education (SDE).

Scope and Methodology

Statewide fiscal information presented in this report is based largely upon data collected from the State Department of Education. We also collected detailed fiscal data in the original six Master Plan Responsible Local Agencies (RLAs) and in six traditional special education districts. We focused on special education financing and did not analyze program quality or educational benefits.

Because we found inconsistencies in SDE data, all figures in the report should be considered estimates. Moreover, the Department collects data from Master Plan RLAs in different formats than those used to gather data from traditional districts. Comparative analysis, therefore, is difficult and any conclusions drawn from such analyses must be qualified. Furthermore, Master Plan RLAs and traditional districts do not necessarily offer equivalent instructional settings and services. For comparative purposes, certain similar programs such as the Master Plan's resource specialist program and the traditional learning disability group have been treated as comparable though not equivalent.

Background

As a necessary preface to our study, we have included this section which describes (1) the history of special education program development and legislation in California, (2) the organizational scheme for the Master Plan, (3) the requirements of the Education for All Handicapped Children Act of 1975 (PL 94-142) and (4) a comparison between the provisions of PL 94-142 and the Master Plan.

Special Education in California

Traditionally, special education programs were established in California on a categorical basis. By the mid-1970s, 28 separate programs had been created to meet the

needs of children with certain handicaps. The enactment of Assembly Bill 4040 (Chapter 1532, Statutes of 1974) implemented a new approach to special education. This pilot program, referred to as the California Master Plan for Special Education, reorganized the system for delivering services. It was authorized for statewide implementation by Assembly Bill 1250 (Chapter 1247, Statutes of 1977). The intent of the legislation was to continue expansion of the Master Plan until it is fully implemented statewide by 1981-82. During the 1977-78 school year, Master Plan districts were serving approximately 13 percent of the statewide special education population. It is estimated that during 1978-79, the Master Plan is serving over 20 percent of special education pupils.

Organizational Structure

The Master Plan creates planning units consisting of a single large school district, several districts, or many districts and a county superintendent of schools. In each planning unit, participant districts designate a Responsible Local Agency, a school district or county superintendent, as the fiscal and administrative agent. Planning units must be large enough to provide a full range of services. They are intended to facilitate combining resources in order to create service opportunities that a single small or medium-sized district alone might not be able to provide.

Each planning unit participating in the Master Plan must develop a local comprehensive plan which describes procedures for, among other things: (1) identifying all individuals with exceptional needs, (2) developing appropriate individualized education programs for each pupil, (3) providing services to meet each pupil's needs, (4) encouraging parental involvement through community advisory committees and (5) meeting staff development needs.

Under the Master Plan, instruction is provided through four instructional settings: (1) special classes and centers, (2) the resource specialist program, (3) designated instruction and services and (4) nonpublic school services.^{1/} The resource specialist program, which serves mildly handicapped pupils at the school site, is the most distinctive instructional addition within the Master Plan. The Master Plan also funds three program support components: management and support services; identification, assessment and instructional planning; and transportation.

Education for All
Handicapped Children Act

In order to receive federal funds, both the Master Plan and traditional programs must comply with the Education for All Handicapped Children Act of 1975 (PL 94-142). This act will substantially increase the Federal Government's share of special education costs over the next several years.^{2/} The State

Department of Education projects that by 1981-82 federal assistance will total approximately \$145 million, as compared with an allocation of approximately \$23 million in 1977-78. However, federal funding represents only a small portion of total special education resources in the State. Total statewide special education expenditures during 1977-78 were approximately \$700 million.

The federal act requires that states guarantee the right to a free appropriate public education for handicapped children between the ages of 3 and 18 no later than September 1, 1978 and for handicapped children between the ages of 3 and 21 by September 1, 1980.^{3/} Two of the law's significant provisions are that programs:

- First accommodate unserved pupils and then those inadequately served pupils who are most severely handicapped
- Place children with exceptional needs in the least restrictive appropriate environment.

PL 94-142 vs. The Master Plan

The Master Plan also requires that districts deliver services to pupils in the least restrictive appropriate environment. Other similarities between the Master Plan and PL 94-142 are that each:

- Requires a written individualized education program for each handicapped child
- Provides educational services for handicapped children at no cost to parents
- Requires comprehensive procedural safeguards and due process provisions including parental participation in identification and assessment, nondiscriminatory testing and appeals procedures.

Unique to the Master Plan are:

- A regional delivery system through Responsible Local Agencies (RLAs)
- A two-level system of identification, assessment and placement of students^{4/}
- Specific administrative staffing requirements for program planning and supervision by program specialists.

AUDIT RESULTS

DISPARITIES BETWEEN MASTER PLAN AND TRADITIONAL PROGRAMS IN EXTENT OF SERVICES AND IN LEVELS OF STATE AID

Significant disparities exist between traditional and Master Plan school districts in levels of special education services and state funding. For example, traditional districts report a smaller proportion of pupils served and higher levels of inadequately served or unserved students than Master Plan districts. Students in traditional districts might not receive the special education services available in Master Plan districts. These disparities in services in traditional districts appear to be associated with lower levels of state aid.

Special education programs in California must satisfy both federal and state mandates. Public Law 94-142 and the California Master Plan generally guarantee the right to a free appropriate public education for handicapped children between the ages of 3 and 21.5/ Our review of special education, however, suggests that these requirements are not being met equally in all districts in the State.

Master Plan and traditional special education programs provide different levels of services. Master Plan school districts provide special education services to 10.5 percent of their total enrollment; in traditional programs, 7.7 percent of

the total enrollment is served.^{6/} A substantial number of children within these districts are reported as inadequately served or unserved. In 1977-78, traditional districts reported that 10.9 percent of their handicapped population was either inadequately served or unserved, whereas Master Plan districts reported a figure of 2.9 percent (see Appendix B, Table 10, page B-11).

Disparities in levels of services appear to be related to significant differences in the amount of state aid provided to Master Plan and traditional programs. Differences in funding sources based upon statewide data are summarized in Table A below.

TABLE A

PERCENTAGE OF SPECIAL EDUCATION EXPENDITURES
BY FUNDING SOURCE, 1977-78

STATEWIDE DATA

	<u>Traditional Programs</u>	<u>Master Plan</u>
State Contribution	45	68
Federal Contribution	4	1
Local Contribution	<u>51</u>	<u>31</u>
TOTAL	<u>100</u>	<u>100</u>

As Table A indicates, local sources supply 51 percent of the funding for traditional special education programs but only 31 percent under the Master Plan. This difference in funding results from variations in statutorily established state funding formulas for the two delivery systems. Traditional programs are funded on a categorical per pupil basis according to handicapping condition (e.g., blind, deaf, mentally retarded). Relatively minor adjustments have been made in those funding levels during the past decade. Master Plan districts, on the other hand, are funded by type of service provided. These funding levels were designed to increase the state share of special education costs.^{7/}

Comparing funding on a per pupil basis reveals the magnitude of differences between the two formulas. Specifically, Master Plan districts receive \$1,277 per pupil in state special allowances and traditional districts \$753, a difference of 70 percent (Appendix B, Table 9, page B-19).

This lower level of state support for traditional special education programs appears to partially account for the greater proportion of inadequately and unserved pupils reported by traditional districts. Statewide, these districts identified 30,755 or 10.5 percent of handicapped students inadequately served and 1,296 or .4 percent of these students unserved during 1977-78 (Appendix B, Table 10, page B-11). Although we were not able to estimate the cost of adequately serving these pupils, any

expansion of services to accommodate them would require greater use of district general purpose funds.

