REPORT BY THE

AUDITOR GENERAL

OF CALIFORNIA

A REVIEW OF THE COSTS OF PROVIDING NONEDUCATIONAL SERVICES TO SPECIAL EDUCATION STUDENTS

P-640 APRIL 1987

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OFFICE OF THE AUDITOR GENERAL

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A REVIEW OF THE COSTS OF PROVIDING NONEDUCATIONAL SERVICES TO SPECIAL EDUCATION STUDENTS

APRIL 1987

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Thomas W. Hayes
Auditor General

April 29, 1987 P-640

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the costs of providing noneducational services to special education students.

We conducted this audit to comply with Item 6100-161-001 of the 1986 Budget Act.

Respectfully submitted,

THOMAS W. HAYES
Auditor General

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SUMMARY

RESULTS IN BRIEF

The State Department of Education (SDE) received and reported inaccurate data on the costs of providing noneducational services (related services provided by noneducational agencies) to special education students for fiscal year 1985-86. Although the SDE obtained input from representatives from the departments of Finance and Mental Health and the Legislative Analyst's Office in developing a report form for the special education local plan areas (SELPAs) to use in reporting their costs, the instructions on the types of services that the SELPAs should have reported were not clear. As a result, the SELPAs were not consistent in the data they reported, and they did not correctly compile data. Therefore, we cannot determine if the costs that the SDE reported to the Legislature were understated or overstated.

From March 1, 1986, through December 31, 1986, the number of students referred for noneducational services has more than doubled. As a result, according to officials of the local mental health programs, the local mental health offices had exceeded their funding allocations to provide noneducational services to special education students during the first six months of fiscal year 1986-87. Consequently, according to these officials, they are using Short-Doyle funds to continue to provide services to these students.

BACKGROUND

Before July 1, 1986, the SDE, through the school districts and county offices of education, was solely responsible for the education and care of special education students. However, Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985, shifted the responsibility of providing psychotherapy and other mental health services

to the Department of Mental Health (DMH) and shifted the responsibility of providing residential care for seriously emotionally disturbed students to the Department of Social Services (DSS). The SDE retains the responsibility for meeting the educational needs of the students. To facilitate this shift in responsibilities, the Budget Act of 1986 provided for the transfer of $8.1 million of special education funds. The DMH received $2.7 million, and the DSS received $5.4 million. In addition, the Budget Act of 1986 allocated $2 million to the DMH to determine if special education students need noneducational services.

PRINCIPAL FINDINGS

The State Department of Education Received and Reported Inaccurate Data About Funding for Noneducational Services for Special Education Students

Although the SDE obtained input from the departments of Finance and Mental Health and the Legislative Analyst's Office in developing a report form for the SELPAs to use in reporting the costs of providing noneducational services to special education students, the instructions on the types of mental health services the SELPAs should have reported were not clear. As a result, the SELPAs did not all use the same procedures to report cost data. Furthermore, the school districts within the SELPAs did not correctly compile the cost data they reported. For example, 15 school districts in our sample that paid for counseling costs provided by nonpublic schools reported these costs to the SDE. However, the Los Angeles Unified School District did not report the amounts it paid to nonpublic schools for providing counseling services. In addition, officials at six of the ten largest school districts in the State stated that they did not report counseling costs because not all nonpublic schools in these districts separated the costs for counseling special education students from the total cost of educating these students.

Because of these inconsistencies, the SDE reported inaccurate data to the Legislature on the costs of providing noneducational services to special education students for fiscal year 1985-86. Because the cost information is inaccurate, we cannot determine if the amount reported was understated or overstated.

The Number of Special Education Students Referred for Noneducational Services Has Increased Since March 1, 1986

From March 1, 1986, through December 31, 1986, the number of special education students referred for noneducational services has more than doubled. For example, the San Mateo County SELPA reported to the SDE that it provided noneducational services to 166 students for fiscal year 1985-86. However, since March 1, 1986, the San Mateo County SELPA has referred 547 special education students to the local mental health programs for assessment to determine whether they need noneducational services.

Officials at five of the local mental health programs in our sample stated that during the first six months of fiscal year 1986-87, they had exceeded their funding allocations and are using Short-Doyle funds to continue to provide services. Short-Doyle funds are used for inpatient hospital, outpatient hospital and clinical services.

From July 1, 1986, through December 31, 1986, an estimated 13 students in the ten counties in our sample have been placed in residential facilities. However, it takes at least four months to identify students needing placement, to assess the students' needs, and to eventually locate a proper facility in which to place the students. Because the process to place students takes so long, the actual costs the DSS may incur to provide residential services cannot yet be determined.

