

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

929

FINANCING AND ADMINISTRATION
OF SPECIAL EDUCATION
PROGRAMS FOR HANDICAPPED PUPILS

JANUARY 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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929

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 and administration of special education programs for handicapped children in California.

The report finds that improved eligibility criteria and pupil progress guidelines are necessary to assure appropriate services to handicapped children and to control costs of these services. It also finds a need for a return to the legislatively prescribed funding model for the Master Plan for Special Education and for clear statutory designation of agency responsibilities in providing and financing education and related services for handicapped pupils. Furthermore, it indicates the importance of establishing explicit procedures to secure maximum federal financing for services to handicapped children in the State.

The report points to the need for new legislation to clarify agency roles in serving handicapped pupils and to assure that most favorable federal funding sources are used to finance services for these children.

The auditors are Eugene T. Potter, and Joan S. Bissell, Audit Managers; Jacques M. Barber; and Jeffrey L. Mikles.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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SUMMARY

Our review of California's special education programs for handicapped pupils indicated that the statutorily prescribed financing mechanism for phasing in the Master Plan for Special Education has not been fully implemented. The Legislature established a funding model for the program intended to directly reflect handicapped pupils' instructional needs. However, to accommodate projected service levels within available resources, funds have been apportioned under the program through negotiation of program levels with Master Plan participants or through per capita funding amounts. These approaches do not reflect the variation among school districts in their populations of handicapped students, in the nature and severity of pupils' disabilities, and in the pupils' differing service needs.

Overall, implementation of the Master Plan has required substantially greater state financing than originally projected. The major reason for added state costs has been the loss of local property tax revenues which were originally intended to be a financing source under the Master Plan. Other reasons for added state costs have been less federal revenues than anticipated and higher per pupil costs than expected.

Traditional special education programs have also required more state financing than originally anticipated. During the next three fiscal years, programs for handicapped pupils could require over \$400 million more in state funding than previously projected.

To control the costs of special education, the State needs specific criteria and guidelines for determining pupil eligibility and for assessing pupil progress. Also, standards for providing and financing education and related services for handicapped pupils are needed. Improvements in these areas could limit the growing enrollments as well as the costs of special education and could assist in assuring that appropriate services are provided to handicapped children. Additionally, the State could increase federal resources for serving these children by maximizing funds available through a variety of funding sources, particularly those for health programs.

In view of these findings, we recommend a return to a funding mechanism based upon instructional services for the Master Plan for Special Education. We further recommend that the Department of Education institute specific eligibility criteria for placing students in special education under this program. In addition, the department should provide local educational agencies with (a) improved guidelines for assessing pupil progress and (b) strengthened standards regarding provision and financing of related services to handicapped pupils.

We further suggest that the Legislature clarify in statute (1) the responsibilities of the Department of Education and other agencies in providing and financing education and related services for handicapped pupils, (2) procedures for resolving conflicts over responsibilities for these services, and (3) procedures for assuring that the most favorable sources of federal funds are used to finance services to handicapped children. Finally, members of the Legislature may wish to initiate discussions with federal policy-makers regarding federal responsibilities for financing mandated special education services.

INTRODUCTION

In response to Supplemental Language to the 1979-80 Budget Act and at the direction of the Joint Legislative Audit Committee, we have reviewed fiscal and administrative issues concerning special education programs for handicapped pupils. This study was conducted under the authority vested in the Auditor General by Government Code Section 10527.

This report focuses on issues pertaining to funding procedures and eligibility criteria under the Master Plan for Special Education, guidelines for assessing progress of handicapped pupils, and standards for the provision and financing of education and related services for these pupils. It further discusses possible methods of controlling state costs of special education.

In conducting this review, we interviewed staff from Master Plan Responsible Local Agencies (RLAs), including directors, business officials and evaluators; staff from school districts and counties under the traditional special education program structure; nonpublic school personnel; State Department of Education staff; and federal officials. In addition, we analyzed state and local fiscal data; examined pertinent laws, regulations, and guidelines; and reviewed relevant reports, publications, and other documents.

BACKGROUND

This section traces the history of special education programs for handicapped students in California and specifically outlines the objectives, approach, and implementation of the Master Plan for Special Education. In addition, this section details the federal requirements for special education programs and the State's responsibilities for implementing these programs. Finally, information is presented about the funding of special education in the State.

Program History

California established its first special education programs for handicapped students in 1860. Traditionally, special education services were provided and funded on the basis of student handicapping condition or category. By 1970, there were 28 separate categorical programs operating to serve the needs of students with specific handicaps.

In 1974, the California Legislature began reorganizing services to meet the educational needs of the handicapped with Assembly Bill 4040 (Chapter 1532). This act

established a three-year pilot program, referred to as the California Master Plan for Special Education. The enactment of Assembly Bill 1250 (Chapter 1247) in 1977 authorized statewide implementation of the Master Plan in accordance with the concept of allocating funds based on services needed, not handicapping condition.* The intent of the legislation was to "provide an educational opportunity for individuals with exceptional needs which is equal to or better than that provided prior to the implementation of the program." Moreover, it was intended that all school districts would be participating in the Master Plan by 1981-82.** Once fully implemented, the Master Plan would replace current categorical programs. During 1979-80, 270 school districts are participating in the Master Plan, serving approximately 113,000 students or 30 percent of the statewide total special education enrollment of 363,200 students.

* This bill was later amended by Assembly Bill 3635 (Chapter 402, Statutes of 1978).

** Statewide phase-in is not now scheduled to proceed as quickly as originally anticipated. It was initially projected that by 1980-81, approximately 55 percent of the statewide handicapped population would be participating in the Master Plan. The 1980-81 Governor's Budget projects a figure of 45 percent of handicapped pupils statewide under the Master Plan that year.

Program Approach of
the Master Plan for
Special Education

The California Master Plan for Special Education is a comprehensive approach to providing special education services. The approach was designed to focus on the student's need for services, rather than on the student's disability or handicapping condition. It establishes a system intended to

- Identify all students with exceptional needs;
- Develop an individualized education program for each pupil;
- Place students in programs providing the least restrictive appropriate environment;
- Evaluate each pupil's progress periodically;
- Provide parents opportunities to participate in decisions about their child's education.