If the Legislature adheres to its original timetable for statewide phase-in of the Master Plan, the disparities in levels of service and state support between the Master Plan and traditional programs would exist until 1981-82. However, following this procedure for funding special education and implementing the phase-in schedule for the Master Plan does not ensure compliance with the priorities of PL 94-142: to first accommodate unserved pupils and then those inadequately served pupils who are most severely handicapped. Less severely handicapped students are served in Master Plan RLAs before more severely handicapped children are adequately served in traditional districts.

Inadequate services to handicapped children could jeopardize federal assistance to the State. The Office of Education within the U.S. Department of Health, Education and Welfare has stated in a written response to an inquiry from our office:

If the financing policies which a state uses in distributing state and federal funds causes some school districts to provide inadequate services to some handicapped children...this would be a substantive violation of the provision of PL 94-142 which requires the state to provide a free appropriate public education for all handicapped children.

The Office of Education further outlined potential enforcement action:

If a state fails to comply substantially with the provisions of Part B, as amended by PL 94-142...the U.S. Commissioner of Education has the authority to withhold any further payments under Part B and may withhold funds from any other federal program under which there is specific authority for the provision of assistance for handicapped children.

CONCLUSION

Students are more likely to receive special education services in Master Plan than in traditional districts. The latter report larger proportions of unserved and inadequately served handicapped pupils. Differences in levels of services appear to be associated with disparities in statutorily established funding formulas. Inadequate services to handicapped children could jeopardize assistance to California under PL 94-142 and under other federal programs which serve these children.

RECOMMENDATION

We recommend that the Legislature review special education funding provisions contained in present statutes and consider whether funds presently proposed for Master Plan expansion should be redirected to enable districts statewide to comply with PL 94-142 requirements. This redirection could provide for

accommodating unserved pupils first, and then those inadequately served pupils who are most severely handicapped. It could also provide for partial implementation of the Master Plan during the phase-in period.

IMPROVEMENTS ARE NEEDED IN
SDE'S SPECIAL EDUCATION
DATA COLLECTION AND REPORTING

The Department of Education's collection and reporting of special education data needs improvement. Specifically, local level data submitted to the Department may be inaccurate or incomplete. We also found inconsistent state-level information and weaknesses in reports to the Legislature. The absence of valid information concerning special education hinders program planning and decision-making.

The State Department of Education is required under PL 94-142 and AB 1250 to collect and report a variety of data concerning special education programs. In addition, the Department must gather pupil participation and fiscal data for allocating special education funds. Accurate information is needed for these purposes and for effective program planning.

The Department requires local districts to prepare and submit a variety of statistical, fiscal and program information on special education. Although the Department provides standardized reporting forms, definitions and instructions, the data reported by local districts are sometimes incomplete and/or inaccurate. Some of the errors we identified in local data confirmed problems identified in a 1977 Department of Finance audit of the Master Plan Pilot Program. Problems cited in the 1977 audit included over- and under-claiming services, misclassifying diagnostic teachers as special class teachers and

reporting errors in data for resource specialist programs. Errors we identified ranged from discrepancies in simple computations to the omission of substantial expenditures for special schools and classes in one RLA.

Another problem affecting the reliability of data submitted by local agencies results from a lack of uniformity in charging program costs. The California School Accounting Manual provides districts with flexibility in accounting for and allocating program expenditures. As a result, districts may overestimate their expenditures because of inappropriate or excessive charges or underestimate them because they fail to charge all appropriate expenditures. For example, in one district we found that half of the two Assistant Superintendents' salaries were charged to special education. However, neither spent half their time on special education. Amendments to the California School Accounting Manual to be implemented in 1978-79 may improve methods of allocating and distributing costs to programs.

Inadequate data prevents accurate projections of special education service levels, costs and necessary state funding. Under the Master Plan, for example, service levels for Designated Instruction and Services have been higher than initially projected. Although many factors may account for this higher service level, one way of anticipating such occurrences is to develop accurate service and funding projections.^{8/} In order

to control service levels under the Master Plan, SDE has negotiated budgets with RLAs by establishing proportions of handicapped children in particular instructional settings for whom state funding can be provided. As a result of the negotiation process, Master Plan RLAs received approximately eight percent less funding in 1977-78 than they would have received had they been funded based on the total services they provided and the special allowances established in AB 1250. The extent of under-funding varied between 2 and 20 percent in eight of the RLAs. The other two RLAs were over-funded. Yet no mid-year adjustments were made to reallocate the overages to significantly under-funded RLAs. Had the Department reallocated funds from over-funded RLAs it would have been able to redirect a surplus of approximately \$1,400,000 to the eight under-funded RLAs, thereby reducing the extent of under-funding to an average of six percent. Adjustments were made at year end to correct for over-funding but not for under-funding.^{9/}

Inconsistencies in data available for the Master Plan and the traditional delivery system also hinder financial planning. While in some cases differences result from variations in the two program structures, in other instances differences could be minimized to facilitate program comparisons. Among the inconsistencies are differences in methods of reporting numbers of pupils participating in RLAs, traditional districts and county-

offices of education programs. These differences make it difficult to develop meaningful per pupil cost comparisons among the various special education delivery systems.

Another problem pertaining to state-level information concerns SDE's reporting requirements pursuant to AB 1250. In the 1977-78, 1978-79 and 1979-80 school years, SDE is to report to the Legislature on special education costs in both Master Plan and traditional special education districts. In this year's report, "Estimated Special Education Program Costs for California, 1978-79," the Department concluded as it did in 1977-78, that overall the per pupil costs of the two types of special education programs do not significantly differ. The Department reported the average per pupil cost in 1978-79 to be only \$49 greater in Master Plan districts than in traditional districts (\$2,229 vs. \$2,180). However, this comparison can be misleading because Master Plan districts serve a larger proportion of moderately and mildly handicapped pupils than do traditional programs. We found that reporting average costs under the two delivery systems masks the actual differences which exist between instructional settings.

The lack of valid and accurate data has hindered effective program planning and resource allocation. A principal reason for this problem is the absence of an effective overall state-level management information system for special education. Rather than establishing a comprehensive system to address

various state and federal reporting requirements, the Department has maintained several separate special education accounting and reporting systems and procedures. Moreover, procedures have not been developed for reporting data which will supply the Legislature with salient information necessary for making major policy decisions.

CONCLUSION

The Department of Education's procedures for reporting and collecting special education data need improvement. Present limitations in special education information hinder effective program planning, resource allocation and decision-making.

RECOMMENDATION

We recommend that the Department of Education develop a special education information system which provides for:

- Collecting and reporting consistent and reliable information on an ongoing basis
- Improving reporting procedures in order to address major policy issues and to facilitate comparisons between Master Plan and traditional programs.

ADDITIONAL INFORMATION
REQUESTED BY THE LEGISLATURE^{10/}

Master Plan and Traditional
Special Education
Resource Comparisons

We conducted a detailed analysis of sources and uses of funds for special education in Master Plan RLAs and traditional districts based upon 1977-78 data. When comparing Master Plan and traditional programs by instructional settings, we found a substantial variation among districts within each delivery system in expenditures per pupil. Overall, our examination of total special education expenditures (across all instructional settings) indicated that per pupil expenditures were approximately equal under the two systems although Master Plan RLAs received approximately 70 percent more state special allowances per pupil than traditional districts. Approximately one-third of the additional funds under the Master Plan have gone for non-instructional expenditures (i.e., direct and indirect support costs).