RECOMMENDATION

The State Department of Education and the Department of Mental Health should work together to develop instructions identifying the types of services that the SELPAs should include in reporting their costs of providing noneducational services to special education students. Specifically, the instructions should provide sufficient information so the SELPAs can determine what types of counseling should be reported as related noneducational costs. Once the instructions are developed, the SDE should require the SELPAs to resubmit their noneducational cost data for fiscal year 1985-86. Before the data is compiled, the SDE and the DMH should provide the training necessary to ensure that the SELPAs use consistent procedures to compile the appropriate noneducational cost data.

AGENCY COMMENTS

The State Department of Education and the Department of Mental Health concur with the Auditor General's recommendation. They both agree that the two departments should work together to identify the types of mental health services that the SELPAs should include in reporting the costs of providing noneducational services to special education students.

INTRODUCTION

California's special education programs provide instruction and services to individuals with exceptional needs. These include students with a communications handicap such as deafness, students with a physical handicap such as blindness, and students with severe handicaps such as mental retardation or emotional disturbances. In April 1986, when the last available count was made, approximately 393,000 students were served by special education programs in public schools.

Section 56000 of the Education Code requires that students in California public schools receive special education and related services through the Master Plan for Special Education. Under the master plan, special education local plan areas (SELPAs), which consist of school districts and county offices of education, are responsible for developing and implementing a plan to provide an appropriate education for individuals with special needs.

In addition, Sections 56340 and 56341 of the Education Code require each school district to establish individualized education program (IEP) teams to develop, review, and revise education programs for each student with exceptional needs. These teams are to include a qualified special education teacher, the student's classroom teacher, and one or both of the student's parents. The IEP teams may require that mental health or residential treatment services, hereafter

referred to as noneducational services, be provided to support the student's special educational needs. When the IEP team determines that a student may need noneducational services, the team may refer the student to a local mental health program for assessment. After the assessment, the team may recommend that seriously emotionally disturbed students be placed in residential care facilities. Section 56345 of the Education Code requires school districts or county offices of education to provide the services that are recommended in the student's individualized education program.

Before July 1, 1986, the State Department of Education (SDE), through the school districts and county offices of education, was solely responsible for providing special education services, as well as mental health and residential care services, for special education students. However, Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985, shifted the responsibility of providing psychotherapy and other mental health services to the Department of Mental Health (DMH) and shifted the responsibility of providing residential care for seriously emotionally disturbed students to the Department of Social Services (DSS). The SDE retains the responsibility for ensuring that the educational needs of the students are met.

To facilitate the shift in responsibilities, the Budget Act of 1986 provided for the transfer of $8.1 million in special education funds for fiscal year 1986-87 from the SDE to the DMH and the DSS. The DMH received $2.7 million, and the DSS received $5.4 million. The

Budget Act of 1986 also appropriated an additional $2 million to the DMH to provide noneducational services. Finally, the Budget Act of 1986 required the SDE to identify the number of special education students receiving noneducational services and the costs for providing these services during fiscal year 1985-86.

In December 1986, the SDE received and reported information from the local education agencies that, in fiscal year 1985-86, these agencies provided psychotherapy and other mental health services to 941 students and residential services to 225 students. The reported costs for providing psychotherapy and other mental health services were approximately $1.7 million, and the reported costs for providing residential services were approximately $1 million.

SCOPE AND METHODOLOGY

The purpose of this review was to verify the costs reported by the SDE for providing noneducational services to special education students during fiscal year 1985-86 and to determine whether the funds transferred to the DMH and the DSS exceeded their actual expenditures. We conducted this audit to comply with the Budget Act of 1986.

Because the cost information reported by the SDE is inaccurate, we could not determine whether the amount of funds transferred to the DMH and the DSS are sufficient to meet the noneducational needs of the special education students. However, we

analyzed the costs reported by the SDE by selecting a sample of eight special education local plan areas (SELPAs) and reviewing their methodologies for compiling and reporting data on the costs of noneducational services. In addition, we interviewed administrators of the SELPAs and special education staff at most of the school districts.

We reviewed the cost data reported by 37 school districts in the following eight SELPAs:

Tri-County Consortium (Amador, Calaveras, Tuolumne)
Contra Costa County
Fresno Unified School District
Los Angeles Unified School District
Riverside County Office of Education
San Juan Unified School District
San Mateo County Schools
Santa Clara County (Area I)*

Our site visits included three of the ten largest school districts in the State: the Fresno Unified School District, the Los Angeles Unified School District, and the San Juan Unified School District. In addition, we contacted, by telephone, staff of the remaining seven largest school districts to determine their methodologies for compiling and reporting cost data.