The Master Plan provides special education through four instructional settings: (1) special classes and centers, (2) the resource specialist program, (3) designated instruction and services, and (4) nonpublic schools. Special classes and

centers serve students, such as the severely handicapped, whose needs cannot be met in regular classes. The resource specialist program is a distinctive component of the Master Plan; it is designed to help mildly handicapped pupils who spend part of the school day in the program but most of the day in regular classes. Students participating in regular and special classes are also eligible to receive designated instruction and services. These designated services, such as speech and language therapy, are not usually taught in a regular or special class. Finally, if the student's needs cannot be met by the resident district, that student may be served in a nonpublic school.

At the local level, the Master Plan is implemented through Special Education Services Regions (SESRs) and administered principally by the Responsible Local Agency within each. A SESR can be a single school district, a combination of districts, one or more county offices of education, or one or more districts joining with county superintendents of education. The designated RLA is administratively and fiscally responsible for implementing the local comprehensive plan in the SESR. A school district or county superintendent's office is designated as the Responsible Local Agency by the members of the SESR.

Education for All Handicapped
Children Act of 1975

To receive federal funds, both the Master Plan and traditional programs must comply with the Education for All Handicapped Children Act of 1975 (Public Law 94-142). This 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.* Furthermore, Public Law 94-142 (like the Master Plan) requires

- A written individualized education program for each handicapped child;
- Education of handicapped children in the least restrictive appropriate environment;
- Educational services for handicapped children at no cost to parents;

* Under the Master Plan, RLAs may serve children under three years old. They must serve (a) all handicapped persons from their entry into kindergarten until their graduation from high school, (b) all students 19 to 21 years old who qualify for special education and who have not finished school, and (c) those students 3 to 4 years old who require intensive special education services.

- Comprehensive procedural safeguards and due process provisions, including parental participation in identification and assessment, nondiscriminatory testing, and parental complaint and appeals procedures;
- Personnel development programs for (1) regular and special education teachers and (2) support personnel.*

State Responsibilities

The State Department of Education has overall administrative and fiscal responsibility (1) for overseeing implementation of the Master Plan and traditional special education programs in the State and (2) for assuring adherence to federal mandates. Its responsibilities under the Master Plan include both establishing guidelines for local special education plans and approving and monitoring these plans. The department also distributes funds under the Master Plan, apportions special education allowances for standard special education programs, maintains the State's special schools, and conducts program and fiscal reviews. In addition, the department is responsible for executing the requirements of

* The federal law also requires that programs first accommodate unserved pupils and then those inadequately served pupils who are most severely handicapped.

Public Law 94-142, which are outlined above. Department of Education responsibilities under the federal law include the general supervision of all education and related programs for handicapped children administered by the public schools and by other public agencies.

Sunset Review of Special Education

Chapter 282, Statutes of 1979 (AB 8) contains a sunset provision for categorical programs in the State. That is, unless the Legislature enacts legislation to continue each of these programs, they are to be discontinued. Reviews of these categorical programs have been scheduled over a four-year period. Four of these programs, the largest of which is special education, are to be reviewed comprehensively by the Legislature before June 30, 1981.

Special Education Funding

The following table illustrates the total statewide special education funds available for the Master Plan and traditional categorical programs from fiscal years 1976-77 to 1979-80.

TABLE 1

TOTAL STATEWIDE SPECIAL EDUCATION FUNDS
1976-77 TO 1979-80
 (Unaudited)
 (In Millions of Dollars)

<u>Funding Source</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>Projected 1979-80</u>
<u>STATE FUNDS:*</u>				
Master Plan	\$ 59.0	\$ 67.3	\$150.1	\$233.8
Traditional Categorical	<u>298.0</u>	<u>323.7</u>	<u>416.6</u>	<u>421.5</u>
TOTAL	<u>\$357.0</u>	<u>\$391.0</u>	<u>\$566.7</u>	<u>\$655.3</u>
<u>FEDERAL FUNDS:**</u>				
Master Plan	\$ 3.5	\$ 1.3	\$ 8.0	\$ 16.8
Traditional Categorical	<u>14.2</u>	<u>21.5</u>	<u>38.8</u>	<u>35.8</u>
TOTAL	<u>\$ 17.7</u>	<u>\$ 22.8</u>	<u>\$ 46.8</u>	<u>\$ 52.6</u>
<u>LOCAL FUNDS:*</u>				
Master Plan	\$ 15.6	\$ 25.6	\$ 19.3	\$ 19.7
Traditional Categorical	<u>238.6</u>	<u>306.5</u>	<u>193.0</u>	<u>174.7</u>
TOTAL	<u>\$254.2</u>	<u>\$332.1</u>	<u>\$212.3</u>	<u>\$194.4</u>
<u>STATEWIDE FUNDING:</u>				
Master Plan	\$ 78.1	\$ 94.2	\$177.4	\$270.3
Traditional Categorical	<u>550.8</u>	<u>651.7</u>	<u>648.4</u>	<u>632.0</u>
TOTAL	<u>\$628.9</u>	<u>\$745.9</u>	<u>\$825.8</u>	<u>\$902.3</u>

* District base revenue limits for special day classes and nonpublic schools are divided between state and local funding by the following percentages (state/local):

1976-77	60/40	1978-79	80/20
1977-78	60/40	1979-80	80/20

** These figures reflect local education agency entitlement funds from Public Law 94-142.

AUDIT RESULTS

LIMITATIONS IN THE IMPLEMENTATION OF THE STATUTORY FUNDING MODEL FOR THE MASTER PLAN FOR SPECIAL EDUCATION

The statutorily prescribed financing mechanism for the Master Plan for Special Education has not been fully implemented. It was intended to allocate specific amounts of money based upon special education services provided. However, funds have been apportioned under the program through negotiation of service levels with participating Responsible Local Agencies or through per capita funding amounts. These approaches have not reflected the variations among RLAs in the nature and severity of pupils' disabilities or in service needs.

The Master Plan for Special Education was enacted by the Legislature to establish a delivery and financing mechanism which assured that handicapped students received special education services appropriate to their educational needs. The enabling legislation therefore contains a funding model based upon instructional services. This model provides different levels of funding for each of the four instructional services

and specifies allowances for support services. The following table shows the apportionment allowances AB 1250 designates for the Master Plan.