Our analysis of resources by instructional settings showed that per pupil expenditures were significantly greater under the Master Plan for special classes and centers and for specialized services to handicapped pupils. It also showed that average staff to pupil ratios were higher under the Master Plan than within the traditional program structure.^{11/} State funding allowances per pupil were lower under the traditional structure

for each instructional setting. Overall, a higher percentage of pupils received special education services under the Master Plan. While approximately the same proportion of the total school enrollment was placed in special classes and centers under both programs (2.5 percent), a substantially larger proportion of pupils was served in the combined categories of the Resource Specialist Program and Designated Instruction and Services (a total of 8.6 percent) under the Master Plan than in the comparable instructional settings under the traditional program structure (a total of 6.6 percent).

A considerably more detailed presentation of the results of our comparative analysis is contained in Appendix A.

Handicapped Pupils in Nonpublic Schools

Nonpublic school programs serve exceptional children who cannot receive an appropriate special education in public schools. The PL 94-142 mandate that educational services be provided to handicapped children at no charge includes services provided through private schools. Accordingly, Assembly Bill 1250 provided for full public financing for special education services in private schools (including room, board and transportation if specified in the child's individualized education plan).

The data that school districts provided indicated considerable variation in private school rates and in changes in these rates over the past two years. There is some concern about increases in costs since provisions for full public financing of private school programs took effect (during 1978-79). However, the latest data available at the state level are for 1977-78 and do not provide a basis for determining the extent of changes in nonpublic school charges subsequent to the new provisions.

State-Level Supervision of
All Education Programs for
Handicapped Pupils

The Education for All Handicapped Children Act (Public Law 94-142) requires that:

...all educational programs for handicapped children within the state, including all such programs administered by any other State or local agency, will be under the general supervision of the persons responsible for educational programs for handicapped children in the State educational agency and shall meet education standards of the State educational agency. (Section 612(6)).

To meet this supervisory responsibility, the Department of Education has (a) worked to establish interagency agreements with other state agencies that provide educational programs for handicapped pupils, (b) created a task force comprised of representatives from various state agencies and other appropriate parties which drafted standards for educational services delivered by other agencies, (c) provided technical assistance

(e.g., staff training) and/or funding under PL 94-142 to other agencies to support educational services for handicapped children,^{12/} (d) monitored services administered by other agencies as part of the Department's annual program reviews of special education and (e) attempted to identify those agencies most likely to provide the best educational services to pupils in state hospitals and the California Youth Authority.

The Department has indicated that a number of obstacles have hindered its progress in these areas:

- Development of interagency agreements has taken longer than anticipated; as of February 1979, six of nine agreements had not been completed. The presently anticipated completion date for all the proposed agreements is June 30, 1979
- The reorganization of the Health and Welfare Agency and the new responsibilities for state hospitals within the Departments of Mental Health and Developmental Services have delayed progress in drafting agreements
- Significant personnel issues such as preparation and credentialing have arisen which pertain to the delegation of responsibilities between education agencies and state hospitals.

According to SDE, a number of shortcomings exist in state hospital programs. Confusion exists concerning whether individualized education programs (IEPs) are in place for all children, and pupils in the programs are not being placed in the least restrictive environment as mandated by PL 94-142. The Office for Civil Rights (OCR) within the U.S. Department of Health, Education and Welfare has identified additional problems in state hospital programs. For instance, some programs run less than the minimum school day; appropriately credentialed staff are unavailable; and some IEPs do not satisfy federal requirements. OCR indicated that if an appropriate remedy is not secured:

...we will then initiate formal enforcement action by commencing administrative proceedings or by referring the matter to the Department of Justice.

Problem areas identified by other state and federal agencies include:

- Potential conflicts between PL 94-142 and state law regarding payments for educational services provided through mental health programs to handicapped children^{13/}
- Absence of appropriate academic curricula and adequately trained staff within the California Youth Authority to meet requirements for educational services to handicapped youth.

Coordination of Services
to Handicapped Pupils


State and federal agencies have also identified a number of problems pertaining to coordination of services for handicapped children. The U.S. Office of Education, for example, in both its 1976-77 and 1977-78 administrative reviews of the implementation of PL 94-142 in California identified problems in this area. Both federal reviews addressed the need for improved coordination between special education and vocational education programs. The 1977-78 review emphasized that there are:

- Limited vocational education opportunities for handicapped pupils
- Few vocational education teachers trained to provide appropriate services for the handicapped.

Our recent review of state services to children and youth indicated that various agencies need improved coordination in planning and financing services for handicapped children. This review and others have indicated that educational agencies

should improve coordination of their services to the handicapped with other programs such as the Regional Centers for the Developmentally Disabled and Crippled Children's Services.

Respectfully submitted,


THOMAS W. HAYES
Acting Auditor General

Date: March 29, 1979

Staff: Dr. Joan S. Bissell, Supervising Auditor
Eugene T. Potter, Supervising Auditor
Douglas L. Williams
Ann Arneill



STATE OF CALIFORNIA
DEPARTMENT OF EDUCATION

STATE EDUCATION BUILDING, 721 CAPITOL MALL, SACRAMENTO 95814

March 28, 1979

Mr. Thomas W. Hayes
Acting Auditor General
Joint Legislative Audit Committee
925 L Street, Suite 750
Sacramento, California 95814

Dear Mr. Hayes:

The State Department of Education has reviewed the draft report, Special Education Financing Warrants Review dated March 1979 and appreciates the opportunity to record the Department's comments.

The Department takes exception with the Auditor General's report in that it challenges a policy of how children are to be provided with special education in the public and private schools in California.

People throughout California have been working on developing and improving the Master Plan for Special Education for over eight years. It has been reviewed extensively by the Legislature in the form of two bills (AB 4040/1974 and AB 1250/1977) and has been enacted both times by a unanimous vote of the Legislature and with the signature of two different Governors. It should also be noted that the legislation provided for an orderly phase-in of the Master Plan for Special Education and was supported by every major education group in the state. This phase-in approach has also been approved by the U.S. Office of Education, which is responsible for the administration of PL 94-142. Redistribution of the funds proposed for Master Plan expansion would provide only minor fiscal relief, and would halt the systematic movement toward a system of providing special education services which is more flexible at the local level and more responsive in assuring that the individual needs of each child are served. On page three of the report is a statement that the Auditor General's staff "focused on special education financing and did not analyze program quality or educational benefits." The State Department of Education cannot agree with a recommendation that the carefully developed policy represented by the Master Plan phase-in should be suddenly halted on the basis of an analysis that failed to analyze program quality and educational benefits.

Experience with the implementation and monitoring of both the state and federal laws has supported the position that AB 1250 and AB 3635 provide a quality service delivery system for special education, where PL 94-142 provides only a series of legal mandates to meet minimum standards.

To further clarify those qualitative features unique to the Master Plan for Special Education, the Department requests that the following components of AB 1250 and AB 3635 be addressed in the Introduction (page 8 of the report):

- A requirement that there be at least a year of intensive planning which involves educators, other agencies and parents and leads to a Comprehensive Plan for Special Education.
- A Comprehensive Plan for Special Education in which the appropriate services to be provided to handicapped individuals in the service region must be documented.
- A Special Education Service Region in which various LEAs join together to ensure that all children in the region are appropriately educated.
- A requirement for an actively involved Community Advisory Committee.
- A delivery of service system which allows for flexibility not allowed in traditional programs, i.e.:
 1. Pupils in special classes are grouped together according to similar educational needs instead of by rigid categories.
 2. Readily available choice of many designated services which enable LEAs to fully meet the assessed needs of individuals with exceptional needs.
 3. The Resource Specialist Program which enables those mildly handicapped pupils to receive special education while remaining in the regular program.
- A financial model which provides funding on the basis of providing services rather than on an a.d.a. basis.

The following are specific comments included in the section entitled "Audit Results" accompanied by Department responses.