To determine the process for providing noneducational services to special education students and how the costs of these services were

*Santa Clara County has seven SELPAs.

reported, we interviewed officials from the SDE's Special Education Division, the DMH's Special Populations Branch, and the DSS's Foster Care Program Management Bureau.

To determine the number of students who have been identified as needing noneducational services and the costs incurred for these services, we obtained documentation and interviewed officials of the local mental health offices located in each of the eight SELPAs.

Finally, we presented the results of the audit to representatives from the Department of Social Services and to each of the five SELPAs specifically mentioned in the report. We took the concerns of these agencies into consideration in the audit report.

AUDIT RESULTS

I

THE STATE DEPARTMENT OF EDUCATION RECEIVED AND REPORTED INACCURATE DATA ABOUT FUNDING FOR NONEDUCATIONAL SERVICES FOR SPECIAL EDUCATION STUDENTS

The State Department of Education (SDE), with input from the departments of Finance and Mental Health and the Legislative Analyst's Office, developed a report form for the special education local plan areas (SELPAs) to use in reporting the costs of providing noneducational services to special education students. However, the instructions provided to the SELPAs to use in collecting and compiling these costs were not clear and did not identify the specific types of counseling that should be reported as related noneducational costs. As a result, the SELPAs were not consistent in the way they reported this cost data. Therefore, we cannot determine if the actual amount of funds that the SDE reported for providing noneducational services was understated or overstated.

The Budget Act of 1986 required the SDE to report its total costs for providing noneducational services to special education students during fiscal year 1985-86. In addition, the Budget Act of 1986 required the SDE to develop a standard methodology for the SELPAs to use in identifying their costs of providing these services. This information was required to determine if the amount of funds transferred from the SDE to the Department of Mental Health (DMH) and

the Department of Social Services (DSS) exceeded the actual expenditures of the local education agencies for providing mental health and residential services.

In developing its report form to compile the costs of providing noneducational services to special education students, the SDE requested that the Department of Finance and the Legislative Analyst's Office review the report form. Even though the SDE obtained signatures from the representatives of these agencies indicating that they had reviewed the form, the representatives stated that they did not have sufficient knowledge of the specific types of mental health services that should be reported as noneducational costs. According to the deputy superintendent for specialized programs, the SDE believed that these signatures constituted approval of the report form. In addition, the SDE asked the DMH to provide a definition of "other mental health services" that would be included in the report form.

The School Districts Are Inconsistently Reporting Costs of Providing Noneducational Services

The 37 school districts within the eight SELPAs we reviewed were not consistent in the costs they reported for providing noneducational services to special education students. Furthermore, the school districts did not all use the same criteria and did not always correctly compile the cost data they reported.

For example, not all of the school districts reported the costs of counseling services provided by nonpublic schools.* Fifteen school districts in our sample paid for the counseling services provided to special education students by nonpublic schools or nonpublic agencies and included those costs in their reports to the SDE.** The Los Angeles Unified School District, however, did not report the costs it paid to nonpublic schools for providing an estimated 1,400 special education students with counseling services. Furthermore, the Los Angeles Unified School District did not report the costs it paid to residential facilities for providing counseling services to 17 students residing at those facilities. The Coordinator of Pupil Services in the Los Angeles Unified School District stated that these costs were not reported to the SDE because the costs were for counseling services only and did not include psychotherapy.

In addition, two school districts within the same SELPA reported the costs for counseling special education students differently. The Pittsburg Unified School District in the Contra Costa County SELPA did not report the costs paid to nonpublic schools for counseling special education students because the nonpublic schools did not separate counseling costs from the total cost of educating students. The Acalanes School District, in the same SELPA, also paid

*Nonpublic schools include private, nonsectarian schools that serve students with exceptional needs.

**Nonpublic agencies include any private, nonsectarian agency or individual that serves students with exceptional needs.

for the counseling services provided by nonpublic schools but estimated the costs it paid and reported those costs to the SDE as noneducational services.

In addition to reviewing the data reported by the school districts in our sample, we interviewed special education officials of the ten largest school districts in the State to determine if these districts reported costs for the counseling services provided by nonpublic schools. Officials at six of these schools stated that they did not report these costs because not all nonpublic schools in their districts separated the costs for counseling special education students from the total cost of educating these students. Officials at another school district stated that they did not report the counseling costs because they believed that only psychotherapy, not counseling, should be reported. Officials at another school district stated that they did not report the costs for students receiving counseling in nonpublic schools because not all the nonpublic schools separated these costs. Furthermore, when the nonpublic schools did separate the counseling costs, the district did not report these costs because they were for counseling, not psychotherapy. The officials at another school district estimated the costs paid to nonpublic schools for providing counseling, and officials at the remaining school district did not report any costs for counseling or other mental health services because psychologists on the district's staff provided these services.