TABLE 2
 MASTER PLAN FOR SPECIAL EDUCATION
 APPORTIONMENT ALLOWANCES
(Fiscal Year 1978-79)

<u>Service Category</u>	<u>Apportionment Allowances</u>
Special Classes and Centers (per class)	\$19,700
Resource Specialist Program (per resource specialist)	\$24,460
Nonpublic Schools (per pupil enrolled)	\$ 1,750
Designated Instruction and Services (per instructional hour per specialist)	\$ 24
For Identification, Assessment and Instructional Planning (per pupil)	\$ 140
For Management and Support Services (per pupil)	\$ 75
Instructional Materials (per pupil)	\$ 15
Equipment (per pupil)	\$ 15
Transportation (for pupils eligible for services)	\$ 730

Funding to each RLA was intended to reflect (a) the nature and extent of services provided and (b) the relative costs of those services. (Adjustments could be made in the allowances to compensate for inflation.) These funding allowances were not intended to fully finance the costs of special education services. To assist in financing these costs, AB 1250 provided county superintendents with local taxing authority to raise additional revenues to fund special education programs.

Actual Funding Mechanisms
for Fiscal Years
1976-77 and 1977-78

Master Plan funding for fiscal years 1976-77 and 1977-78 was provided by the Budget Acts which apportioned \$53 million for 1976-77 and \$58.7 million for 1977-78. Funds were allocated to the ten participating RLAs by the Department of Education under a negotiation process. The funding procedure the department used was based upon (1) the level of programs operated in the prior fiscal year and (2) funding amounts for particular services. The negotiation process was necessary because the RLAs were providing more of certain services than could be funded under the prescribed apportionment mechanism.

As a result of the negotiation process, Master Plan RLAs received approximately eight percent less funding overall in 1977-78 than they were entitled to by the statutorily prescribed funding mechanism. The extent of under-funding varied between 2 and 20 percent in eight of the RLAs. The other two RLAs were overfunded. Although the department made adjustments after the end of the year for the over-funded RLAs by applying the excess to the subsequent year allocations, it did not adjust for the under-funded RLAs. Had the department reallocated funds from over-funded RLAs, it would have been able to redirect a surplus of approximately \$1 million to the eight under-funded RLAs, thereby reducing the extent of under-funding in these RLAs to an average of six percent.

Actual Funding Mechanism
for Fiscal Year 1978-79

In fiscal year 1978-79, seven new RLAs were added to the Master Plan; the program coverage was thus extended to 17 RLAs as part of the statewide phase-in authorized by Chapter 1247, Statutes of 1977 (AB 1250). Funding authorizations were initially based on negotiated program levels because the costs of proposed service levels exceeded the \$109.4 million available, by over \$25 million. Subsequently, actual funding was made on the basis of per capita dollar amounts for each student served.*

* Additional funding was made available through Chapter 292, Statutes of 1978 (SB 154).

RLAs received approximately \$2,106 per pupil from Master Plan allowances, district revenue limits, federal funds and state Proposition 13 bailout funds (made available through Chapter 292, Statutes of 1978, SB 154). Under this procedure, four RLAs received allocations which exceeded their expenditures. Other RLAs had expenditures which exceeded allocations from .4 percent to 41.8 percent. The department has indicated that year-end adjustments for over-funding are to be made, but these adjustments had not been made as of January 1, 1980.

Analysis of 1979-80
Allocation Procedures

In fiscal year 1979-80, the department instituted a per capita funding approach for the Master Plan which did not reflect the original legislative intent to fund on the basis of services provided. The department adopted the approach because it interpreted Chapter 282, Statutes of 1979 (AB 8) as providing an allowance per pupil to fund Master Plan Programs. According to the Legislative Counsel, the Master Plan services-based funding model should have been applied in conjunction with the AB 8 per capita maximum, but the Department of Education has indicated that this was not feasible.

Initial funding allocations to Master Plan RLAs for 1979-80 were based upon two separate per pupil funding amounts. Assembly Bill 8 provided up to \$2,296 per special education pupil for each Master Plan RLA.* It also provided (a) that the first priority for funding in 1979-80 would be for RLAs that had been in operation in 1978-79 and (b) that these RLAs would receive at least the same amount per pupil as they received in 1977-78. The department's funding procedures therefore provided that all RLAs which operated programs during 1978-79 were assured full funding at the \$2,296 per pupil level during 1979-80 but that RLAs entering the Master Plan during 1979-80 would not be guaranteed this funding level. These procedures resulted in a disparity in funding between the 17 continuing RLAs and the RLAs entering the Master Plan.

Eight RLAs were approved for entry into the Master Plan during 1979-80. However, three opted not to enter the Master Plan, primarily because they determined that their per pupil allocation would be insufficient to cover their program costs. The RLAs that did enter the Master Plan in 1979 were guaranteed an allocation of \$1,844 per pupil; had the three other RLAs not withdrawn, each RLA would have received an allocation of approximately \$1,250 per pupil.

* The \$2,296 per capita allocations which were made included funds from the 1979-80 Budget Act, district revenue limits funds for special day classes, and federal Public Law 94-142 funds.

The allocation to the entrants may be increased later in the year since Assembly Bill 8 provides for a potential transfer of up to \$30 million if a surplus occurs in non-Master Plan special education allowances. This surplus could increase funding levels for these RLAs up to the maximum \$2,296 per pupil level. The exact amount that will be available for transfer was unknown at the writing of this report.

Concerns Related to the Per Capita Funding Procedure

We assessed the impact of the current funding system for the Master Plan and concluded that the per capita funding procedure has a number of weaknesses and that it does not reflect the original legislative intent of funding on the basis of services provided. These are its more significant weaknesses:

- Per capita funding fails to address variations in programs and costs of services among RLAs. RLAs with costly programs are under-funded while those with less costly programs are not.
- The system contains fiscal incentives and disincentives related to student placements and services. For example, it may encourage growth in low cost programs and services for the mildly handicapped, thereby increasing the total costs of special education.

The considerable variation among RLAs in the populations of students classified as having exceptional needs and in instructional placements highlights principal shortcomings of the flat per capita funding approach. The following table illustrates the variation among RLAs in the placement of special education students in 1979-80.