1. Pages 9 through 14 of the report include the following statements:
 - o *Master Plan and traditional special education programs provide different levels of services.*
 - o *Traditional districts report a smaller proportion of pupils served and higher levels of inadequately served or unserved students than Master Plan districts.*
 - o *Disparities in levels of services appear to be related to significant differences in the amount of state aid provided to Master Plan and traditional programs.*

- o Consider whether funds presently proposed for Master Plan expansion should be redirected to enable districts statewide to comply with PL 94-142 requirements.*

The Department agrees that a higher level of service exists in agencies operating under AB 1250 and AB 3635 (Master Plan) than in traditional programs.

It also agrees that as of February 1978 there was a higher proportion of inadequately served pupils in the traditional programs. The Department does not agree with the conclusion that a major cause of this disparity was a lack of funding for traditional programs.

Neglected in the report is the fact that at the time this data was collected (February 1978) traditional programs were operating under a statutory limit of 2 percent on services for educationally handicapped (EH) students. Table 10 (page B-11) indicates that 40 percent of the inadequately served were in the EH category. (Note that the definition of inadequately served includes those in regular and special education programs in need of additional services to meet their individual special educational needs.) This limitation was eliminated by AB 1250 (1977), the same legislation that provided for statewide implementation of the Master Plan for Special Education.

Another 42 percent of the inadequately served were language and speech handicapped, where there is a known shortage of trained specialists throughout the nation.

The Department takes strong exception to the recommendation that the Legislature consider redirecting funds presently proposed for the Master Plan to enable districts (traditional) to comply with PL 94-142 requirements (page 13).

As pointed out in the report, "Traditionally, special education programs were established in California on a categorical basis. By the mid-1970's, 28 separate programs had been created to meet the needs of children with certain handicaps." (pages 4-5). A careful review of the separate pieces of enabling legislation for these traditional programs led California to the conclusion that the most effective way to ensure the right to equal educational opportunity and the delivery of appropriate services based on need rather than generic labels was to restructure the special education delivery system. In 1974, AB 4040 was enacted to initiate this new system. AB 1250, AB 3635, and AB 65 established the legislative intent of an orderly and well-planned phase-in of the California Master Plan for Special Education statewide by 1981-82. AB 1250 also included amendments to enable districts operating traditional programs to meet the minimum requirements of PL 94-142 during the phase-in interim, e.g., removal of the 2 percent limitation on EH programs.

The State Department of Education does not support the position that the redistribution of funds would effectively meet the requirements of PL 94-142. Such a redistribution would not, with certainty, meet the legislative intent of the California Master Plan for Special Education. California has implemented four years of a seven-year phase-in plan for the restructuring of special education. To change direction now would be viewed by the many advocates for exceptional individuals as a breach of promise.

2. The second section of the Audit Results addresses the need for improvements in the state's procedures for data collection and reporting. The following statements are included in the report (pages 15-19):
 - o Specifically, local-level data submitted to the Department may be inaccurate or incomplete.*
 - o Another problem affecting the reliability of data submitted by local agencies results from a lack of uniformity in charging program costs. The California School Accounting Manual provides districts with flexibility in accounting for and allocating program expenditures.*
 - o As a result of the negotiation process, Master Plan RLAs received approximately 8 percent less funding in 1977-78 than they would have received had they been funded based on the total services they provided and the special allowances established in AB 1250.*
 - o Inconsistencies in data available for the Master Plan and the traditional delivery system also hinder financial planning.*
 - o Improving reporting procedures in order to address major policy issues and to facilitate comparisons between Master Plan and traditional programs.*

The Department wishes to point out that the data systems and fiscal processes were never intended nor designed to provide a comparison between traditional and Master Plan programs. Since the legislative intent was to phase out an inadequate program, the Department sees no value in comparing the Master Plan system against standards that are being phased out because of their ineffectiveness.

The Department noted the implication that the data submitted by the 1,043 districts and 58 county offices may contain inaccuracies. However, we believe that through full implementation of AB 1250 and AB 3635, which will reduce the number of reporting agencies to approximately 150 Responsible Local Agencies, the accuracy of such reports will increase as a result of more systematic local procedures.

Two other factors will contribute to increased accuracy:

- a. Equitable local distribution of funds under the Master Plan is contingent upon accurate reporting, and
- b. Budget allocations from the state are dependent upon the reports from the Special Education Services Regions.

Though the Department agrees that amendments to the California School Accounting Manual will improve accounting for program costs, the Department would state for the record that flexibility does not cause inaccuracy. Flexibility does allow districts to utilize cost allocation methods which are appropriate to their local circumstances.

The report implies that an 8 percent deficit occurred in 1977-78. This was not totally a result of the "negotiations process." Furthermore, all available funding was allocated. The 8 percent difference was between the appropriation and the amount generated by Responsible Local Agencies pursuant to Education Code Section 56360. Adjustments were made and the excess was applied in 1978-79 to other Responsible Local Agencies.

The Department has an improved process for the 1979-80 budget distribution which includes a mid-year adjustment to allow for reallocation of funds when projected and actual program costs differ. The delay in the redistribution of excess (such as the \$1.4 million in 1977-78) should not recur. As new Responsible Local Agencies gain experience in the Master Plan budgeting process, it is anticipated that fewer discrepancies will exist between projected and actual program costs.

The Department agrees that an information system must be designed to provide reliable information on an ongoing basis, and that such a system must address major policy issues. However, the Department maintains the following positions:

- a. That the management information system currently in place does provide the information required by state and federal legislation, and
- b. That the differences (not "inconsistencies") in reporting are necessary to meet the differing requirements contained in the Education Code sections governing traditional and Master Plan programs.

In summary, the State Department of Education finds support from this report that the California Master Plan is well-planned and is effective in providing special education services. The Department acknowledges that some inequities exist between the traditional program support and Master Plan support. But

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Mr. Thomas W. Hayes
March 28, 1979

the Department believes this can best be resolved by continuing on with the implementation schedule which has been approved by the Legislature, developed by the State Board of Education, and agreed to by the U.S. Office of Education, Bureau for the Education of the Handicapped.

The Department's position is that when the focus is clearly upon children and their special needs, the Master Plan offers the best opportunity to serve them appropriately.

Sincerely,



William D. Whiteneck
Deputy Superintendent for Administration
(916) 445-8950

WDW:amr

cc: Donald R. McKinley
Davis W. Campbell
Barry L. Griffing
Gordon Duck
Peter Birdsall
Robert LaLiberte
Allan Simmons
Robert Gartin

AUDITOR GENERAL COMMENTS CONCERNING
DEPARTMENT OF EDUCATION RESPONSE

The Department of Education appears to agree with the principal findings of our report: (1) more handicapped pupils are better served in Master Plan districts than in traditional districts; and (2) inequities exist in funding for the two types of programs.

The Department, however, disagrees with our recommendation that the Legislature review special education financing provisions contained in present statutes. The Department points out that the present financing procedures were approved by the Legislature, developed by the State Board of Education, and confirmed by the U. S. Office of Education. Despite these previous actions, the Legislature asked our office to review special education financing. The review was intended to provide information to the Legislature for assessing the progress of implementation of P.L. 94-142.

Our review indicated a need for legislative oversight in view of present fiscal and service disparities in programs for handicapped children. The fact that the U. S. Office of Education, in its previous reviews, has not objected to the phase-in of the Master Plan is only partially relevant since 1978-79 was the first year during which P.L. 94-142 service

requirements took effect. The judgment provided to us by the U. S. Office of Education regarding failure to provide services to handicapped students is quoted on pages 12 to 13 of our report. This judgment indicated that a free, appropriate public education is required for all handicapped children.