Two school districts in the Santa Clara County (Area I) SELPA were also inconsistent in reporting the costs of providing noneducational services to special education students. A district representative stated that the Palo Alto Unified School District did not report the costs it incurred for special education students enrolled in a "therapeutic activity group" because the local mental health office did not consider this activity to be a mental health service. However, the Whisman School District, in the same SELPA, reported its costs for the students enrolled in a similar therapeutic activity group.

School Districts Are Not Consistent in Their Procedures for Compiling the Costs of Noneducational Services

In addition to differences in the costs they report of providing noneducational services to special education students, the school districts used different procedures to compile their costs. For example, the Redwood City Elementary School District in the San Mateo County SELPA reported the estimated cost of $30,375 shown on its contracts with nonpublic schools for the services these schools were to provide to special education students. However, the actual cost the school district incurred during fiscal year 1985-86 for providing noneducational services was $23,505, or $6,869 less than the amounts shown on the contracts. In contrast, 35 of the other 36 school districts in our sample reported the actual costs for noneducational services, as reflected in their monthly invoices. The remaining school district reported its costs by using both invoices and contracts.

Finally, eight school districts in our sample incorrectly calculated or compiled the cost data they reported to the SDE. Six of the eight school districts made minimal mathematical errors in their cost data, and four of the school districts excluded costs that should have been included in their data. For example, the San Mateo Union High School in the San Mateo County SELPA incorrectly omitted invoices for counseling costs totaling $5,367.50. Similarly, the Whisman Unified School District in the Santa Clara County (Area I) SELPA omitted from its data $2,173.75 for counseling and $460 for assessing the mental health needs of special education students. Conversely, four school districts included costs in their reports that should not have been included. For example, the San Mateo City School District incorrectly reported $1,085 in mental health costs that it had incurred in the previous fiscal year. Similarly, the Palo Alto Unified School District incorrectly reported $160 in counseling costs it had incurred in the previous fiscal year.

Because of the reporting inconsistencies noted above, the SDE reported to the Legislature inaccurate data on the costs of providing noneducational services to special education students for fiscal year 1985-86. Therefore, we cannot respond to the requirement of the Budget Act of 1986 that the Auditor General's Office determine whether the amount of funds transferred to the DMH and the DSS are sufficient to meet the noneducational needs of the special education students.

Administrators in seven of the eight SELPAs in our sample told us that the instructions provided by the SDE were not specific and, therefore, they were not certain which services were to be reported as noneducational costs. Based upon our review, we conclude that the instructions accompanying the form did not clearly identify the types of mental health counseling that should have been reported. In addition, the administrators said that the SDE provided little training or direction on how to complete the report form. However, an SDE consultant stated that the SDE did provide some instruction on report preparation at the monthly meetings of SELPA directors, but not all SELPA directors attended these meetings. Furthermore, the assistant director of the Special Education Division told us that SDE consultants were available to respond to questions from SELPA administrators concerning the report form.

Finally, the SDE did not test the report form, which is used for collecting noneducational costs, at any of the SELPAs before the report form was distributed to all of the SELPAs. By testing the form, the SELPAs may have identified potential problem areas and the SDE could have corrected the form accordingly.

CONCLUSION

The State Department of Education received and reported inaccurate data on the costs of providing noneducational services to special education students during fiscal year

1985-86. Although the SDE, with input from the departments of Finance and Mental Health and the Legislative Analyst's Office, developed a report form for the special education local plan areas (SELPAs) to use in submitting their data on noneducational costs, the instructions provided to the SELPAs were not clear. As a result, the eight SELPAs we reviewed differed in the cost data they reported and used different procedures to compile their data. In addition, the SELPAs made errors in compiling their data.

RECOMMENDATION

To ensure consistency in the way the SELPAs report costs for noneducational services to special education students, the SDE and the DMH should take the following actions:

- Develop instructions identifying the types of services that the SELPAs should include in reporting the costs of providing noneducational services to special education students. The instructions should provide sufficient information so the SELPAs can determine what types of counseling should be reported to the SDE as related noneducational costs; and

- Provide additional training and direction to SELPA directors to ensure that they use consistent procedures to compile the noneducational costs before the data is reported.