TABLE 3
 MASTER PLAN FOR SPECIAL EDUCATION
 PERCENTAGE OF STUDENTS PLACED
 BY INSTRUCTIONAL SETTING
 (Estimated 1979-80)

<u>Instructional Setting</u>	<u>Statewide Average</u>	<u>Range of RLA Placement Rate</u>	
		<u>Highest Rate</u>	<u>Lowest Rate</u>
Special Classes and Centers	25.0%	33.0%	13.0%
Resource Specialist Programs	36.0%	52.0%	30.0%
Designated Instruction and Services	38.0%	48.0%	29.0%
Nonpublic School Placements	.8%	1.6%	.0%

These data show considerable differences among RLAs in the percentage of students placed in various instructional settings. Similarly, there are substantial differences in the average cost of special education among RLAs. The following table summarizes the average cost data for fiscal year 1977-78.

TABLE 4
 MASTER PLAN FOR SPECIAL EDUCATION
 AVERAGE COST DATA
 (Fiscal Year 1977-78)

<u>Instructional Setting Component</u>	<u>Statewide Average Cost</u>	<u>Range in Average Expenditure per pupil</u>	
		<u>Highest</u>	<u>Lowest</u>
Overall Per Pupil Expenditure	\$2,060	\$2,188	\$1,569
Special Classes and Centers	\$4,369	\$7,111	\$3,231
Resource Specialist Program	\$1,477	\$1,770	\$1,288
Designated Instruction and Services	\$ 946	\$1,277	\$ 545
Nonpublic Schools	\$5,291	(Unavailable)	(Unavailable)

These differences between RLAs both in the proportions of their enrollments in different instructional settings and in the costs of their special education programs are related to a major weakness in the per capita funding method. RLAs with relatively high incidences of severely or multiple handicapped students placed in high cost instructional settings, such as special classes or nonpublic schools, are insufficiently reimbursed. In contrast, RLAs with high concentrations of moderately and mildly handicapped students enrolled in special education evidence a lower average pupil cost and, thus, can receive sufficient funding.

The table below compares statewide average costs for services with per capita funding amounts in 1979-80. It demonstrates that high cost services are under-funded and low cost services are over-funded as a result of this funding approach.

TABLE 5
 COMPARISON BETWEEN THE STATEWIDE
 AVERAGE COST OF SERVICES AND
 PER PUPIL FUNDING ALLOCATIONS
 (Estimated 1979-80)

<u>Instructional Setting</u>	<u>Estimated Per Pupil Cost</u>	<u>Per Pupil Allocation</u>	<u>Difference Between Average Cost and Allocation</u>
Nonpublic Schools	\$6,743	\$2,296	\$-4,447
Special Classes and Centers	\$5,015	\$2,296	\$-2,719
Resource Specialist Program	\$1,733	\$2,296	\$ +563
Designated Instruction and Services	\$1,235	\$2,296	\$+1,061

As the table shows, the per capita financing system does not reflect variations in RLA services and program costs related to pupils' needs. Inherent in the system are fiscal disincentives associated with (a) providing high cost programs to multiple or severely handicapped pupils, (b) placing children in nonpublic schools, and (c) conducting extended year programs. Inherent in the system may also be fiscal incentives for identifying mildly and moderately handicapped students

served in relatively low cost programs. Because clear eligibility criteria have not yet been developed for the Master Plan, an incentive for identifying mildly handicapped students could contribute to an overall increase in enrollments and in the associated costs of special education.

Projected Cost of Statewide
Master Plan Implementation

The original statutory allowances for services provided under AB 1250 were not intended to fully fund the excess costs of special education. The difference between state revenues and costs was to be funded by either the countywide permissive override tax (authorized by Education Code Sections 56364 and 2500) or through school district unrestricted general fund resources. As a result of Proposition 13, the permissive taxing authority was essentially nullified. Demands on school district general fund resources for regular education services increased. The Legislature provided additional state funding to compensate for lost property taxes, creating a greater state cost for the Master Plan than originally anticipated. Traditional special education programs have also required more state funding than originally projected. The following table compares special education funding as forecast under the original AB 1250 assumptions with currently projected funding levels.

TABLE 6

MASTER PLAN FUNDING UNDER
ASSEMBLY BILL 1250 AND
AS CURRENTLY PROJECTED

AB 1250 Original Projections

	<u>Enrollment</u>	<u>Sources of Funds (Millions)</u>				<u>Average Per Pupil Cost</u>
		<u>State</u>	<u>Federal^{1/}</u>	<u>Local^{2/}</u>	<u>Total</u>	
1979-80	138,926	161.4	16.9	108.9	287.2	2,067
1980-81	258,821	291.7	63.3	212.1	567.1	2,191
1981-82	455,783	525.8	168.0	364.5	1,058.3	2,322

Current Projections^{3/}

	<u>Enrollment</u>	<u>Sources of Funds (Millions)</u>				<u>Average Per Pupil Cost</u>
		<u>State</u>	<u>Federal</u>	<u>Local</u>	<u>Total</u>	
1979-80	112,800	200.8	16.8	52.7	270.3	2,397
1980-81	214,500	393.1	55.0	97.0	545.1	2,541
1981-82	420,000	797.3	130.0	205.3	1,132.6	2,691

Note: Current Projections by the State Department of Education.

- (1) Federal funds represent local education agency funding, as do other figures in the table.
- (2) Local funds represent state and district sources for the base revenue limits for special day classes and nonpublic schools.
- (3) These statistics have been adjusted for inflation at annual six percent increases for 1980-81 and 1981-82.

The comparison between the original forecast and current projections illustrates not only the impact of reduced property tax revenues but also a lower rate of federal funding than originally anticipated under Public Law 94-142 and a greater per pupil cost than originally projected. These factors have significantly increased the Master Plan's dependence on state funding. Thus, over the next three years, the Master Plan may require approximately \$400 million additional state monies than the Legislature had originally anticipated.

CONCLUSION

Master Plan funds have not been allocated in accordance with the statutory financing model which is based upon services provided to handicapped pupils. The current per capita financing procedure does not reflect the differing costs of services based upon needs of handicapped pupils or variations among school districts in the nature and severity of pupils' handicapping conditions. Additionally, the funding procedure does not guarantee RLAs funding amounts specified in the Master Plan enabling legislation. Finally, the fiscal disincentives and incentives inherent in the per capita funding model could increase enrollments of mildly handicapped pupils, and thus, the overall costs of special education.

RECOMMENDATION

We recommend a return to a funding mechanism based upon instructional services for the Master Plan for Special Education beginning in 1980-81.*

We further recommend that the Department of Education provide to the Legislature by April 15, 1980, projections of the costs of statewide phase-in of the Master Plan in accordance with a funding model based upon instructional services provided. The department should include in these projections its assumptions regarding (a) the appropriate state and local contributions to the excess costs of special education and (b) projected contributions from all available sources of federal funds which can be used to finance education and related services to handicapped children.