Finally, the Department indicated that numbers of inadequately and unserved pupils were affected by the statutory limit of two percent on services for educationally handicapped pupils which was in effect in February, 1978. Although this is true, it does not fully address the fundamental issue of a substantial number of inadequately or unserved pupils in traditional districts, since 62 percent of these students (19,835 children) were not in the educationally handicapped category.

SPECIAL EDUCATION PROGRAM
COST COMPARISONS

We have made a comparative analysis of resources by total program and by instructional setting for special education programs under the Master Plan and traditional system based upon 1977-78 data. The figures should be interpreted as estimates since they are unaudited and subject to the previously identified weaknesses in the Department's management information system.

Total Expenditures

Our analysis of 1977-78 total expenditures (across all instructional settings) for Master Plan and traditional programs indicated that:

- Per pupil expenditures statewide were approximately equal for the two delivery systems (Appendix B, Tables 7 and 8, pages B-8 and B-9).
- Average expenditures per pupil for Master Plan and traditional programs were as follows:

<u>Delivery System</u>	<u>Average Expenditure Per Pupil Statewide Data</u>
Master Plan RLAs	\$2,060
Total Traditional Programs ^{14/}	\$2,002
School Districts	(\$1,853)
County Offices of Education	(\$2,885)

- A substantial variation existed between districts in expenditures per pupil under both the Master Plan and traditional programs. The range in average expenditures in the sample districts we examined was:

<u>Delivery System</u>	<u>Range in Average Expenditure Per Pupil Sample Data</u>	
	<u>Highest</u>	<u>Lowest</u>
Master Plan RLAs	\$2,188	\$1,569
Total Traditional Programs ^{15/}	\$2,097	\$1,260

- Statewide, Master Plan districts received approximately 70 percent more state special education allowances per pupil than did traditional districts (Appendix B, Table 9, page B-10)

- Based on a percentage of school enrollments, Master Plan and traditional districts served 10.5 percent and 7.7 percent of pupils respectively in special education programs statewide (Appendix B, Table 1, page B-2)

- During participation in the Master Plan, average expenditures per pupil have increased nearly 50 percent, from approximately \$1,300 to \$2,060 (Appendix B, Table 11, page B-12). Non-instructional costs have increased from 31 percent to 35 percent of total expenditures. Overall, one-third of the increases in funding under the Master Plan have gone for administration and support services. These added expenditures are related to additional supportive service requirements under the Master Plan (e.g., pupil assessment and program specialist requirements).

As a proportion of total enrollment, the Master Plan serves more mildly and moderately handicapped pupils than traditional programs. To make valid comparisons among comparable populations, expenditure data must be disaggregated and analyzed individually by instructional setting.

Special Classes and Centers

Special classes and centers serve more severely handicapped children who participate on only a limited basis in regular classroom instruction. From our analysis of the sources and uses of funds for fiscal year 1977-78 in the Master Plan and traditional programs, we determined that:

- Per pupil expenditures statewide for special classes and centers were approximately \$350 greater in the Master Plan than in traditional programs. Data for the two types of programs follow. Additional information is contained in Appendix B (Tables 7 and 8, pages B-8 and B-9).

<u>Delivery System</u>	<u>Average Expenditure Per Pupil For Special Classes and Centers, Statewide Data</u>
Master Plan RLAs	\$4,369
Total Traditional Programs	\$4,020
School Districts	(\$3,668)
County Offices of Education	(\$5,644)

- Substantial variation existed in the expenditures per pupil for special classes and centers. The range in average expenditures found in the sample districts we examined was as follows:

Range in Average
Expenditure Per Pupil
For Special Classes and Centers,
Sample Data

<u>Delivery System</u>	<u>Highest</u>	<u>Lowest</u>
Master Plan RLAs	\$7,111	\$3,231
Total Traditional Programs ^{16/}	\$3,554	\$2,188

- Statewide, Master Plan districts received 68 percent more state special education allowances per pupil for special classes and centers than did traditional districts (Appendix B, Table 9, page B-10)

- Based on a percentage of total school enrollments, Master Plan and traditional districts statewide served 2.5 percent and 2.6 percent of students respectively in special classes and centers (Appendix B, Table 1, page B-2)

- Master Plan RLAs placed 24.0 percent of their special education pupils statewide in special classes and centers, as compared to traditional districts which placed 33.4 percent of special education students in this instructional setting (Appendix B, Table 1, page B-2)

- On the average, special classes and centers in Master Plan and traditional programs in our sample had similar class sizes. However, the Master Plan programs had a higher staff to pupil ratio since they had a full-time aide and traditional programs had only a half-time aide.

Remedial Class Instruction

Remedial instructional services are provided to pupils with mild or moderate handicaps who spend the majority of class time in the regular classroom but receive instruction, typically in group settings, from specialists at regular intervals (see Appendix C). This instructional setting in the Master Plan is referred to as the resource specialist program (RSP). In the traditional special education system, remedial instruction is provided in a learning disability group (LDG). Although these two are not fully equivalent instructional settings, their similarities provide a basis for comparative analysis.

In comparing Master Plan RSP services with traditional LDG programs, we found:

- Per pupil expenditures were approximately \$67 greater in the traditional LDG programs (Appendix B, Tables 7 and 8, pages B-8 and B-9).

<u>Delivery System</u>	<u>Average Expenditure Per Pupil For Remedial Class Instruction, Statewide Data</u>
Master Plan (RSP)	\$1,477
Traditional Programs (LDG)	\$1,544
School Districts	(\$1,541)
County Offices of Education	(\$2,090)

- Average expenditures varied significantly within both RLAs and traditional districts in the sample districts we examined, as shown below:

<u>Delivery System</u>	<u>Range in Average Expenditure Per Pupil For Remedial Instruction, Sample Data</u>						
	<table> <thead> <tr> <th style="text-align: left;"><u>Highest</u></th> <th style="text-align: left;"><u>Lowest</u></th> </tr> </thead> <tbody> <tr> <td>Master Plan (RSP)</td> <td style="text-align: right;">\$1,288</td> </tr> <tr> <td>Traditional (LDG)</td> <td style="text-align: right;">\$ 959</td> </tr> </tbody> </table>	<u>Highest</u>	<u>Lowest</u>	Master Plan (RSP)	\$1,288	Traditional (LDG)	\$ 959
<u>Highest</u>	<u>Lowest</u>						
Master Plan (RSP)	\$1,288						
Traditional (LDG)	\$ 959						
Master Plan (RSP)	\$1,770						
Traditional (LDG)	\$1,843						

- Statewide, Master Plan RLAs received 43 percent more state special education allowances per pupil than did traditional districts (Appendix B, Table 9, page B-10)
- Based on a percentage of total school enrollments, Master Plan and traditional districts statewide

served 4.2 percent and 1.7 percent of students respectively in remedial class instruction (Appendix B, Table 1, page B-2)

- Statewide, Master Plan RLAs placed 39.7 percent of their special education pupils in RSPs as compared to traditional districts which placed 22.6 percent of their special education students in LDG programs (Appendix B, Table 2, page B-3)

- In our sample, the average class size of an RSP was 25 pupils compared with 20 in a LDG class. However, the RSP class was more heavily staffed: they often used a teacher and a full-time aide whereas LDG classes were not normally assigned a teacher's aide.