Once the agencies have agreed on the types of counseling services that should be reported, the SDE should take the following actions:

- Test the revised report form at a sample of SELPAs before distributing the form to all of the SELPAs; and

- Require the SELPAs to resubmit their data on noneducational costs for fiscal year 1985-86.

II

THE NUMBER OF SPECIAL EDUCATION STUDENTS REFERRED FOR NONEDUCATIONAL SERVICES HAS INCREASED SINCE MARCH 1, 1986

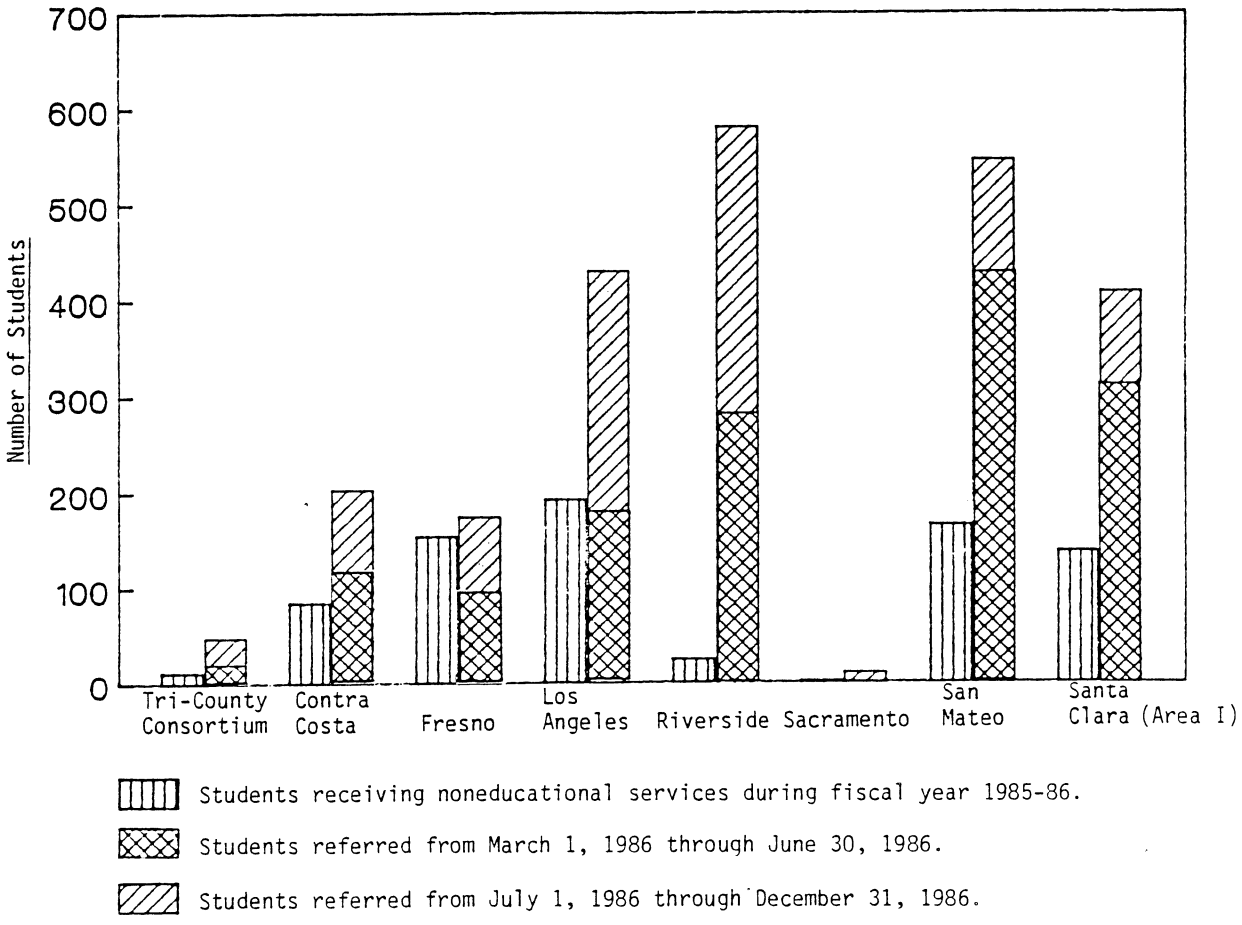
Since the SDE reported the number of students receiving noneducational services and the costs of providing those services for fiscal year 1985-86, the number of students identified by Individualized Education Program (IEP) teams as needing noneducational services has increased.