Furthermore, in view of the fact that federal funding under Public Law 94-142 has been at a lower level than originally anticipated, members of the Legislature may wish to initiate discussions with federal policy-makers regarding the federal responsibility for financing mandated special education services.

* The State Department of Education has recognized problems in the per capita funding approach and has indicated its desire to return to a funding procedure based upon instructional services.

NEED FOR IMPROVED ELIGIBILITY CRITERIA,
GUIDELINES FOR ASSESSING PUPIL PROGRESS,
AND STANDARDS FOR PROVIDING AND FINANCING
EDUCATION AND RELATED SERVICES

The State's special education programs lack eligibility criteria for pupils under the Master Plan. Also, these programs need strengthened guidelines for assessing progress of handicapped pupils and improved standards for providing and financing education and related services to these pupils. The lack of clear eligibility criteria has caused difficulties at the local level in identifying and placing pupils. In addition, without clear guidelines for assessing pupil progress, teachers and parents are unable to (1) accurately assess children's individualized education programs (IEPs) and (2) determine the appropriateness of special education services. Problems in assuring the provision and public financing of all necessary education and related services have also occurred. These problems have affected services to handicapped children, jeopardized federal funds to California, and resulted in a failure to maximize available federal financing for such services.

Section 56310 of the Education Code requires the State Board of Education to adopt specific pupil identification and eligibility criteria for the Master Plan by January 1979 and guidelines for determining pupil progress by July 1979. Also, Section 56332 of the Education Code requires that standards for designated instruction and services under the

Master Plan be developed by the State Board of Education. Public Law 94-142 requires that the Department of Education assure that all handicapped pupils in the State are provided the range of education and related services necessary for these children to benefit from their education.

Lack of Master Plan
Pupil Eligibility Criteria

Specific eligibility criteria have not been adopted for the Master Plan, as was required by the Legislature.* Although the Department of Education distributed proposed pupil eligibility criteria for field review in July 1979, it subsequently withdrew the proposed criteria. The department indicated that a principal reason for withdrawing the criteria was that they conflicted with the intent of the Master Plan legislation to avoid the unnecessary use of labels and to place children according to unique needs rather than according to categories.

We found that without specific eligibility criteria, there is no clear basis for determining which pupils are to be placed in special education under the Master Plan. AB 1250 provides only the general direction that pupils eligible for

* The State Department of Education has recently reconvened a task force to address the complex issues involved in developing sound eligibility criteria for the Master Plan.

Master Plan participation are "individuals with exceptional need." Section 56302(c) of the Education Code further describes these individuals as

All pupils whose special education needs cannot be met by the regular classroom teacher with modification of the regular school program, [and] who require the benefit of special education and services.

These definitions affect the number of pupils eligible for special education services, types of services provided, and the funding level required to finance such services. Without clear definitions, the number of students to be served and any costs associated with serving them cannot be adequately predicted and budgeted. In particular, certain mild handicaps, including, for example, learning disabilities and speech and language handicaps, require definition. In some studies, estimates of the incidence of these handicapping conditions have ranged up to approximately 25 to 30 percent of the school population.

Unless clear criteria are developed, the eligible pupil population under the Master Plan could surpass available funding for the program. Additionally, without clear criteria, districts or RLAs could vary in their definitions of eligibility and appropriate services, making a student eligible for services in one area but not in another. For example, because of the lack of uniformity regarding the category of

learning handicapped pupils, students identified in this category in one district may not be so identified in a neighboring district within the same RLA.

The need for clear eligibility criteria also relates to defining the role of the regular program in meeting the needs of students with mild learning problems, such as speech impairments. Some children with mild learning problems may be adequately served in the regular classroom, with supplementary assistance from other categorical aid programs, rather than in higher cost special education programs. Programs which can provide services to these pupils include, for example, the federal Elementary and Secondary Education Act (Title I program), the State Compensatory Education Program for low-achieving students, the Miller-Unruh Reading Program for elementary grade pupils performing below grade level in reading, and federal and state bilingual education programs to assist limited-English-speaking students. Our review indicated that distinctions among the roles of each of these programs are unclear and that students placed in special education in one district might be served in another categorical aid program (such as compensatory education) in a different district.

The need to establish eligibility criteria also relates to overlap in student participation among various programs. Presently, no guidelines have been established by the Department of Education regarding the circumstances under which students should be considered for participation in both special education and other categorical programs.

A recent study indicated that in a sample of Master Plan districts, a substantial percentage of students participating in special education also participated in compensatory education.* The study emphasized that duplication of services was not necessarily a problem for students, but nevertheless reported that

In California, we found that many students received both Title I and special education services...However, for these students, teachers seemed to make a substantial effort to coordinate services and therefore avoid providing identical or redundant services. Participation of students in more than one program did result in some cases of disruption of student programs in California; some students were "pulled out" for so many supplemental services that their base programs were disrupted.

Table 7 indicates percentages of special education students served by the resource specialist program and by either Title I or the State Compensatory Education program, as reported in the study.

* Case Studies of Overlap Between Title I and Public Law 94-142 Services for Handicapped Students, Menlo Park, California: SRI International, 1979.

TABLE 7

PERCENTAGE OF STUDENTS IN SPECIAL EDUCATION RESOURCE PROGRAM
ALSO PARTICIPATING IN COMPENSATORY EDUCATION PROGRAMS

<u>District</u>	<u>School Number</u>	<u>School Type</u>	<u>Number of Students in Special Education Resource Specialist Program</u>	<u>Number of Students in Compensatory Education Program</u>	<u>Number of Students in Both Programs</u>	<u>Percent of Resource Specialist Students Also In Compensatory Education</u>
1	1	Elementary	40	332	37	93
	2	Elementary	60	401	39	65
	3	Elementary	62	447	33	53
	4	Elementary	78	347	54	69
2	5	Elementary	30	269	4	13
	6	Elementary	30	83	4	13
3	7	Elementary	30	181	25	83
	8	Junior High	80	259	15	19
4	9	Elementary	48	219	48	90-100

The study reported that no cases were found in which students who were receiving multiple services were receiving identical services from both special education and Title I programs. In schools where programs differed in structure, the most common combination of services was assistance from Title I aides in the regular classroom and a pull-out for extra assistance in the special education resource room.