Other Specialized Services

These modes of instruction generally serve students with relatively mild handicaps who spend most of the day in the regular classroom but meet individually with a teacher or specialist for a few hours per week. Examples include speech therapy, mobility instruction and home and hospital instruction. Under the Master Plan these services are called designated instruction and services (DIS) and are similar to the specialized services in traditional programs. From our analysis of 1977-78 programs operating under the Master Plan and the traditional system, we concluded:

- Statewide average per pupil expenditures for these services are approximately \$460 greater under the Master Plan than in traditional programs as shown below (See also Appendix B, Tables 7 and 8, pages B-8 and B-9).

<u>Delivery System</u>	<u>Average Expenditure Per Pupil for Other Specialized Services, Statewide Data</u>
Master Plan	\$ 946
Total Traditional Programs	\$ 487
School Districts	(\$ 478)
County Offices of Education	(\$ 516)

- In the sample we examined, average per pupil expenditures varied widely as demonstrated below:

<u>Delivery System</u>	<u>Range in Average Expenditure Per Pupil For Specialized Services, Sample Data</u>	
	<u>Highest</u>	<u>Lowest</u>
Master Plan	\$1,227	\$ 545
Traditional	\$2,910	\$ 316

- Statewide, Master Plan DIS programs received 327 percent more state special education allowances

per pupil for specialized services than did traditional programs (see Appendix B, Table 9, page B-10)

- Based on a percentage of total school enrollments statewide, Master Plan and traditional districts served 4.4 percent and 4.9 percent of students respectively in specialized services (Appendix B, Table 1, page B-2)
- Master Plan RLAs placed 41.5 percent of their special education pupils in DIS compared to traditional districts which placed 63.6 percent of their special education students in these services statewide^{17/} (Appendix B, Table 2, page B-3)
- Statewide, the average caseload for DIS teachers in the Master Plan was 25; teachers providing specialized services under the traditional structure had an average caseload of 51.

TABLES OF SPECIAL EDUCATION DATA

<u>Table</u>	<u>Title</u>
1	Special Education Enrollment as a Percentage of Total School Enrollment, 1977-78
2	Placement in Instructional Setting as a Percentage of Special Education Enrollment, 1977-78
3	Total Statewide Special Education Funding by Year, 1975-76 to 1978-79, Master Plan Districts
4	Total Statewide Special Education Funding, 1975-76 to 1978-79, Traditional Districts
5	Statewide Total and Average Per Pupil Special Education Funding, 1977-78, Master Plan Districts
6	Statewide Total and Average Per Pupil Special Education Funding, 1977-78, Traditional Districts
7	Statewide Master Plan Expenditures by Instructional Setting, Fiscal Year 1977-78
8	Statewide Traditional Special Education Expenditures by Instructional Setting, Fiscal Year 1977-1978
9	State Special Allowances Per Pupil, 1977-78
10	Pupils Served and Unserved in Master Plan and Traditional Districts, Statewide, Fiscal Year 1977-78
11	Comparison of Pre-Master Plan and Master Plan Expenditure Breakdowns

TABLE 1

SPECIAL EDUCATION ENROLLMENT
AS A PERCENTAGE OF TOTAL SCHOOL ENROLLMENT
1977-78
(Unaudited)

<u>Instructional Setting</u>	<u>Master*</u> <u>Plan</u> <u>Students</u>	<u>%</u>	<u>Traditional**</u> <u>Special</u> <u>Education</u> <u>Students</u>	<u>%</u>
Special Day Classes	11,075	2.5	99,122	2.6
Resource Specialist/Learning Disability Group	18,292	4.2	67,160	1.7
Designated Instructions and Services/Other Programs	<u>19,126</u>	<u>4.4</u>	<u>188,728</u>	<u>4.9</u>
TOTAL***	<u>46,127</u>	<u>10.5</u>	<u>296,755</u>	<u>7.7</u>

*Total school enrollment--437,525.

**Total school enrollment--3,866,140.

***Figures will not add because students received services in more than one instructional setting.

TABLE 2

PLACEMENT IN INSTRUCTIONAL SETTING
AS A PERCENTAGE OF SPECIAL EDUCATION
ENROLLMENT, 1977-78
(Unaudited)

<u>Instructional Setting</u>	<u>Master Plan Students</u>	<u>%</u>	<u>Traditional Special Education Students</u>	<u>%</u>
Special Day Class	11,075	24.0	99,122	33.4
Resource Specialists/Learning Disability Group	18,292	39.7	67,160	22.6
Designated Instruction and Services/Other Programs	<u>19,126</u>	41.5	<u>188,728</u>	63.6
TOTAL*	<u>46,127</u>		<u>296,755</u>	

*Figures will not add because students received services in more than one instructional setting.

TABLE 3

TOTAL STATEWIDE SPECIAL EDUCATION FUNDING
BY YEAR 1975-76 to 1978-79
MASTER PLAN DISTRICTS*
(Unaudited)

<u>Funding Source</u>	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>	<u>Projected 1978-79</u>
State	\$25,975,000	\$56,597,400	\$64,140,500	\$111,602,000
Federal	513,670	3,480,000	1,272,000	9,583,000
Local	<u>11,011,330</u>	<u>17,959,600</u>	<u>29,599,500</u>	<u>58,395,000</u>
TOTAL	<u>\$37,500,000</u>	<u>\$78,037,000</u>	<u>\$95,012,000</u>	<u>\$179,580,000</u>
Students Served	22,483	41,641	46,127	80,554

*State operations excluded.

TABLE 4

TOTAL STATEWIDE SPECIAL EDUCATION FUNDING
BY YEAR 1975-76 TO 1978-79
TRADITIONAL DISTRICTS*
(Unaudited)

<u>Funding Source</u>	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>	<u>Projected 1978-79</u>
State	\$251,479,868	\$262,854,099	\$270,331,000	\$272,782,400
Federal	8,120,835	9,685,521	22,162,000	45,685,000
Local	<u>221,822,596</u>	<u>236,597,743</u>	<u>301,595,000</u>	<u>268,924,600</u>
TOTAL	<u>\$481,423,299</u>	<u>\$509,137,363</u>	<u>\$594,088,000</u>	<u>\$587,392,000</u>
Students Served	<u>289,949</u>	<u>302,386</u>	<u>296,755</u>	<u>269,446</u>

*State operations excluded.

TABLE 5

STATEWIDE TOTAL AND AVERAGE
PER PUPIL SPECIAL EDUCATION FUNDING
1977-78 MASTER PLAN
(Unaudited)

<u>Funding Source</u>	<u>Amount*</u>	<u>Average Funding Per Pupil**</u>	<u>Percent of Total</u>
State	\$64,140,500	1,390	67.5
Federal	1,272,000	28	1.3
Local	<u>29,599,500</u>	<u>642</u>	<u>31.2</u>
Total	<u>95,012,000</u>	<u>2,060</u>	<u>100.0</u>

*State operations excluded.

**Enrollment is 46,127.

TABLE 6

STATEWIDE TOTAL AND AVERAGE
PER PUPIL SPECIAL EDUCATION FUNDING
1977-78, TRADITIONAL DISTRICTS
(Unaudited)

<u>Funding Source</u>	<u>Amount*</u>	<u>Average Funding Per Pupil**</u>	<u>Percent of Total</u>
State	\$270,331,000	\$ 911	45.5
Federal	22,162,000	75	3.7
Local	<u>301,595,000</u>	<u>1,016</u>	<u>50.8</u>
Total	<u>\$594,088,000</u>	<u>\$2,002</u>	<u>100.0</u>

*State operations excluded.

**Enrollment is 296,755.

TABLE 7

STATEWIDE MASTER PLAN EXPENDITURES BY
INSTRUCTIONAL SETTING
FISCAL YEAR 1977-1978
(Unaudited)

Program Expenditures	Special Day Class	%	Resource Specialist Programs	%	Designated Instruction and Services	%	Non-Public Schools	%	Total	%
Direct Costs										
Certificated Salaries	\$16,447,000		\$12,194,000		\$ 9,566,000				38,207,000	
Classified Salaries	6,008,000		3,516,000		432,000				9,956,000	
Employee Benefits	4,435,000		2,903,000		1,581,000				8,919,000	
Books, Supplies, Other Equipment	743,000		399,000		202,000				1,343,000	
Contracted Services, Other Expenses	1,239,000		242,000		267,000		1,341,000		3,090,000	
Capital Outlay	266,000		147,000		71,000				484,000	
Total Direct Costs	\$29,138,000	60.0	\$19,401,000	72.0	\$12,119,000	67.0	\$1,341,000	89.0	\$61,999,000	65.0
Direct Support Charges										
Instructional Administration, Media, School Administration	\$ 3,296,000		\$ 1,732,000		\$ 1,588,000		\$ 5,000		\$ 6,621,000	
Special Projects	3,000		3,000		10,000				16,000	
Pupil Services	3,224,000		1,752,000		1,523,000		26,000		6,525,000	
General Support	8,243,000		1,448,000		1,271,000		54,000		11,016,000	
Capital Outlay	671,000		259,000		134,000		3,000		1,067,000	
Auxiliary Services	36,000		-0-		-0-		-0-		36,000	
Total Direct Support Charges	\$15,473,000	32.0	\$ 5,194,000	19.0	\$ 4,526,000	25.0	\$ 88,000	6.0	\$25,281,000	27.0
Indirect Support Charges	\$ 3,779,000	8.0	\$ 2,432,000	9.0	\$ 1,442,000	8.0	\$ 79,000	5.0	\$ 7,732,000	8.0
TOTAL EXPENDITURES	\$48,390,000	100.0	\$27,027,000	100.0	\$18,087,000	100.0	\$1,508,000	100.0	\$95,012,000	100.0
Enrollment	11,075		18,292		19,126		285		46,127*	
Average Cost Per Pupil	\$ 4,369		\$ 1,477		\$ 946		\$ 5,291		\$ 2,060	

*Enrollment figures do not add because of multiple (duplicated) services provided to some children. The total is unduplicated.

TABLE 8

STATEWIDE TRADITIONAL SPECIAL EDUCATION
EXPENDITURES BY INSTRUCTIONAL SETTING
FISCAL YEAR 1977-1978
(Unaudited)

PROGRAM EXPENDITURES	SPECIAL DAY		LEARNING DISABILITY		OTHER		TOTAL	%
	CLASSES	%	GROUPS	%	PROGRAMS	%		
Direct Cost								
Certificated Salaries	\$124,988,000		\$ 53,865,000		\$42,270,000		\$221,123,000	
Classified Salaries	24,070,000		4,581,000		934,000		29,585,000	
Employee Benefits	25,429,000		9,165,000		6,403,000		40,997,000	
Books, Supplies, Equipment	4,282,000		1,405,000		664,000		6,351,000	
Contracted Services, Operating Expenses	2,483,000		545,000		702,000		3,730,000	
Capital Outlay	987,000		168,000		187,000		1,342,000	
Total Direct Costs	\$182,239,000	61.0	\$ 69,729,000	68.0	\$51,160,000	75.0	\$303,128,000	64.0
Direct Support								
Instructional Administration, Media, School Administration	\$ 22,169,000		\$ 5,223,000		\$ 4,507,000		\$ 31,899,000	
Special Projects	422,000		160,000		72,000		654,000	
Pupil Services	22,656,000		12,369,000		2,534,000		37,559,000	
General Support	46,101,000		5,515,000		3,991,000		55,607,000	
Capital Outlay	272,000		107,000		60,000		439,000	
Auxiliary Services								
Total Direct Support	\$ 91,620,000	31.0	\$ 23,374,000	23.0	\$11,164,000	16.0	\$126,158,000	27.0
Indirect Support								
Total School Districts Cost	\$ 24,940,000	8.0	\$ 9,918,000	9.0	\$ 6,229,000	9.0	\$ 41,087,000	9.0
Total School Districts Cost	\$298,799,000	100.0	\$103,021,000	100.0	\$68,553,000	100.0	\$470,373,000	100.0
Enrollment	81,462		66,839		143,458		253,876*	
Average Cost Per Pupil	3,668		1,541		478		1,853	
COUNTY PROGRAMS								
Total County Cost	\$ 99,671,000		\$ 671,000		\$23,373,000		\$123,715,000	
Enrollment (estimated)	17,660		321		45,270		42,879*	
Average Cost per Pupil	\$ 5,644		\$ 2,090		\$ 516		\$ 2,885	
TOTAL COST SCHOOL DISTRICT AND COUNTY	\$398,470,000		\$103,692,000		\$91,926,000		\$594,088,000	
Total Enrollment (School District and County)	99,122		67,160		188,728		296,755*	
Average Cost per Pupil (School District and County)	\$ 4,020		\$ 1,544		\$ 487		\$ 2,002	

*Enrollment figures do not add because of multiple (duplicated) services provided to some children. The total is unduplicated.

TABLE 9

STATE SPECIAL ALLOWANCES PER PUPIL
1977-78
(Unaudited)

<u>Instructional Setting</u>	<u>Master Plan</u>	<u>Traditional Programs</u>
Special Class	\$2,246	\$1,336
Resource Specialist/ Learning Disability Group	1,100	770
Designated Instruction and Services/Other Programs	893	209
Per Pupil Average Allowance	\$1,277	\$ 753

TABLE 10

PUPILS SERVED AND UNSERVED IN
MASTER PLAN AND TRADITIONAL
DISTRICTS STATEWIDE AS OF FEBRUARY 1978
(Unaudited)

Classification	MASTER PLAN			TRADITIONAL PROGRAMS		
	Number Served	Number Inadequately Served	Number Unserved	Number Served	Number Inadequately Served	Number Unserved
<u>Communicatively Handicapped</u>						
Deaf	274	6	-0-	2,861	392	16
Deaf-Blind	8	2	-0-	209	39	4
Severely Hard of Hearing	346	5	1	2,746	273	31
Severely Language Handicapped	641	9	1	8,492	644	119
Language and Speech	11,389	210	4	102,618	13,029	303
<u>Physically Handicapped</u>						
Blind	98	3	2	1,292	101	2
Partially Seeing	113	4	1	1,191	125	20
Orthopedically Handicapped	1,258	13	-0-	17,968	581	34
Pregnant Minors	396	16	-0-	2,558	54	22
Drug Dependent Minors	3	-0-	-0-	209	99	13
Other Health-Impaired	2,367	20	1	33,035	1,052	18
<u>Educationally Handicapped</u>						
Learning Disabilities	21,685	776	38	62,769	8,216	200
Educationally Retarded	1,709	41	1	19,399	1,539	124
Behavior Disorders	1,372	45	3	16,641	2,049	88
<u>Severely Handicapped</u>						
Trainable Mentally Retarded	1,091	23	4	11,271	1,446	62
Seriously Emotionally Disturbed	238	5	3	3,427	346	49
Developmentally Handicapped	655	16	6	4,131	632	179
Austistic	68	4	-0-	910	138	12
TOTAL	43,711	1,198	65	291,727	30,755	1,296
Total Identified Handicapped Pupils	99.8%	2.7%	.2%	99.6%	10.5%	.4%
	43,776			293,023		