From March 1, 1986, through December 31, 1986, the number of students referred for noneducational services is more than twice the number of special education students who received services during fiscal year 1985-86. Legislation enabled the DMH to participate on IEP teams from March 1, 1986, through June 30, 1986, and to assess special education students' needs for noneducational services. In addition, legislation implemented on July 1, 1986, requires the Department of Mental Health to assess special education students' needs for noneducational services and to provide these services to the students. Figure 1 shows that from March 1, 1986, through December 31, 1986, the number of students referred for assessment to the ten local mental health programs in our sample was significantly higher than the number of students reported as being served during fiscal year 1985-86. For example, the San Mateo County SELPA reported to the SDE that, during fiscal year 1985-86, it provided noneducational services to 166

students. However, from March 1, 1986, through June 30, 1986, the IEP teams in the San Mateo County SELPA referred 428 special education students to the local mental health program for assessment. Further, during the first six months of fiscal year 1986-87, the IEP teams in the San Mateo County SELPA referred an additional 119 students to the local mental health programs to determine if they require noneducational services.

FIGURE 1

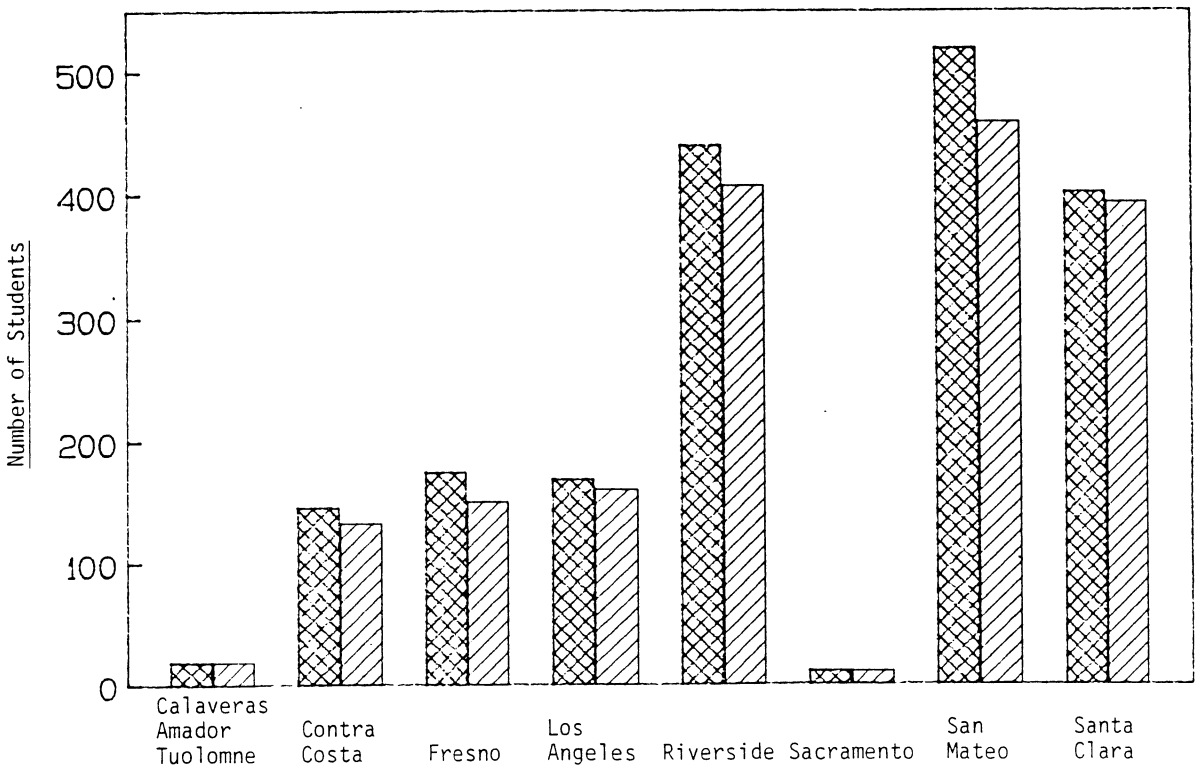
STUDENTS RECEIVING NONEDUCATIONAL SERVICES
DURING FISCAL YEAR 1985-86 AND
STUDENTS REFERRED FOR MENTAL HEALTH SERVICES
FROM MARCH 1, 1986 THROUGH DECEMBER 31, 1986



Our review indicates that not only are the IEP teams within the SELPAs referring more students for mental health assessment but also that the local mental health programs are recommending that the majority of the students referred need noneducational services. For example, the Santa Clara County mental health program received 409 referrals from March 1, 1986, through December 31, 1986. The Santa Clara County mental health program recommended noneducational services for 397 (97 percent) of these students. Figure 2 shows the number of students referred that the local mental health programs have then recommended for noneducational services.