Although participation in multiple programs may not represent a problem, this practice can lead to students being repeatedly pulled out of the classroom. In our opinion, guidelines for student identification and placement are needed under the Master Plan to assure that when multiple services are provided to individual students, the overall impact is beneficial, rather than disruptive.

Need for Improved
Guidelines for
Assessing Pupil Progress

Assembly Bill 1250 required that, by July 1, 1979, the Department of Education

Adopt guidelines of reasonable pupil progress and achievement for individuals with exceptional needs. Such guidelines shall be developed to aid teachers and parents in assessing an individual pupil's education program and the appropriateness of the special education services.

The Department of Education has developed a set of general guidelines for assessing pupil progress. These guidelines, adopted by the State Board of Education in October of 1979, were based upon information provided by teachers, specialists, administrators, parents, and other individuals. They consist of questions and considerations intended to aid in

making decisions about pupil progress, rather than containing specific standards for assessing pupil progress. The guidelines, for example, include these considerations:

- Yearly goals and objectives must be based on what the pupil is able to do at the time the goals and objectives are selected. If they are not based on current performance, the program will not help the pupil learn as much as possible;
- The changes taking place should be measured or observed, then recorded. Information should be available that reflects both the type of behavioral change and an accurate measure of the pupil's skills;
- Pupils whose progress is more rapid than expected need to be advanced into an appropriate program without undue delay. New objectives might be for additional steps leading to the same basic skill or refinement of performance of that skill. New objectives might represent an entirely different skill.

The department has indicated that additional study and effort will be needed to modify, improve, and expand its initial guidelines to meet the requirements for determining reasonable pupil progress and achievement for pupils with exceptional needs. It has also pointed out that limitations in available measurement techniques have served as obstacles to objectively assessing the progress of handicapped pupils.

Our review indicated that although there are significant technical limitations in this area, clearer guidelines for assessing pupil progress are needed. At

present, schools are experiencing difficulties in determining when a reduction of special education services is warranted. These difficulties can result in high enrollments and costs of special education or can limit services to other students.

Problems Concerning the
Provision and Financing
of Related Services

Under Public Law 94-142, the Department of Education is responsible for ensuring that all education and related services which are necessary for handicapped pupils to benefit from their public education are publicly financed and are provided in compliance with state and federal requirements. This requirement applies to related services provided by non-educational as well as educational agencies.

The department is also responsible for assuring that federal funds received under other federal programs which provide educational services to handicapped children are used in accordance with Public Law 94-142 mandates. The department has experienced difficulties in adhering to these requirements and in securing necessary cooperation from the agencies. Problems in this area could jeopardize specific sources of federal funding to California and have been associated with a general failure to maximize all sources of financing for services to handicapped children.

Public Law 94-142 assigns full responsibility to the Department of Education for assuring that mandated education and related services are provided to handicapped children. Additionally, all such services, including those administered by other public agencies, are to be under the department's general supervision. These services must meet the education standards set by the department. The Congressional report which provided direction for Public Law 94-142 cites the following rationale for these mandates:

This provision is included specifically to assure a single line of responsibility with regard to the education of handicapped children, and to assure that in the implementation of all provisions of this Act and in carrying out the right to education for handicapped children, the State educational agencies shall be the responsible agency...

While the Committee understands that different agencies may, in fact, deliver services, the responsibility must remain in a central agency overseeing the education of handicapped children, so that failure to deliver services or the violation is squarely the responsibility of one agency.*

* Senate Report No. 94-168, page 24, Washington, D.C.; U.S. Congress, 1975.

Public Law 94-142 defines related services which the Department of Education is required to assure as follows:

Transportation, and such developmental, corrective, and other supportive services (including speech pathology and audiology, psychological services, physical and occupational therapy, recreation, and medical and counseling services, except that such medical services shall be for diagnostic and evaluative purpose only) as may be required to assist a handicapped child to benefit from special education, and includes the early identification and assessment of handicapping conditions in children.

Interagency Agreements
Can Result In Unclear
Financial Responsibilities

The Department of Education has established interagency agreements with other state agencies to fulfill Public Law 94-142 mandates. In these agreements, other state agencies typically agree to provide particular services to individuals identified by educational agencies as requiring such services. These agreements, however, are not binding and the Department of Education cannot enforce them despite its supervisory responsibility under Public Law 94-142.

In the interagency agreements, each state agency agrees to what services it will provide. But the agreements do not always specify how the cost of these services will be paid. As occurred this year with California Children Services (CCS), disputes can arise from unclear financial responsibilities. CCS, according to the initial interagency agreement, was to provide occupational and physical therapy to handicapped children. However, because such services may be included in a student's individualized education program, it may be unclear whether these are to be considered medical treatment or education and related services. Neither education agencies nor CCS have been willing to pay for these services in many instances. The federal interpretation has been that, if services are included in a student's IEP, they must be provided in accordance with Public Law 94-142 mandates.

The problem of unclear financial responsibilities is compounded by the Public Law 94-142 assignment of responsibility to the Department of Education for ensuring that handicapped students receive all related services specified in the IEP. For example, an IEP may include services that non-educational agencies have traditionally provided. In a number of instances, these agencies have interpreted Public Law 94-142 as requiring the educational agency to assume financial responsibility for the service, even though the non-educational agencies might normally provide the service.

Need for Improved Criteria
Regarding Pupil Eligibility
and Service Levels

Difficulties in assuring adequate financing of education and related services are exacerbated by the lack of clear criteria regarding student eligibility, assessment of pupil progress, and appropriate service levels. Under the Master Plan, education and related services include these:

- Adaptive physical education
- Vision services and therapy
- Specialized driver training instruction
- Parent education, and
- Health-nursing services.

In the absence of clear eligibility criteria, which provide guidance regarding amounts as well as types of services to be provided, it has been difficult for local agencies to determine which children qualify for these and other services under the Master Plan. AB 1250 specified that "designated instruction and services shall meet standards as set forth" by the State Board of Education. However, the standards established do not provide clear guidance regarding student eligibility and appropriate service levels. Neither do the standards set guidelines for appropriately financing such services. As a result, local districts have experienced considerable difficulties in setting parameters for related services.

The lack of clear standards regarding eligibility and appropriate financing of related services has also created problems in determining a legitimate degree of responsiveness to parents' requests for services. Parents have requested related services which districts have been reluctant to provide. As a result, parents have initiated fair hearings in an attempt to secure additional services. The average cost of the entire fair hearing process, which may entail several levels of review, has been estimated to be as high as several thousand dollars.

Problems Related to
Services Provided by
Non-Educational Agencies

The Federal Government has cited problems related to the provision of education and related services for handicapped children in a number of reviews of California's special education programs conducted during the past few years. This year, problems concerning the provision of occupational and physical therapy contributed to delays in the Federal Government's approving the State's application for federal funding under Public Law 94-142. This action jeopardized \$72 million in federal financing. Last year, the Federal Office of Civil Rights identified shortcomings in education and related services for handicapped children in state hospitals in California. Problems in state hospital programs for handicapped children have not yet been fully resolved and could

jeopardize other sources of federal funding to the State. Problems have also occurred regarding the role of Regional Centers for the Developmentally Disabled in providing treatment services for handicapped public school children.

Difficulties related to the Department of Education's supervision of all education programs for handicapped children in the State and problems pertaining to interagency coordination reflect (a) the department's limited state statutory authority for implementing its supervisory responsibilities under Public Law 94-142 and (b) the absence of a statutorily prescribed mechanism for resolving disputes among agencies over providing and financing services.

Alternative Sources of
Federal Funding for Services
to Handicapped Pupils

Many education and related services can be financed through a variety of federal revenue sources. For example, vocationally-related services can be financed through the Rehabilitation Act of 1973 (Public Law 93-112), and the Comprehensive Employment and Training Act (Public Law 95-524). Consistent findings of limited vocational training opportunities for handicapped youth in the State highlight the importance of drawing maximally upon these funding sources.

Many federal financing sources, particularly federal funding for health programs, provide greater federal contributions than are available for educational services under Public Law 94-142. In addition, these sources of funding are open-ended.* Some states have taken advantage of these more favorable federal financing sources in funding services for handicapped pupils. For example, the following statement by a federal official describes actions taken by three other states in maximizing federal health funds for this purpose:

Medicaid is a major provider of health screening, diagnostic, and treatment of young handicapped children from low-income families.... The State of Louisiana has worked carefully with New Orleans and 17 other cities to begin the development of a statewide system where the district simply screens all the children, sends a tape to Medicaid where eligible children (are matched) and payment is made to local districts. Minnesota has initiated a statewide program of a similar nature. Hartford, Connecticut now has two schools which are complex care providers: dental, health, vision, etc. Medicaid reimburses the local education agency....

* An open-ended funding source typically permits unlimited financing based upon reimbursement for a percentage of expenditures incurred.

The federal official concluded:

Clearly, the education agency can use education funds to pay for all required services. However, with funds available from other sources and with the match available from other services being so much higher, we are seeing creative administrators in many states aggressively seeking to coordinate among agencies.

Our work has indicated that little coordination and efficiency has occurred among agencies in California in financing of services to handicapped children. Not only are interagency agreements unclear regarding which agency will be responsible for financing various education and related services, they also have not ensured that agencies will secure most favorable sources of federal financing for related services.

For example, Medicaid (Medi-Cal) funds can finance such health-related services as screening and diagnosis, audiological services, ophthalmologic services, and physical therapy for eligible children. But such funds have not been used systematically to finance health-related services required under Public Law 94-142, even though Medicaid is an open-ended federal funding source, with a 50 percent federal, 50 percent

state/local contribution.* In contrast, less than ten percent of California's special education funding comes from federal sources.

A number of services for handicapped children, including identification of handicapped conditions, can be financed through the federal Early and Periodic Screening, Diagnosis, and Treatment program--part of the federal Medicaid program administered in California as the Child Health and Disability Prevention (CHDP) program. Specifically, outreach and screening services can be funded through this open-ended federal program which has a 50 percent federal match for most services, and 75 percent federal match for some functions.

Staff of the department of Health Services estimate that from 25 to 40 percent of handicapped children qualify for services under Medicaid (Medi-Cal). In some instances, educational agencies have financed services for these children by using either state and local funds or the limited federal funding of Public Law 94-142. In other instances, needed services have not been provided. Medicaid could be used to finance such services for eligible handicapped children.**

* Fewer than fifty school districts, representing less than 30 percent of the elementary and secondary school population in California, are receiving Medicaid funds for screening.

** The Department of Education is working to establish an interagency agreement with the Department of Health Services to address some issues related to these matters, particularly issues pertaining to the CHDP program.

CONCLUSION

California's special education programs lack eligibility criteria for pupils under the Master Plan for Special Education. Additionally, sufficient guidelines for assessing pupil progress or comprehensive standards regarding provision and financing of related services for handicapped pupils have not been developed. These unclear criteria, guidelines, and standards can contribute to growth in enrollments, increased costs of special education, and difficulties in assuring appropriate special education placements. Additionally, problems in the financing of education and related services have disrupted services to handicapped children, jeopardized federal funds to the State, and led to a failure to finance services for handicapped children using the most favorable sources of federal funding.

RECOMMENDATION

We recommend that, by January 1, 1981, the Department of Education

- Develop specific eligibility criteria for placing students in special education under the Master Plan for Special Education;

- Provide to local educational agencies improved (a) guidelines for assessing pupil progress in special education programs and (b) standards regarding provision and financing of related services to handicapped pupils.

Furthermore, in view of the complex problems associated with implementing interagency agreements and assuring maximum federal financing for services to handicapped children, the Legislature may wish to clarify in statute (a) the responsibilities of the Department of Education and other state agencies in providing and financing education and related services to handicapped children, (b) procedures for resolving conflicts among agencies in this area, and (c) methods for assuring that the most favorable sources of federal funds are used to finance services to handicapped children.

ISSUES FOR CONSIDERATION BY THE LEGISLATURE

Some Students Categorized As Handicapped May be More Appropriately Served Through Other Programs

Public Law 94-142 requires that the State guarantee a free appropriate education to all handicapped children between the ages of 5 and 18, and, consistent with state law, to children aged 3 to 5 and 18 to 21. Traditionally, California has defined as handicapped certain categories of students who are not included in special education under federal law. These include

- Pupils needing home and hospital instruction due to temporary ailments, and
- Pregnant minors.