TABLE 11

RLA EXPENDITURES PRIOR TO AND AFTER
MASTER PLAN IMPLEMENTATION,
1974-75 THROUGH 1977-78

	Original Six Master Plan RLA's		Ten Master Plan RLA's	
	1974-75*	1975-76	1976-77	1977-78
	\$	\$	\$	\$
Direct Costs				
Certificated Salaries	\$15,598,000	\$16,053,000	\$32,832,000	\$38,207,000
Classified Salaries	1,997,000	3,648,000	7,983,000	9,956,000
Employee Benefits	1,984,000	2,695,000	6,616,000	8,919,000
Books, Supplies, Equipment	583,000	633,000	1,322,000	1,343,000
Contracted Services,				
Other Expenses	1,096,000	1,198,000	2,474,000	3,090,000
Capital Outlay	8,000	338,000	746,000	484,000
Total Direct Costs	\$21,266,000	\$24,565,000	\$51,973,000	\$61,995,000
	69%	66%	67%	65%
Direct Support Charges				
Instruction, Administrative,				
Media, School	\$ 1,736,000	\$ 3,231,000	\$ 5,229,000	\$ 6,621,000
Special Projects	7,000	-0-	-0-	16,000
Pupil Services	1,846,000	2,117,000	5,911,000	6,525,000
General Support	1,167,000	2,659,000	6,960,000	11,016,000
Capital Outlay	2,000	214,000	434,000	1,067,000
Auxiliary Services	-0-	32,000	34,000	36,000
Total Direct Support	\$ 4,758,000	\$ 8,253,000	\$18,568,000	\$25,281,000
	15%	22%	24%	27%
Indirect Support Charges	\$ 5,081,000	\$ 4,579,000	\$ 7,523,000	\$ 7,732,000
	16%	12%	9%	8%
TOTAL EXPENDITURES	\$31,105,000	\$37,397,000	\$78,064,000	\$95,012,000
	100%	100%	100%	100%
Unduplicated Enrollment	22,602**	22,483	41,641	46,127
Average Expenditure Per Pupil	\$ 1,376	\$ 1,663	\$ 1,875	\$ 2,060

*Expenditures of school districts which joined the Master Plan in 1975-76.

**Estimated unduplicated enrollment.

SPECIAL EDUCATION PROGRAM TERMINOLOGY

Instructional Settings/Services^{18/}

Traditional System
Of Special Education

The traditional system of special education employs six basic modes of instruction: special classes and centers, remedial classes, individual instruction, home and hospital instruction, special consultation and nonpublic school programs. Funding for these services is based on both the mode of instruction and pupils' handicapping conditions. Twenty-eight such funding categories are specified in state law.

Special classes and centers are designed for children with the more severe handicaps (blindness, deafness, severe learning disabilities, etc.) who can derive only limited benefit from regular classroom instruction.

Remedial classes provide instruction to groups of pupils with mild to moderate handicaps. Students in this program spend most of their class time in the regular classroom but meet periodically to receive remedial instruction or specific therapy. Examples of remedial classes are: (a) Learning Disability Groups for correction of learning problems associated with

learning disabilities, emotional disturbances, and behavioral disorders; and (b) Remedial Physical Education Classes for pupils with physical handicaps which prevent them from participating in regular physical education classes.

Individual instruction of handicapped students provides specialized services to students with relatively mild handicaps who spend most of the day in the regular classroom and typically meet with a teacher (often an itinerant teacher) for two or three hours a week. The largest component of this instructional mode is speech therapy.

Home and hospital instruction is provided to students with handicapping conditions that prevent their attendance at schools.

Special consultation is a service intended to benefit educationally handicapped pupils. Under this program, education specialists or psychologists advise regular classroom teachers and teachers of educationally handicapped pupils to enable them to better serve the needs of their handicapped pupils.

The nonpublic school program is designed for exceptional children whose districts or county are unable to offer appropriate special education facilities and services or unable to provide these services at a reasonable cost.

Master Plan for Special Education

The Master Plan defines a number of instructional programs intended to provide a continuum of services for handicapped children. Some are similar to instructional programs operated under the traditional special education system. Of these services, the most significant instructional addition is the resource specialist program. Unlike traditional program funding, which is based on a pupil's handicapping condition, Master Plan funding is based on instructional services provided. The instructional programs are:^{19/}

(a) Special classes and centers designed for children with moderate or severe handicaps who are able to derive only limited benefit from regular classroom instruction.

(b) The resource specialist program which provides remedial instruction to students with relatively mild handicaps. The resource specialist also counsels and advises regular teachers and parents and coordinates special education services at the school site.

(c) Designated instruction and services are specific services which are not normally available in classroom programs (e.g., speech and language remediation). The services, provided by specialists, are similar to specialized services provided under the traditional system.

(d) Nonpublic school services are used in situations in which no appropriate public education is available.

REFERENCES

- 1/ Definitions for these instructional settings are provided in Appendix C.
- 2/ Local agencies must receive at least 75 percent of these funds. Their entitlement is determined by the number of handicapped pupils they identify within their districts.
- 3/ The provisions for children between the ages of (a) 3 and 5 and (b) 18 and 21 are to be in accordance with state law or practice regarding public education for students within these age ranges.
- 4/ One level of assessment is the school appraisal team (SAT), a school site placement team. The other level is the educational assessment service (EAS) which typically handles pupils to be placed outside their own school, pupils referred to special classes or those requiring intensive study.
- 5/ The PL 94-142 provision is for services to all handicapped children aged 3 to 18 by September 1, 1978 and 3 to 21 by September 1, 1980.
- 6/ Additional data on special education enrollments by instructional setting is provided in Appendix B, Tables 1 and 2, pages B-2 and B-3.
- 7/ Tables 3 and 4 in Appendix B contain additional data describing state, local and federal contributions to special education funding since fiscal year 1975-76 and projected through 1978-79.
- 8/ Among such factors is the absence of clear eligibility criteria. Although the Department of Education was required under AB 1250 to adopt by January 1, 1979 criteria for identifying individuals to be served under the Master Plan, these had not been finalized as of March 1, 1979.
- 9/ In adjusting 1977-78 revenue, the Department reduced RLA's 1978-79 entitlements by the amount of unearned instructional and support funds. However, if an RLA provided more services in 1977-78 than they were initially funded for, no commensurate increase was made in 1978-79 funding.

10/The request for this study also asked that we estimate (a) the costs to school districts of compliance with PL 94-142 and (b) the resources available to meet these costs. We were unable to make accurate long-term projections due to limitations in Department of Education data cited earlier and the need for accurate information concerning costs and resources available to school districts for such purposes as facilities renovation and removal of architectural barriers for the handicapped in accordance with PL 94-142 and Section 504 of the Rehabilitation Act of 1973.

11/This ratio includes certificated teachers and aides.

12/Approximately \$360,000 of the 1979-80 funds under PL 94-142 were allocated to the California Youth Authority (CYA) to develop assessment services for handicapped youth within CYA.

13/PL 94-142 requires that education and related services be provided at no cost for handicapped children, while the Short-Doyle program requires payment of fees based upon client's ability to pay. This same potential conflict concerning payment for services exists with developmentally disabled minors in the regional centers for the developmentally disabled and in state hospitals.

14/The traditional special education delivery system is composed of school districts which serve most of the pupils and county offices of education which serve severely handicapped pupils and pupils whose districts do not offer appropriate special education programs.

15/High cost special classes and centers are frequently provided through county offices of education under the traditional delivery system. All such county programs are not included within the data in this table.

16/See footnote 15 above.

17/Total figures for pupils served under the various instructional settings add to over 100 percent because students may receive services in more than one setting.

18/Adapted from The California Master Plan for Special Education, Sacramento, CA: Department of Finance, 1977.

19/Adapted from Current Issues in Special Education, Sacramento, CA: Legislative Analyst, 1977.

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