FIGURE 2

STUDENTS ASSESSED AND RECOMMENDED FOR MENTAL HEALTH SERVICES IN TEN COUNTIES MARCH 1, 1986 THROUGH DECEMBER 31, 1986



Funding of Mental Health Services

Based on our discussions with officials at the local mental health programs in our sample, the funds transferred to the DMH from the SDE are not sufficient to meet the needs of students identified as needing noneducational services. The Budget Act of 1986 provided for the transfer of $2.7 million in special education funds from the SDE to the DMH for assessing and treating special education students. In addition, the DMH received an additional $2 million to provide noneducational services to special education students.

The DMH allocated the $4.7 million it received to the county mental health programs throughout the State. Officials at five local mental health programs in our sample stated that they had exceeded their funding allocations during the first six months of fiscal year 1986-87. As a result, these officials stated that they are using Short-Doyle funds to provide noneducational services to special education students. These funds can be used for other county mental health services including inpatient hospital, outpatient hospital, and clinical services.

Furthermore, some students identified as needing noneducational services are placed on waiting lists because the resources to provide the services are not available. For example, during the first six months of fiscal year 1986-87, the manager of children's mental health services in Riverside County stated that the

local mental health program spent approximately $207,000 to provide psychotherapy and other mental health services to special education students. However, this office received only $179,370 from the DMH to provide these services. Furthermore, this manager stated that the local mental health program has had to use Short-Doyle funds to continue to provide the services needed by these special education students. In addition, the Riverside County mental health program placed 61 students on waiting lists because the resources to provide the services were not available.

Funding for Residential Services

Special education students who are classified as seriously emotionally disturbed may require a residential facility placement funded by the DSS. The Department of Finance transferred $5.4 million of special education funds to the DSS to provide needed residential services to special education students. However, during the first six months of fiscal year 1986-87, an estimated 80 students were placed in residential facilities throughout the State, and, as of December 31, 1986, the DSS has paid approximately $673,000 to provide residential services for these students. In contrast, the SDE reported that it paid approximately $1 million to provide residential services to 225 students during fiscal year 1985-86.

The ten counties in our sample have placed an estimated 13 students in residential facilities during the first six months of

fiscal year 1986-87. Based on our review, the reason so few students have been placed in residential facilities since the new legislation was implemented on July 1, 1986, is that the placement process is very time-consuming. For example, it takes at least four months to identify the student needing placement, to assess the students' needs, and to eventually locate a proper facility in which to place the students. In addition, some students who have been identified as requiring residential placement have not been placed because the students may be waiting for an opening at a residential facility that can provide the specific services the students need. For example, one seriously emotionally disturbed student in Sacramento County was identified as requiring residential placement in October 1986; as of March 19, 1987, this student still had not been placed in a residential facility. The program specialist at the San Juan Unified School District stated that a residential facility has been recommended for the student; however, the student cannot be placed in the facility until a bed becomes available. Because the process to place students in a residential facility takes so long, the actual costs the DSS may incur to provide residential services cannot yet be determined.

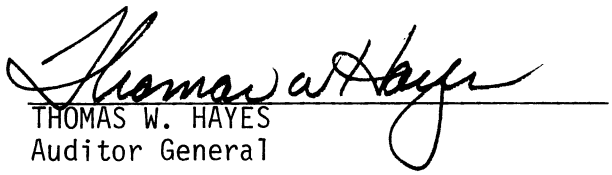
CONCLUSION

Since March 1, 1986, the number of students referred for noneducational services has more than doubled. As a result of the increased number of students needing services, some of the county mental health programs in our sample have exceeded

their funding allocations and are using Short-Doyle funds to continue to provide noneducational services to special education students. The DSS has not exceeded its allocation because only 80 students have been placed in residential facilities during the first six months of fiscal year 1986-87. Because it takes so long to place special education students in these facilities, the actual costs that the DSS may incur cannot yet be determined.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



THOMAS W. HAYES
Auditor General

Date: April 27, 1987

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Bill Honig
Superintendent
of Public Instruction

April 22, 1987

Thomas W. Hayes, Auditor General
Office of the Auditor General
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Sacramento, CA 95814

RE: P-640

Dear Mr. Hayes:

Thank you for the opportunity to comment on the draft report titled "A Review of the Costs of Providing Noneducational Services to Special Education Students." The study highlights areas where the State Department of Education (SDE) and the Department of Mental Health (DMH) must continue to work together to ensure appropriate and timely services for special education students.