Although each of these categories of students has unique educational needs, services other than special education for the handicapped may be most suitable for meeting those needs. Federal officials informed us that students in these categories need only be served in accordance with Public Law 94-142 mandates if they are handicapped. The federal definition of handicapped children includes

Mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, orthopedically impaired, or other health impaired children, or children with specific learning disabilities who by reason thereof require special education and related services.

According to federal officials, not all students in the two categories identified above would necessarily be considered handicapped in accordance with federal law.

Home and Hospital Instruction

Our review indicated that students included in home and hospital instruction may have temporary ailments; therefore, it is questionable whether these students need special education. Local staff indicated to us that they believed home and hospital instruction need not be within special education. But because this program is routinely included under special education (under both the traditional program structure and the Master Plan), staff are now required to assess all students needing such services and to develop an Individualized Education Program for them, in accordance with the mandates of Public Law 94-142. Our fieldwork indicates that the Legislature should consider the alternative of defining such services as special education only when they are provided to handicapped children or when they are required for an extended period of time.

Pregnant Minors

Presently, two funding sources under two separate state programs address the specific educational needs of pregnant adolescents and school-age parents. Pregnant minors may be placed in a special class under special education as soon as the pregnancy is diagnosed. These students may remain in the program until they complete the semester during which the baby is born. This program has traditionally been operated as a self-contained classroom limited to 20 students. In February 1978, there were 2,954 pregnant students participating in special day classes in California.

The Department of Education has, however, identified a number of problems in this program. For example, inadequate child care facilities and follow-up activities sometimes prohibit mothers from continuing in regular education programs after their children are born.

The second program for pregnant teenagers is the School-Age Parenting and Infant Day Care Program, administered by the Office of Child Development within the Department of Education. This program offers parenting education in the secondary school curriculum for school-age parents and for other interested high school students. It also establishes an infant center on or near the high school that the parents

attend. This child care center enables the infant's parents to continue their secondary education; the infant center also serves as a laboratory for parenting education. Available statistics indicate that school-age parents who have participated in this program have returned to high school, graduated, and have entered either the work force or attended college with a greater frequency than is ordinarily found among teenage parents.

An independent Child Care and Development Commission established by the Superintendents of Public Instruction concluded in its final report that the School-Age Parenting and Infant Day Care Program is one of the most cost-effective means of meeting the needs of both teenage parents and their infants. To ensure that programs for pregnant minors include the components of parent education and child care services, we suggest that legislative attention be directed to this area.

ADDITIONAL INFORMATION REQUESTED BY THE LEGISLATURE

We were also asked by the Legislature to review the limits on administrative cost under the Master Plan as well as caseloads of resource specialists and of program specialists under this plan.

Administrative Costs Under the Master Plan

We were asked to examine the impact of applying limits on administrative costs under the Master Plan. Our previous work in this area indicated that, under the Master Plan, non-instructional costs have increased from 31 percent to 35 percent of total expenditures. Overall, one third of the increased funding for special education under the Master Plan has gone for administration and support services. We concluded that it is difficult to adequately determine the impact of limiting Master Plan administrative costs without a thorough examination of the costs of each administrative component of the program. We were unable to conduct such a review due to limitations in available data and cost accounting procedures.

The Master Plan
Resource Specialist

We were also asked to determine the impact of increasing the caseload of the resource specialist. Because of difficulties in assessing the issue, we were unable to make this determination. We did, however, review the functions and responsibilities of the resource specialist.

These are the four functions specified for the resource specialist program:

- (a) Provide information and assistance to individuals with exceptional needs and their parents;
- (b) Provide consultation, resource information, and material regarding individuals with exceptional needs to their parents and to regular staff members;
- (c) Coordinate the special education services provided each individual with exceptional needs served through the resource specialist program;
- (d) Assess pupil progress on a regular basis, revise individualized education programs as appropriate, and refer pupils who do not indicate appropriate progress to the educational assessment service.

We found that each of the four statutorily prescribed functions are performed by resource specialists. We also found that parents as well as teachers frequently rely on resource specialists to coordinate children's special education programs; this is true at both the elementary and secondary school level. Consistent with an earlier State Department of Education study, we found that resource specialists are usually assigned significant work responsibilities.

The Master Plan
Program Specialist

Finally, we were asked to analyze the impact of reducing the number of program specialists required under the Master Plan for Special Education. Although, it was not possible to determine the impact of this reduction, we did catalogue the functions and program development activities of the program specialist.

Special Education Service Regions under the Master Plan report that program specialists perform these instruction-related functions:

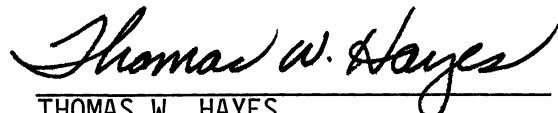
- Confer with special education teachers;
- Demonstrate teaching techniques and principles;

- Participate in educational assessment service meetings (typically conducted for severely handicapped pupils);
- Review individualized education programs of handicapped students.

Program specialists are also reported to be involved in various program development activities:

- Providing in-service training to regular and special education teachers;
- Participating in internal evaluation of program effectiveness;
- Assisting in interpreting state and federal rules and regulations and developing local rules and guidelines;
- Assisting in the development of pupil eligibility criteria;
- Updating fair hearings and ensuring due process procedures in accordance with parents' rights.

Respectfully submitted,



THOMAS W. HAYES
Auditor General

Date:

Staff: Eugene T. Potter, Audit Manager
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STATE OF CALIFORNIA
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STATE EDUCATION BUILDING, 721 CAPITOL MALL, SACRAMENTO 95814

January 29, 1980

Mr. Thomas W. Hayes
Auditor General
925 L Street, Suite 750
Sacramento, California 95814

Dear Mr. Hayes:

The Department is in substantial agreement with the findings and recommendations of the Office of the Auditor General in this report.

As you know, the Department staff has been working for several months with large numbers of special education parents, professionals and advocates in an attempt to thoroughly re-evaluate the Master Plan for Special Education. This large broad based group came up with many of the same conclusions as found in this report.

These recommendations will be taken to the State Board of Education in February, and hopefully will result in future legislation to improve the Master Plan for Special Education.

The Department would also like to express its appreciation to the Office of the Auditor General for keeping the Department informed of the findings as the study proceeded. This enabled clarification of misunderstandings and issues, and has resulted in a more precise and accurate study.

Sincerely,

A handwritten signature in cursive script, appearing to read "W. Whiteneck".

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

WDW:DPG

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
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