The primary factor in the inconsistency of the cost data reported by the local educational agencies appears to have been the lack of a standardized definition of "other mental health services," specifically the education-related counseling that will now be funded directly by DMH. The need for further guidance in this area is apparent from the example of overreporting of costs described on page 11 of the report. The district that reported the costs for their therapeutic activity group will have those funds transferred to DMH but will still bear the cost of the service as the local mental health office does not consider this to be a mental health service. The variance in the resources available within districts adds to the difficulty of drawing distinct lines between those services that will continue to be provided by the education agencies and those that will now be the responsibility of DMH.

The unavailability of separately identified costs for services provided by most nonpublic schools and agencies further complicated the gathering of consistent data throughout the state. Legislation requiring itemization of costs in contracts with nonpublic schools and agencies may be necessary to rectify the problems in identifying costs for related mental health services provided by these organizations. Unless this issue is resolved, inexact data will necessarily be reported in any future efforts to identify the costs of related noneducational services.

While there were other instances of "clerical" or arithmetic inconsistencies, we found no indications of willful failure to report accurate data.

As noted in the report, staff of SDE and of DMH have discussed the need for a definition of the types of education-related mental health services which will be meaningful to professionals in both fields. We will continue to work together, as recommended, to formulate a definition and will involve staff from the special education local plan areas (SELPAs) in the discussions so that all responsible entities will have a part in the product. If the Legislature requires another report of cost data, we will also involve the SELPAs in testing the form to be used in the data collection efforts.

We are concerned about the reference to the process for students recommended for residential placement taking "at least four months." Federal and state laws require that assessment, development of the Individual Education Program and placement of a child take place within 50 days. This discrepancy between the SDE model and the DMH interpretation of Chapter 26.5 of the Government Code and of Public Law 94-142 needs to be resolved. SDE and DMH staff have provided some inservice to correct the misconceptions in the field and we will continue to work together to ensure timely service to special education students.

Sincerely,

William D. Dawson
Executive Deputy Superintendent

WDD:c

STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY GEORGE DEUKMEJIAN, Governor

DEPARTMENT OF MENTAL HEALTH
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(916) 323-8173

April 22, 1987

Thomas W. Hayes
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Dear Mr. Hayes:

Mr. Allenby has asked me to respond to your draft report P-640, "A Review of the Costs of Providing Noneducational Services to Special Education Students."

The Department of Mental Health finds your report generally accurate. We share your concern that the SELPAs' actual expenditures for noneducational services were not reported in a way which would allow an accurate estimate of the funds which should have been transferred from the Department of Education to the Departments of Mental Health and Social Services. We believe that at the time the report forms were developed, that those entities approving the form believed it to be adequate to elicit the information needed. We will make all necessary resources available to implement the recommendation to refine data collection methodology to assist the educational community to report expenditure data.

I wish to clarify two topics in which the report as drafted may lead to misunderstanding.

1. In the third paragraph of the introduction, the next to last sentence states, "After the assessment, the team may recommend that seriously emotionally disturbed students be placed in residential care facilities."

   It is important to emphasize that residential placement is a "last-ditch" alternative to be employed only after all other mental health or educational services, or combinations of the two, have been tried or considered.

   In preference to out-of-home placement, for the great majority of pupils referred, the IEP team might recommend individual or group counseling, outpatient therapy, day treatment or some other service or combination. Only if neither the school nor mental health can provide services to enable the child to benefit from instruction may an out-of-home placement be made.

2. In Part II of the draft, under the heading, "Funding of Mental Health Services," the second paragraph concludes

> "...[County mental health] officials stated that they are using Short-Doyle funds to provide noneducational services to special education students. These funds can be used for other county mental health services including inpatient hospital, outpatient hospital, and clinical services."

This paragraph may lead the reader to conclude that diversion of Short-Doyle funds is not a problem. In fact, county Short-Doyle plans are designed to address the most pressing local mental health needs. After adoption by local boards of supervisors, the plans are submitted to the State Department of Mental Health for approval. These plans become the counties' blueprints for expenditure of Short-Doyle funds.

Although some of the pupils currently being referred by local education agencies are every bit as needful of mental health services as children and adults presently receiving Short-Doyle services, many others are much less so. Nonetheless, Chapter 1747/84 and Chapter 1274/85 mandate that <u>all</u> special education pupils in need of mental health services in order to benefit from instruction <u>must</u> receive them.

Thank you again for the opportunity to respond to the draft report.

Sincerely,

D. MICHAEL O'CONNOR, M.D.
Director

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps