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## ABSTRACT

This study was undertaken in response to Congressional concern about the relationship between two major federal programs: the Chapter 1 Handicapped Program and the Education of the Handicapped Act (EHA). The study found that, although the services handicapped children receive are similar in both programs, they often are more frequent or more intensive in the Chapter 1 program, reflecting the more serious handicapping conditions of the children involved. The Chapter 1 program is administratively similar to EHA, and the procedural safeguards guaranteed to program participants are the same. Administrative problems exist in that neither Chapter 1 legislation nor regulations specifically limit eligibility to the severely handicapped. Use of the program's transfer provision is no longer considered an incentive to deinstitutionalize handicapped children, but does allow states to receive Chapter 1 funds for children transferred to local school districts who would otherwise qualify for the lower EHA funding level. It is recommended that Congress restructure the Chapter 1 Handicapped Program to eliminate funding imbalances and assure that all states focus on severely handicapped children. Congress is also urged to enact legislation merging the Chapter 1 program under the EHA program, while considering a separate funding set-aside for states to use to serve only severely handicapped children. (JDD)

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**Human Resources Division**

B-232861

May 23, 1989

The Honorable Augustus F. Hawkins  
Chairman, Committee on Education and Labor  
House of Representatives

The Honorable Edward M. Kennedy  
Chairman, Committee on Labor and Human Resources  
United States Senate

This report responds to the requirement in the August F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988 that we study and report on the Chapter 1 Handicapped Program.

We are sending copies of this report to the appropriate congressional committees; the Secretary of Education; the Director, Office of Management and Budget; each state department of special education; and other interested parties.

This work was performed under the direction of William J. Gainer, Director of Education and Employment Issues. Other major contributors are listed in appendix VII.

Lawrence H. Thompson  
Assistant Comptroller General

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# Executive Summary

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## Purpose

In 1965, the Congress established the Title I (now Chapter 1) Handicapped Program. Primarily, the program was to help states finance the education of handicapped children, most of whom were severely handicapped, in state operated or supported institutions. Ten years later, the Congress enacted a much larger program through the Education of the Handicapped Act (EHA). This required that states assure an adequate education for all handicapped children and provided additional federal financial assistance.

With the upcoming reauthorization of EHA, the Congress was concerned about the relationship between these two major federal programs: Are they providing similar services and should the programs continue to be operated separately? Consequently, in 1988, the Congress directed GAO to study and report on these and related questions and to recommend legislative changes where appropriate.

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## Background

The Chapter 1 Handicapped Program was largely intended to provide educational opportunities to those severely handicapped children in state operated or supported institutions. In 1974, the Congress added a provision to encourage states, where practical, to "transfer" children eligible for Chapter 1 from separate state operated or supported institutions to local school districts. Under this provision, the school district receives more funding for each transferred student than it would have received if the student were in the local school district's EHA program.

The encouragement to place handicapped children in local educational settings was intensified by EHA. Under this legislation, handicapped children, to the maximum extent appropriate, were to be educated with nonhandicapped children.

In school year 1988-89, the Congress appropriated \$151 million for the Chapter 1 Handicapped Program and \$1.4 billion for the EHA program. These programs served 259,000 and 4.2 million handicapped children, respectively. For school year 1988-89, school districts received an average of \$581 for each handicapped child in Chapter 1, compared to \$331 for each EHA program participant.

GAO's review included (1) visits to state education agencies in eight states and 24 individual schools in those states and (2) a telephone survey of the Chapter 1 Handicapped Program coordinators in each of the 50 states and the District of Columbia

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## Results in Brief

The Chapter 1 Handicapped Program was created primarily to help states educate severely handicapped children and, with some exceptions, still serves this purpose today. Handicapped children in Chapter 1 are generally educated separately from nonhandicapped children. Although the services these handicapped children receive are similar in nature to those provided under EHA, they often are more frequent or more intensive, reflecting the more serious handicapping conditions of many children in the Chapter 1 Handicapped Program. (See p. 36.)

Nonetheless, the program is administratively similar to EHA, and the procedural safeguards guaranteed to EHA program participants are also provided to Chapter 1 program students. If separate funding were maintained for the Chapter 1 Handicapped Program, the program could be merged with EHA. (See p. 50.)

However, a number of problems in Chapter 1 administration may indicate a need for legislative changes. For example, four states that count children with handicaps generally not considered to be severe have received nearly one-half of all program funds. This occurs because program funding is allocated to the states based on the number of children counted (i.e., served) and neither the legislation nor regulations specifically limit eligibility to the severely handicapped. Allocating funds on the basis of each state's share of the nation's handicapped children would result in a distribution of funds that more closely reflects the actual distribution among states of severely handicapped children. (See p. 20.)

The extent of use of the transfer provision varies among states, and is no longer considered an incentive to deinstitutionalize handicapped children. Further, the provision allows states to continue receiving Chapter 1 funds for children transferred to local school districts who would otherwise qualify for the lower EHA funding level. (See p. 25.)

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## Principal Findings

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### Imbalances of Funds Allocated to States

Although the Chapter 1 Handicapped Program was created primarily to serve handicapped children most of whom were severely handicapped, in state institutions, neither the legislation creating the program nor its implementing regulations specifically limited services to the severely handicapped. This lack of specific language means that states must decide who to include in the program. As a result, some states have

served many children with handicapping conditions that are not generally considered severe, such as speech impairment or learning disabilities. These states receive more than a proportional share of program funds compared to states who serve only the more severely handicapped, such as deaf or severely retarded children, because program funding is based on the number of children served. (See p. 27.)

Using each state's share of the nation's handicapped children as an allocation basis would distribute program funds among states in a way that more nearly reflects the actual number of severely handicapped children. If this allocation method were used, 37 states would receive more funds than under the current method while the others would receive less. Generally, those states that have counted the less severely handicapped would experience the largest reductions. (See p. 28.)

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### Many Less Severely Handicapped Enter Through Preschool Programs

Forty-five states now count handicapped children with conditions not considered severe by experts and state officials in preschool programs under their Chapter 1 Handicapped Program. In fact, a national study conducted in January 1987 showed that 48 percent of the children in the program who were 5 years old and younger were not severely handicapped.

Officials in three of the eight states GAO studied said that most of the preschool children counted in state supported programs had handicapping conditions that were not considered severe, such as learning disabled and speech impaired. These children often are transferred to regular schools and continue in the program indefinitely, and they receive higher funding levels than they would under EHA. (See p. 22.)

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### Transfer Provision No Longer Considered Effective

About two-thirds of the officials surveyed in the 50 states and the District of Columbia did not consider funding transfer an incentive to deinstitutionalize severely handicapped children. Instead they believed the primary impetus is EHA and state legislative mandates. (See p. 25.)

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### Children in Chapter 1 Handicapped Program Generally Get More Frequent and Intense Services

Services provided to children in the Chapter 1 Handicapped Program generally are similar but more frequent and intense than those provided to children with similar kinds of handicapping conditions counted in EHA. Handicapped children in both programs receive the same procedural safeguards necessary to ensure receipt of appropriate educational services. (See p. 36.)

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## Should the Chapter 1 Handicapped and EHA Programs Be Merged?

The Chapter 1 and EHA programs, created at different times and for different purposes, are now similar administratively. Both serve students of similar ages and with similar kinds of handicapping conditions, use program funds to supplement state and local services, count children for funding allocation purposes on the same day each year, and are concurrently monitored at the federal level. Program similarity is such that 69 percent of Chapter 1 state program coordinators have no objection to combining the programs, provided the funding authority for both programs remains separate. GAO believes the programs should be merged, with a separate funding set-aside for the Chapter 1 Handicapped Program. (See p. 50.)

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## Recommendations to the Congress

The Congress should restructure the Chapter 1 Handicapped Program to eliminate funding imbalances and to better assure that all states focus on severely handicapped children. This might be accomplished in a variety of ways. However, GAO recommends that (1) program funds be allocated to states on the basis of their percentage of the nation's total population of handicapped children, (2) the program's funding transfer provision be eliminated, and (3) program funds be used to serve only those children the states identify as severely handicapped in state operated and supported facilities and public schools.

In addition, the Congress should enact legislation to merge the Chapter 1 Handicapped Program under the EHA Program. If the programs are merged the Congress should consider a separate funding set-aside for states to use to serve only severely handicapped children. (See pp. 31 and 52.)

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## Agency Comments

The Department of Education generally agreed with GAO's recommendations for resolving funding imbalances, eliminating the transfer provision, and merging the programs. The Department had not decided whether it agreed that funds should be set aside for services only to severely handicapped children. GAO believes that if the program is merged with EHA, a set-aside of Chapter 1 Handicapped Program funds would better assure the level of funding necessary to serve the severely handicapped. (See p. 52.)

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## Abbreviations

|     |                                  |
|-----|----------------------------------|
| EHA | Education of the Handicapped Act |
| GAO | General Accounting Office        |
| IEP | individual education program     |

# Introduction

During the last 25 years, the Congress has expressed its concern for the education of handicapped children by creating first the Title I (now Chapter 1) Handicapped Program for handicapped children and then the Education of the Handicapped Act (EHA) Program. The Congress is concerned about how well these two programs function in relation to each other, whether they provide handicapped children the services intended, and if they are both still needed as separate programs.

## Background

The Title I Handicapped Program for handicapped children was created by the enactment of Public Law 89-313 in 1965, which amended Title I of the Elementary and Secondary Education Act of 1965. Its purpose was to provide educational opportunities to those handicapped children who were confined to state operated or state supported institutions, most of whom were severely handicapped. The program was designed to provide an impetus to the development of educational programs in institutions for the retarded and emotionally disturbed where no such programs had been available. The Congress believed that this program was the only opportunity for many of these handicapped children to receive an education. Program funds are generally used to provide handicapped children supplemental services, such as occupational and physical therapy, counseling, and speech and music therapy. The program is now authorized under the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988,<sup>1</sup> and generally known as the Chapter 1 Handicapped Program.

The EHA program was created by enactment of Public Law 94-142 in 1975, which added a new part B to the Education of the Handicapped Act. This legislation greatly expanded education for handicapped children by requiring state and local agencies responsible for educating children to provide a free, appropriate public education to all handicapped children, including those in public or private institutions or other care facilities. Equally important, EHA, as amended, required that, to the maximum extent appropriate, handicapped children be educated with children who are not handicapped. This legislation created specific state responsibilities for program implementation, but provided relatively limited financial support. EHA is significantly larger than the Chapter 1

<sup>1</sup>Before passage of these amendments, the program was authorized under Chapter 1 of the Education Consolidation and Improvement Act of 1981.

In 1986, the Congress amended the act to include (1) early intervention programs for handicapped infants and toddlers from birth to 2 years old and (2) grants for preschool programs for handicapped children 3-5 years old.

program in terms of students served and federal dollars spent; however, federal support from either program is relatively small compared to the costs state and local education agencies incur to provide the educational services required for all handicapped children under EHA.

The Department of Education is responsible for administering these education programs for handicapped children. Both programs help states provide handicapped students special education services for which state and local education agencies are responsible. The decision to include a child in the Chapter 1 Handicapped or EHA programs is made by officials at the school the student attends, based on eligibility criteria established by the state. EHA funds generally go to local education agencies to serve handicapped students in public schools. Chapter 1 is primarily for students whose education is the state's responsibility and who are placed in state operated or state supported programs. A state operated program is administered directly by a state agency, whereas a state supported program is operated under contract or other arrangement between a state agency and another provider of educational services. Table 1.1 highlights several significant characteristics of the two programs.

**Table 1.1: Significant Characteristics of Chapter 1 Handicapped and EHA Programs**

| Characteristic                                   | Chapter 1   | EHA  |
|--|---|--|
| Year program established                         | 1965  | 1975   |
| Population served                                | Originally focused on severely handicapped in state operated or supported schools, now serves greater diversity of handicapped children | All handicapped                              |
| Eligibility criteria                             | Child must be state responsibility, handicapped, placed in state operated or supported facility and be 0-21 years old                   | Child must be handicapped and 0-21 years old |
| School year 1988-89 <sup>a</sup>                 |   |  |
| Funds allocated                                  | \$501 million   | \$1.388 billion                              |
| Students served                                  | 259,400   | 4,189,700                                    |
| Average federal per-student <sup>a</sup> funding | \$580   | \$331  |

<sup>a</sup>Excludes Puerto Rico, the Trust Territories, and the Bureau of Indian Affairs

In both programs, the federal funds must be used to supplement, not supplant, state and local funding for handicapped education programs. This means the funds should enhance the educational services that states are responsible to provide to handicapped children. Each child

counted for funding purposes under Chapter 1 must receive at least some services from program funds. Children counted as program participants for funding purposes under EHA do not necessarily have to receive EHA-funded services if the local school district decides to provide all services from programs funded by other sources. If a state educational agency determines that a local educational agency is adequately providing a free appropriate public education with state and local funds to all handicapped children residing in the area served by the local agency, the state agency may reallocate EHA funds to other local educational agencies within the state. Also, Chapter 1 Handicapped Program funds may not be used for administrative purposes whereas EHA program funds may be used this way.

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## How Funds Are Allocated

Under both programs, federal funds are allocated each year to states based on the number of students counted as participants in each program during the prior year. As indicated above, the federal share is a relatively small portion of the total costs state and local education agencies must incur to educate each handicapped child they count for federal funding. Handicapped students may be served by one or both programs but may be counted for federal funding in only one of the two. Both programs use formulas to calculate the per-student share of federal funds.

The EHA program formula prorates the funds appropriated for the program equally over the students counted nationwide. For example, as shown in table 1.1, the \$331 per-student funding for the EHA program in school year 1988-89 was derived by dividing the \$1.388 billion EHA appropriation by the 4,189,700 handicapped children served. Funds are then allocated to each state by multiplying the per-student amount by the number of handicapped children the state counted in the previous year as EHA program participants.

The allocation formula for Chapter 1 differs from EHA's. It adjusts the per-student funding to reflect differences in the amount states spend on educational services for each student. Accordingly, the amount a state receives per student will vary from states with larger or smaller per-student expenditures. The per-student share under Chapter 1 in school year 1988-89 was about 75 percent greater than EHA's, ranging from a low of \$439 per student in nine states to a high of \$658 for each student in nine other states (see app. I). Figures 1.1 and 1.2 depict the geographic distribution of funds for the programs.

Figure 1.1: Chapter 1 Handicapped Program Funding Allocations to States (School Year 1988-89)

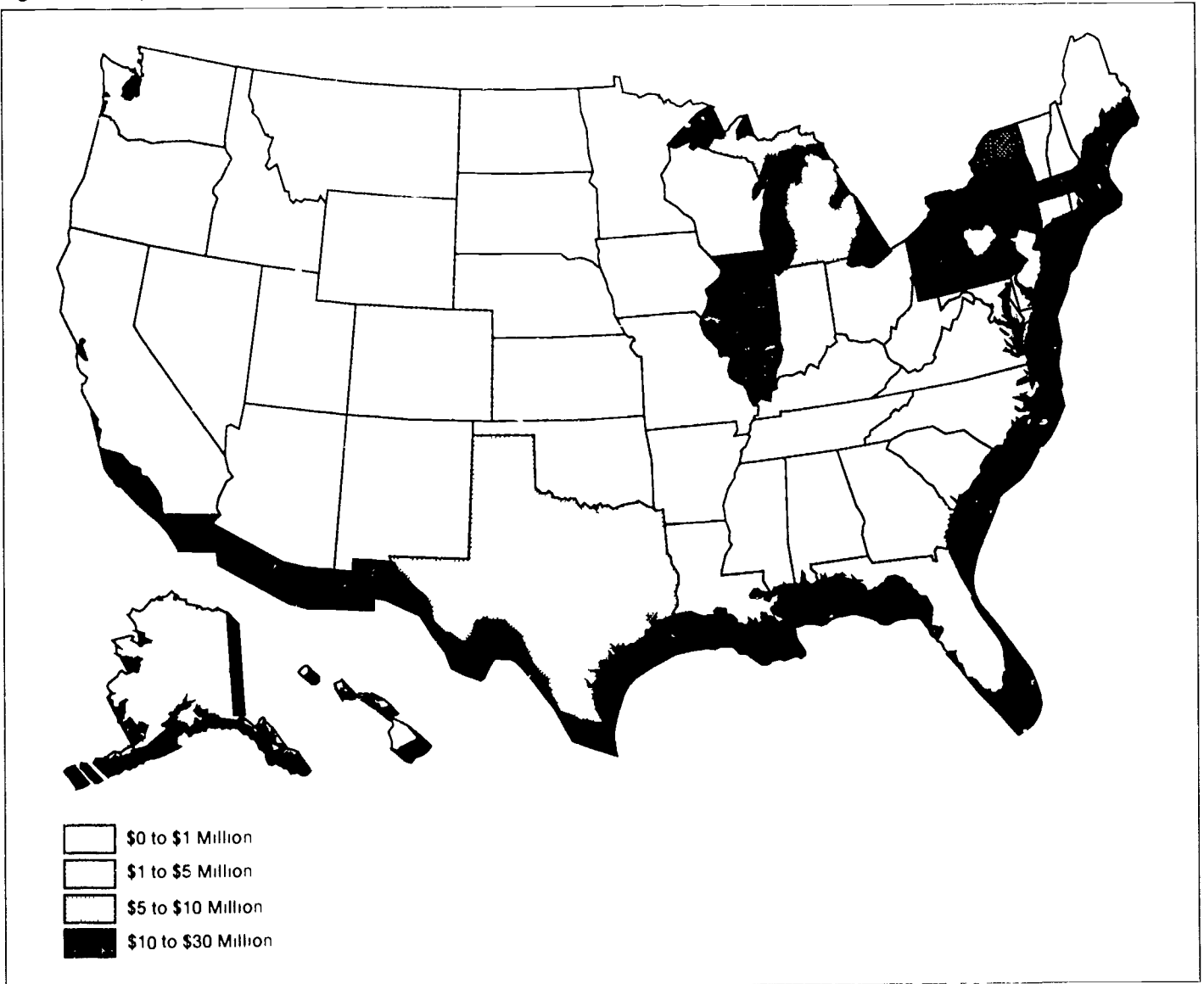
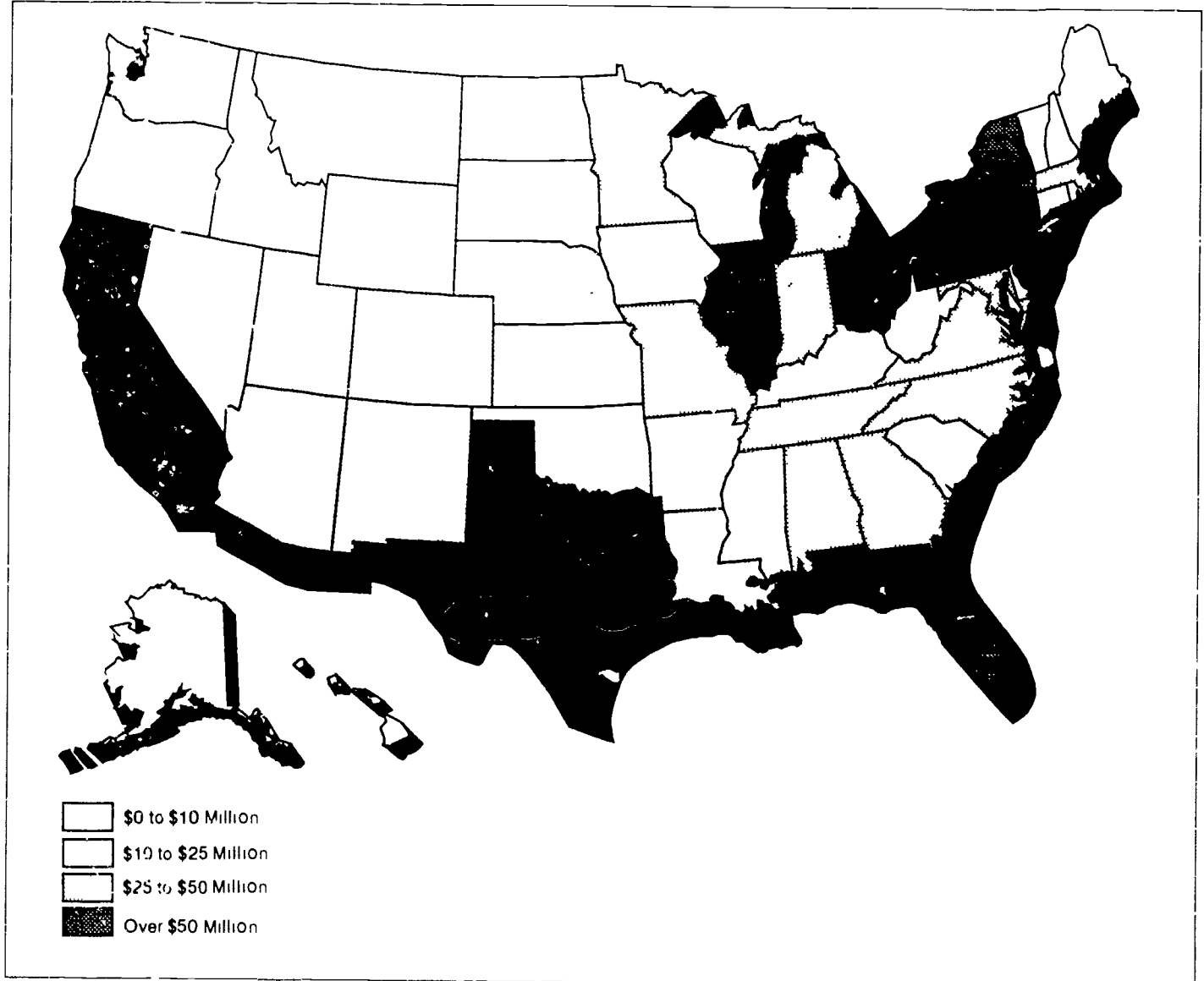


Figure 1.2: EHA Program Funding Allocations to States (School Year 1988-89)



## Handicapping Conditions of Students Served

Individuals with various handicapping conditions are served by the Chapter 1 and EHA programs. These handicapping conditions are listed or referred to in the programs' respective legislation. Each child's handicapping condition is determined before his or her individual education program (IEP) is prepared. Table 1.2 shows that during school year 1987-



88—the latest school year for which such data are available—the largest number of students served in the programs had handicapping conditions in learning disability (1.925 million) and speech impairment (953,000).

**Table 1.2: Handicapping Condition of Students Reported Nationwide in the Chapter 1 Handicapped and EHA Programs** (School Year 1987-88)

| Handicapping condition              | Number of students served |                  |                  |
|-------------------------------------|---------------------------|------------------|------------------|
|                                     | Chapter 1                 | EHA              | Total            |
| Learning disabled                   | 23,800                    | 1,904,300        | 1,925,100        |
| Speech impaired                     | 9,100                     | 943,900          | 953,000          |
| Mentally retarded                   | 60,600                    | 521,200          | 581,800          |
| Emotionally disturbed               | 37,700                    | 336,700          | 373,400          |
| Multihandicapped                    | 15,900                    | 61,000           | 76,900           |
| Hearing impaired                    | 16,600                    | 39,100           | 55,100           |
| Orthopedically impaired             | 6,100                     | 40,600           | 46,700           |
| Other health impaired               | 2,700                     | 42,300           | 45,000           |
| Visually handicapped                | 5,900                     | 16,200           | 22,100           |
| Deaf-blind                          | 700                       | 700              | 1,400            |
| Subtotal                            | 179,100                   | 3,905,000        | 4,084,100        |
| Condition not reported <sup>1</sup> | 80,300                    | 284,700          | 365,000          |
| <b>All conditions</b>               | <b>259,400</b>            | <b>4,189,700</b> | <b>4,449,100</b> |

<sup>1</sup>For children from birth to 5 years old, both programs report the number served but not their handicapping condition.

(See app. II for ethnic and economic data on students included in our review.)

## Program Requirements

Handicapped children participating in either program must have an IEP—a written statement for each child that is developed jointly by the child's parents and a committee of local education agency representatives responsible for the child's development. The IEP identifies specialized services and needs the child will receive, such as psychological or social services or therapy. These may be provided with state, local, and, to the extent they supplement basic education services, federal funds. The IEP also specifies whether the services will be provided in a separate setting (classroom of handicapped students only) or regular classroom, how long each session will be, and how often the sessions will occur. The child's parents must be given an opportunity to review the IEP, however, their approval is not required under EHA.

Whether a child is included in EHA or Chapter 1, EHA provides certain safeguards to ensure that the child gets a free and appropriate public

education. Parents, for example, have the right to (1) examine all relevant records relating to their children's identification, evaluation, and placement; (2) present complaints related to these records; (3) an impartial due-process hearing; and (4) appeal any unfavorable decisions related to their children's education program.

The EHA program can serve all handicapped children from birth through 21 years old in an approved educational setting depending on each state's law and practice. For example, if a state provides regular educational services only for 5 to 18 year-olds, either by law or practice, those handicapped children under 5 and over 18 years old would not have to be served under EHA. The Chapter 1 Handicapped Program serves handicapped children from birth through 21 years old for whom the state is directly responsible for providing free public education.<sup>3</sup> Children counted can be in a state operated or supported school, and in public schools under certain circumstances.

### State Operated Program Funding Transfer Provision

In the 1970s, states began moving severely handicapped children from state operated institutions to less restrictive educational settings in state supported facilities or local school districts. To encourage this transfer to less restrictive educational settings, the Congress amended Public Law 89-313 in 1974 to allow a state to continue to receive funding under Chapter 1 if (1) the student continued to receive an appropriately designed educational program and (2) the state transferred to the local school district the funds generated by the student. The receiving school or district can be funded under the program as long as the student is counted for Chapter 1 Handicapped Program purposes.

### Objectives, Scope, and Methodology

The Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988 (P.L. 100-297) directed our office to study the Chapter 1 Handicapped Program and its relationship to the EHA program. Before enactment of these amendments, we discussed study requirements contained in H.R. 5 and S. 373 with staff of the House Committee on Education and Labor and Senate Committee on Labor and Human Resources. We agreed to focus our study on the following issues, which were of primary interest to the Congress:

<sup>3</sup>Generally, states base this determination on the nature of the facility in which the handicapped child is educated, e.g., school for the deaf or blind. A few states assume responsibility for only the more severely handicapped, e.g., the severely mentally retarded.

1. To what extent has the Department of Education provided consistent guidance to the states on the Chapter 1 Handicapped Program, particularly as it relates to determining eligibility?
2. Is the provision allowing transfer of a student and related program funds from a state operated or state supported program to a local public school being implemented in a manner consistent with the intent of the Congress?
3. How extensively are handicapped children in the Chapter 1 Handicapped Program being educated in settings with nonhandicapped children?
4. Are handicapped children in the Chapter 1 Handicapped Program and their parents afforded all the rights and procedural safeguards guaranteed under the EHA program?
5. What specific services are provided to handicapped children counted under the Chapter 1 Handicapped Program and to what extent are they similar to the services that handicapped children with the same kind of handicapping condition receive under the EHA program?
6. How do states assure that all handicapped students counted in the Chapter 1 Handicapped Program receive services from Chapter 1-funded projects?

Public Law 100-297 also directed that our study include recommendations for legislation where appropriate.

To obtain the requested information, we conducted a telephone survey of Chapter 1 program coordinators in each of the 50 states and Washington, D.C., and performed on-site reviews of school year 1987-88 activities in eight states and 24 locations in those states. The telephone survey used a structured interview to obtain statistical data and program officials' views regarding services provided and possible program changes.

In addition to geographic dispersion, we selected the eight states to provide one or more of the following characteristics: a relatively large or small number of handicapped children in the program, a relatively large concentration of children in a selected handicapping condition, or no use of the provision for transferring program funds to local school districts. We obtained data on the number of handicapped students counted for the Chapter 1 and EHA programs from the Department of Education and

coordinated our selection of states with the staffs of the House and Senate committees responsible for oversight of the Chapter 1 Handicapped Program.

The states we selected accounted for 55 percent of the children in Chapter 1 and 41 percent of those in EHA in school year 1987-88, as shown in table 1.3.

**Table 1.3: Number of Children Counted in Programs in States GAO Visited** (School Year 1987-88)

|   | Chapter 1      |            | EHA              |            |
|---|----------------|------------|------------------|------------|
|   | Children       | Percent    | Children         | Percent    |
| California                                  | 2,300          | 1          | 407,800          | 10         |
| Illinois                                    | 40,200         | 16         | 210,500          | 5          |
| Kansas                                      | 2,100          | 1          | 40,800           | 1          |
| Michigan                                    | 12,300         | 5          | 148,800          | 4          |
| New York                                    | 44,100         | 17         | 244,300          | 6          |
| Ohio  | 7,300          | 3          | 191,100          | 4          |
| Pennsylvania                                | 21,900         | 8          | 186,600          | 4          |
| Texas                                       | 11,300         | 4          | 300,300          | 7          |
| Total—8 States                              | 141,500        | 55         | 1,730,200        | 41         |
| Other 42 states and Washington, D.C.        | 117,900        | 45         | 2,459,400        | 59         |
| <b>Total—50 states and Washington, D.C.</b> | <b>259,400</b> | <b>100</b> | <b>4,189,700</b> | <b>100</b> |

Within each state we selected schools that varied in size, geographic setting (urban and rural), and number of students served in the program. We focused on one or two handicapping conditions in each state and selected schools and local education agencies so that, taken together, our review covered a cross section of the five handicapping conditions with the largest number of children in the nation and a cross section of school settings, as shown in figure 1.3. (The locations we visited are identified in app III.)

**Table 1.4: Handicapping Conditions  
Reviewed in States GAO Visited**

| State visited | Mentally<br>retarded | Hearing<br>impaired | Emotionally<br>disturbed | Learning<br>disabled | Speech<br>impaired |
|---------------|----------------------|---------------------|--------------------------|----------------------|--------------------|
| California    |                      | X                   | X                        |                      |                    |
| Illinois      |                      | X                   |                          | X                    |                    |
| Kansas        |                      |                     | X                        |                      | X                  |
| Michigan      | X                    |                     |                          | X                    |                    |
| New York      |                      |                     | X                        | X                    |                    |
| Ohio          | X                    |                     |                          |                      |                    |
| Pennsylvania  | X                    |                     |                          |                      | X                  |
| Texas         |                      | X                   |                          |                      |                    |

For each of the states, local school districts, and schools we obtained comparative information on the two programs, including the number of children counted, services provided, federal guidance received, and how the program was administered. We met with Chapter 1 Handicapped Program officials at both the state and local levels. We visited schools and agencies to review student IEPs, determine how students were served and what services were provided, and observe students in class.

To obtain consistent information for each state, school district, and state operated facility visited, we used standardized data collection instruments in discussions with Chapter 1 program coordinators at the state and local levels. Additionally, at each local agency visited, we randomly selected a representative sample of children in each program and analyzed information from the most recent IEP available at the time of our visit, usually for the 1987-88 school year. We believe the data extracted from the sample of 3,104 IEPs are representative of the 106,800 children in both programs with the handicapping conditions we examined at the locations visited. See appendix IV for more details on our sampling methodology.

We also obtained statistical data from the Department of Education regarding the two programs and the Department's guidance to states regarding the Chapter 1 Handicapped Program. We also met with program coordinators at their annual meeting in May 1988. We conducted field work from February through July 1988.

We conducted our review in accordance with generally accepted government auditing standards.

# The Chapter 1 Handicapped Program Should Be Refocused on Severely Handicapped Students

Although the Chapter 1 Handicapped Program's initial primary focus was serving severely handicapped children in state institutions, program legislation did not limit eligibility to the severely handicapped. Consequently, some states chose to serve children who were not severely handicapped. The number of such children has increased in recent years, primarily with the inclusion of preschool handicapped program participants.

States are allowed to include these preschool children in Chapter 1 regardless of the severity of their handicap. Once included, they can be transferred to regular public schools and receive program funds. Many of the children now in the program with handicapping conditions considered not severe are in preschool programs or have transferred into public schools from preschool programs. States that count children with the less severely handicapping conditions in the program get proportionately more funds than states that include primarily the severely handicapped children.

## Chapter 1 Handicapped Program Eligibility Not Limited to Severely Handicapped

Although Chapter 1 was created to serve handicapped children in state institutions, neither this legislation nor program regulations specifically describe the severity of handicapped children that each state must serve. The law allows states to serve all children with a wide variety of handicapping conditions, from the severe to the relatively mild. We found the severity of handicapping conditions that states chose to include in their respective programs varied widely. As a result, the proportion of handicapped children each state included in Chapter 1 and the proportion included in EHA also varied significantly among states.

Regarding intended recipients, legislation creating the Chapter 1 Handicapped Program specified only that funds were to be used to serve handicapped children for whom the state was directly responsible for providing free public education. At that time, the bulk of this group was severely handicapped children, although the list of handicapping conditions cited in the legislation included the mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, crippled, and other health impaired.

Although the legislation allowed states to serve children with various handicapping conditions, a primary focus of the legislation, according to House and Senate committee reports and other legislative history, was to serve severely handicapped children, such as the mentally retarded

and emotionally disturbed, in state supported institutions where educational programs had been largely unavailable. The Department of Education official responsible for the Chapter 1 Handicapped Program agreed that the program was intended to serve severely handicapped children, but stated it would be extremely difficult if not impossible to develop a universally accepted definition of severely handicapped.

The Department of Education first published regulations on the Chapter 1 Handicapped Program in April 1978. The regulations listed the same handicapping conditions included in the legislative provisions. In November 1978, program legislation was amended so that the definition of handicapped children in the program became the same as that in EHA. Accordingly, the learning disabled category was added to the Chapter 1 Program by reference to EHA program legislation. The Department has provided no further guidance on integrating the two programs.

Twenty, or about 40 percent, of the 51 state coordinators we contacted told us the 1978 regulations did not provide adequate guidance for determining which handicapped children could be served in Chapter 1. Seventeen of the 20 coordinators told us they relied on other sources of information for this guidance, such as their counterparts in other states or guidance from the EHA program.

Information provided by the state coordinators also indicated that a state's policy on program eligibility often differs from its practice. In principle, all states, except Michigan, extend program eligibility to all handicapped children, regardless of the severity of their handicap. In actual practice, however, only 28 of the 50 states and Washington, D.C., included children in Chapter 1 representing all handicapping conditions. Many states have adopted the policy of counting only those children with certain handicapping conditions in the program.<sup>1</sup> Seventeen states included in the program counted none or virtually none of their handicapped children with learning disabilities. The same was true for the speech-impaired children in 20 states. At the other extreme, the learning disabled made up more than 10 percent of the program in 10 states and more than 50 percent in 1 state. In 33 states, at least 26 percent of all children in the program were severely mentally retarded.

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<sup>1</sup> Handicapped children not included in Chapter 1 generally are included in EHA or have their educational needs met entirely by state or local resources. Once it identifies a child as handicapped, the responsible state or local agency is obligated to provide necessary educational services.



## Many Less Severely Handicapped Enter Through Preschool Programs

Many children with handicaps generally considered by state education officials and experts to be less than severe have come into the Chapter 1 Handicapped Program through preschool programs for the handicapped. In the late 1970s and early 1980s, many states began providing preschool programs for their handicapped children. Many of the children served in these preschool programs have handicapping conditions generally considered less severe. A national survey of states, conducted by the National Chapter 1 Handicapped Coordinating Committee in January 1987,<sup>2</sup> showed that only 52 percent of the children in the program who were 5 years old and younger were severely handicapped.

According to a Department of Education official, states were allowed to use Chapter 1 funds for preschool programs for all handicapped children, because until 1986 EHA did not cover children under 3 years old. The Education of the Handicapped Act Amendments of 1986 added part H, which now provides grants to assist states in developing a program of early intervention services for handicapped infants and toddlers (from birth to 2 years old) and their families. Under Chapter 1's funding transfer provision, once these preschool children have been counted in the program, they could be transferred to local school districts upon reaching school age and continue to be counted in the program as long as they continued to receive special education services regardless of whether their handicap was severe or mild. The fact that states receive higher per-student funding under Chapter 1 than under EHA provides an incentive for them to enroll as many students as possible in Chapter 1. States continue counting them after they transfer to public schools to maximize their share of the federal funds. (As indicated in table 1.2, children 5 years old and younger constitute nearly one-third of the program population.)

Program officials in three of the eight states included in our review (New York, Pennsylvania, and Kansas) told us that most of the preschool children they counted had handicapping conditions generally considered less severe, such as learning disabled and speech impaired.<sup>3</sup> Further, they stated that most of these less severely handicapped children will enroll in regular schools when they reach school age.

<sup>2</sup>An informal committee organized by persons within state education agencies who are assigned the responsibility of coordinating Chapter 1 handicapped activities within their state.

<sup>3</sup>While the learning disabled and speech impaired handicapping conditions generally are considered less severe, they may include children with severe handicaps. Pennsylvania, for example, includes brain damaged children in the learning disabled category.



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Program officials in 45 states told us they continue to count children receiving educational services in local school districts for funding purposes after they transfer to public schools. Of these, 29 states did not have records enabling them to identify the total number of preschoolers transferred. Sixteen states provided such information, which is presented in table 2.1. In these states about one-half the children that school districts were continuing to count as transfer students under Chapter 1 had transferred from preschools and about one-half transferred from other state operated or supported Chapter 1 programs. Preschool transfers represented 85 percent or more of the total transfer population in six states.

**Table 2.1: Children Transferred From State Supported Preschools and Other State Operated Programs to Local Education Agencies** (As of October 1987)

| State         | Students transferred |           |                     |           | Total         |
|---------------|----------------------|-----------|---------------------|-----------|---------------|
|               | From Preschools      | Percent   | From other programs | Percent   |               |
| Nevada        | 32                   | 100       | 0                   | •         | 32            |
| Wisconsin     | 1,045                | 95        | 56                  | 5         | 1,101         |
| Arkansas      | 1,500                | 90        | 161                 | 10        | 1,661         |
| North Dakota  | 304                  | 89        | 37                  | 11        | 341           |
| Kansas        | 519                  | 88        | 74                  | 12        | 593           |
| Kentucky      | 1,020                | 85        | 180                 | 15        | 1,200         |
| Alaska        | 100                  | 64        | 56                  | 36        | 156           |
| Massachusetts | 4,018                | 59        | 2,850               | 41        | 6,868         |
| Pennsylvania  | 4,564                | 55        | 3,774               | 45        | 8,338         |
| New York      | 6,714                | 50        | 6,732               | 50        | 13,446        |
| Rhode Island  | 128                  | 46        | 148                 | 54        | 276           |
| Arizona       | 46                   | 19        | 190                 | 81        | 236           |
| Vermont       | 141                  | 18        | 641                 | 82        | 782           |
| Florida       | 815                  | 16        | 4,432               | 84        | 5,247         |
| Delaware      | 29                   | 5         | 537                 | 95        | 625           |
| Virginia      | 6                    | 2         | 262                 | 98        | 268           |
| <b>Total</b>  | <b>20,981</b>        | <b>51</b> | <b>20,190</b>       | <b>49</b> | <b>41,171</b> |

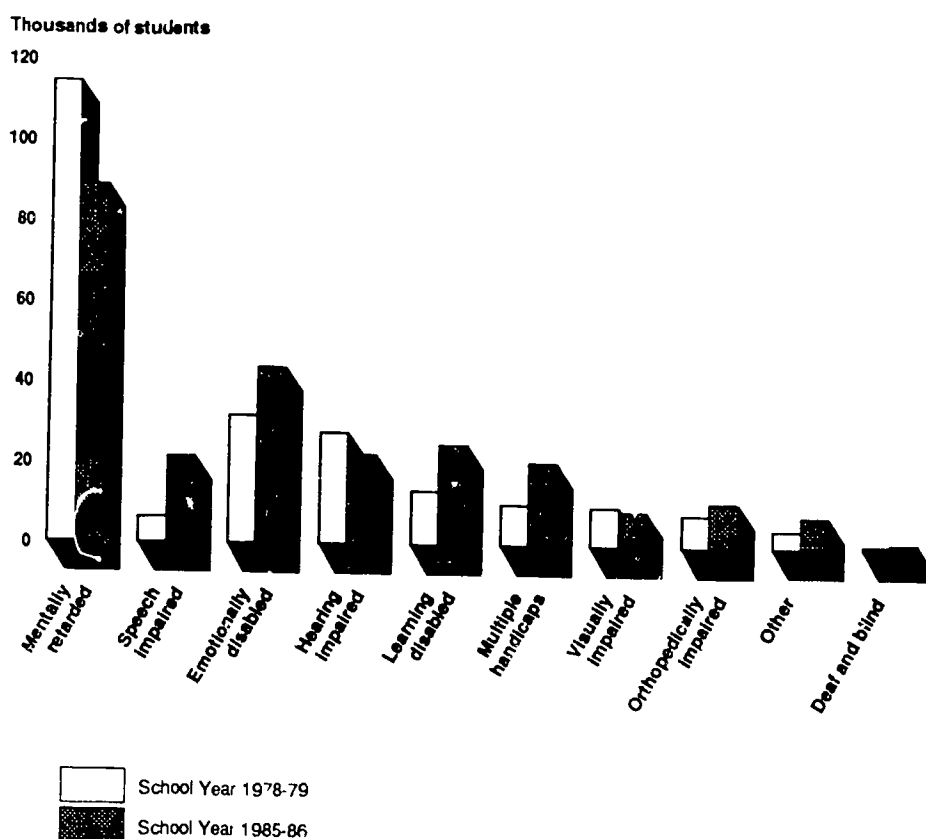
**Significant Program Increases in Certain Handicapping Conditions**

The number of students included in the Chapter 1 Handicapped Program as learning disabled or speech impaired has increased significantly over the past years for which data are available (see fig. 2.1). About 19,500 students, or 9 percent of the 226,000 students in the program, were

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counted in the learning disabled and speech or language impaired handicapping conditions during school year 1978-79. By school year 1985-86, students with these particular conditions had increased to 46,100—nearly 19 percent of Chapter 1's total handicapped population of 249,100. In other words, the number of handicapped students in these categories increased 137 percent while the number in all of the other categories combined remained relatively constant.

**Figure 2.1: Handicapping Conditions of Chapter 1 Handicapped Program Students** (School Years 1978-79 and 1985-86)



In Illinois, during the same 7-year period, the number of children categorized as learning disabled or speech impaired increased 295 percent. In

<sup>1</sup>This is the most recent school year for which data were reported to the Department of Education that show the number of Chapter 1 students in each handicapping condition. In subsequent years, the number of students 5 years old and younger are shown, but not their handicapping condition.

the 1978-79 school year, 2,007 students were included in these conditions. By school year 1985-86, this count had grown to 7,933.

Although the Department of Education does not collect data showing how many children in these categories came into the Chapter 1 Handicapped Program through preschool programs, we found that preschools have transferred many children into the program and many of the students who transferred were categorized as learning disabled or speech impaired. In fact, four states (New York, Massachusetts, Illinois, and Pennsylvania) with large state supported preschool programs count significantly more students in these handicapping conditions than all other states combined—66 percent of the learning-disabled and 69 percent of the speech-impaired children counted in the program during school year 1985-86. Illinois claimed 25 percent of all learning-disabled students in the program and New York accounted for 39 percent of all the speech-impaired students.

Program officials in Kansas, New York, and Pennsylvania told us that many of their preschoolers were learning disabled or speech impaired and many were transferred into regular schools, although remaining in the program for funding purposes. In school year 1987-88, students counted under the program in these states generated \$566, \$652, and \$647 per child, respectively; whereas each child counted under the EHA program generated \$331 in federal funding (see app. I).

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## **Transfer Provision No Longer Serves Intended Purpose**

As discussed in chapter 1 of this report, the funding transfer provision was intended to encourage the movement of handicapped children from state operated facilities to local school districts by transferring the funds generated by the student in the state facility to the local school district. Until passage of the Education for All Handicapped Children Act of 1975, the transfer provision provided local school districts a major incentive (i.e., federal funds) to educate those handicapped children who would otherwise be in state institutions. The transfer provision, however, is no longer needed for this purpose because the 1975 legislation establishing the EHA program requires handicapped children to be educated with nonhandicapped children to the maximum extent possible. Not surprisingly, therefore, we found that most states do not consider the transfer provision to be an incentive to deinstitutionalize severely handicapped children. In fact, some states do not use the transfer provision at all when moving children from state institutions to local educational agencies.

Of the 51 state coordinators, 34 said that their state did not consider the transfer provision to be an incentive for deinstitutionalization. Seven of the coordinators said the amount of federal funds involved in a decision to deinstitutionalize was so small it had little or no impact on the decision. Twelve of the state coordinators told us that the primary impetus for deinstitutionalizing severely handicapped students from state operated or supported facilities was the Education for All Handicapped Children Act and establishment of the EHA programs combined with state mandates. The Education for All Handicapped Children Act enacted 15 months after the transfer provision was added to the Chapter 1 Handicapped Program, requires that states assure a free and appropriate public education for all handicapped children and that, to the maximum extent appropriate, they be educated with nonhandicapped children. The law requires that states establish procedures to assure that

"handicapped children, including children in public or private institutions or other care facilities, are educated with children who are not handicapped, and that special classes, separate schooling, or other removal of handicapped children from the regular educational environment occurs only when the nature or severity of the handicap is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily."

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### Some States and Districts Do Not Use the Transfer Provision

In our telephone survey of state coordinators, we identified five states (California, New Jersey, Ohio, South Dakota, and Wyoming) that do not transfer funds to local school districts when children are transferred. The coordinators provided the following reasons:

- One state believed it could not adequately assure that children generating the funds were served as required by program legislation.
- One state chose to count children transferred to local school districts under the EHA program because it believed the incremental Chapter 1 Handicapped Program funds were not needed.
- Two had administrative difficulties in tracking students. One used EHA program funds for schools and Chapter 1 Handicapped Program funds for state operated and supported programs.
- One said that besides requiring a change in state legislation, the state feared districts would use the funds to supplant, rather than supplement, local funds, which is prohibited by federal law.

On a related matter, coordinators in five of the six states we studied that use the transfer provision said that not all school districts in their

states apply for the funds. The coordinators told us such districts usually had only a few eligible students and the districts did not believe the amount of funds involved was worth the administrative burden of applying for them and assuring they were properly spent on eligible students. They chose to serve these students with EHA program funds instead.

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## Distribution of Program Funds Among States

Some states count proportionately more children in the Chapter 1 Handicapped Program who are not severely handicapped than other states. They subsequently receive proportionally more program funds to serve a much greater number of less severely handicapped children than states that count only severely handicapped students. These latter states may be receiving far less program funds than their share of severely handicapped children would indicate.

Four of the states that do not limit their count to severely handicapped children (Illinois, Massachusetts, New York, and Pennsylvania) dominate the Chapter 1 Handicapped Program. They accounted for 47 percent of the children in the October 1987 counts even though they enrolled only 20 percent of the total number of handicapped children (the total enrollees of Chapter 1 Handicapped and EHA programs) in the nation. Also, as shown in appendix I, these four states counted a much larger proportion of their handicapped population for Chapter 1 funding than all but a few less populated states. In these high-count states, children counted as learning disabled and speech impaired made up from 18 to 58 percent of the Chapter 1 Handicapped Program.

These four states contrast with low-count states like California, which has very low numbers of children in preschool activities under the Chapter 1 Handicapped Program and counts only children in state institutions, primarily mental hospitals and schools for the blind and deaf. Although California had about 9 percent of the nation's handicapped children, it accounted for less than 1 percent of the children in the total Chapter 1 population and received only \$1.2 million of the total \$151 million program funding. In contrast, New York had about 6.5 percent of the nation's handicapped, but 17 percent of the children in the program and received \$29 million.

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## Resolving Funding Imbalances

The funding imbalances that now occur because some states serve children without regard to the severity of handicapping condition in Chapter 1 could be resolved—while reestablishing the program's early focus

of serving the severely handicapped—by one or a combination of several approaches. Each approach would require legislation. The approaches are:

- Clearly define the term “severely handicapped” in program legislation and specify that program funds be used only for children included in the definition. The obstacle to the success of this approach is the extreme difficulty of developing a definition that would be accepted by states and applied consistently throughout the country.
- Eliminate the transfer provision to help alleviate funding imbalances because that provision is one of the primary reasons for the large number of nonseverely handicapped children in the program—transfer of preschool children to regular schools. As discussed earlier, the transfer provision is no longer needed because the incentive it may once have provided to deinstitutionalize handicapped children is now provided by the Education of the Handicapped Act.

While elimination of the transfer provision should help, that alone would not completely resolve the potential funding disparities because states could still count nonseverely handicapped children in the program. There would be no disincentive to doing so and states would still receive additional funds for including less than severely handicapped children.

- Change the method used to allocate program funds to states while explicitly limiting the use of funds to those severely handicapped children identified in state facilities and public schools by each state.

Under this approach, each state’s total Chapter 1 Handicapped Program funding allocation could be based on its share of the nation’s total handicapped children population, as determined by the count of children in the Chapter 1 Handicapped Program and part B of the EHA program. This approach would base each state’s funding on need, given the assumption that the proportion of severely handicapped children to total handicapped children in each state should not vary significantly. (Department of Education officials and other experts on special education told us they knew of no data indicating otherwise.) This method would then be essentially the same as that currently used to allocate EHA program funds

Each state would also be required to determine which severely handicapped children to serve with Chapter 1 Handicapped Program funds.

States would then apply their program funds to the costs of serving certain severely handicapped students. On the other hand, EHA program funds would be used to serve the other handicapped children. Under this approach, states would not have to serve all the children they identified as severely handicapped, but those served with Chapter 1 Handicapped Program funds would have to be severely handicapped. This would allow states to make the most efficient and effective use of such funds, which, as discussed in chapter 3, is sometimes difficult because of the requirement that each child counted must receive at least some benefit from them. This requirement would no longer be necessary under this approach.

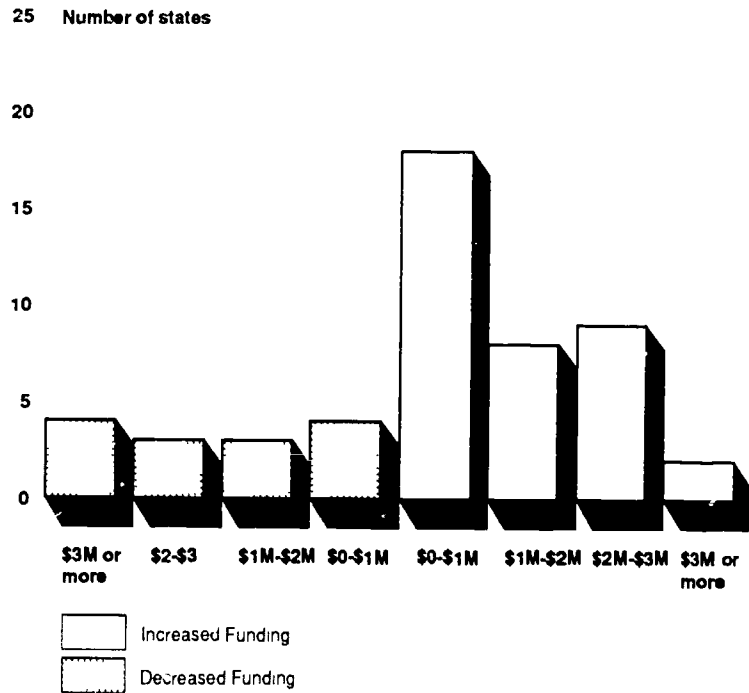
If the last approach were adopted, most states would receive additional funds but some would have funding reduced. Appendix V shows how each state's share of Chapter 1 funds for school year 1987-88 would have changed if the state allocations were based on the percentage of the nation's handicapped children in Chapter 1 and part B of EHA's program in each state. As shown in figure 2.2, 37 states would receive a larger allocation from Chapter 1 funds while 13 states and the District of Columbia would receive less.

Several of the states we visited were among the largest gainers and losers. For example, California's allocation would increase nearly \$13 million, whereas New York's would decrease about \$19 million.

Many state coordinators believed that program funds should be distributed among states in a manner more in line with their handicapped populations. About one-half (26) of the 51 state coordinators would not object to allocating program funds to states based on their percentage of the nation's total handicapped children. Although eight state coordinators believed this allocation of funds to be the most equitable, some coordinators said that a minimum funding level may be needed to protect states adversely affected by the proposed change. Of the 25 coordinators who said they would object to allocating funds based on their proportionate share, 15 were concerned that they would receive less funds, 2 were concerned that small states would be penalized and may need a floor amount to be established, and 8 favored the current method for various reasons, such as that they knew what children to serve, and believed the proposed method would also have funding loopholes or would punish states that attempt to control the number of handicapped children counted.



**Figure 2.2: Changes in Chapter 1 Handicapped Program Funding Allocations Based on States' Percent of Nation's Handicapped Children**



## Conclusions

In our opinion, states' independent determination of the severity of handicapping conditions and which conditions to serve has contributed to funding allocation imbalances. The current program has been used by many states to serve less severely handicapped children in preschool programs, likely because the Education of the Handicapped Act covered children only 3 years old and older until 1986. We believe that the Chapter 1 Handicapped Program should be restructured to better assure states focus the program on severely handicapped students.

Of the approaches for resolving the funding imbalances discussed above, we believe the best overall approach is to allocate Chapter 1 funds to each state on the basis of the state's share of the nation's handicapped children population as counted in Chapter 1 and part B of EHA's program. This change in the method of allocation would result in each state receiving an amount that would not be influenced by the number of children a state includes as Chapter 1 participants. Instead each state's share of program funds would be proportional to its share of the nation's handicapped children.



Finally, the funding transfer provision is no longer needed to encourage deinstitutionalization because states are now required under EHA to provide all handicapped children a free and appropriate public education with nonhandicapped children to the maximum extent practical. The transfer provision should be eliminated.

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## Recommendations to the Congress

We recommend that the Congress restructure the Chapter 1 Handicapped Program to better assure that states focus program services on severely handicapped children. This should be done by

- allocating program funds to states on the basis of their percentage of the nation's total handicapped children counted in the Chapter 1 Handicapped Program and part B of the EHA programs,
- eliminating the funding "transfer provision" contained in the Education Amendments of 1974, and
- requiring that Chapter 1 Handicapped Program funds be used to serve only severely handicapped children (as identified by each state) in state facilities and public schools.

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## Agency Comments and Our Evaluation

In an April 10, 1989, letter commenting on a draft of this report (see app. VI), the Department of Education agreed with our recommendations for resolving imbalances in funding allocations. The Department said that there are no differences among state populations of handicapped children or sound educational practices that justify the imbalances discussed in our report.

The Department also agreed that the program transfer provision should be eliminated, but emphasized that such changes to the program should not be misunderstood as a recommendation for providing an incentive for states to serve severely handicapped children in segregated state facilities or programs rather than in integrated settings like public schools. We agree, and our recommendation specifies that the severely handicapped may receive services from Chapter 1 Handicapped Program funds whether they are in state facilities or public schools.

The Department said it had not decided whether it agreed with our recommendation that the Chapter 1 Handicapped Program funds be used to serve only severely handicapped children. The Department was concerned that this might result in an incentive to place severely handicapped children in segregated settings. We believe that our recommendation would provide as much incentive to place severely

handicapped children in public schools as in state operated or supported schools because Chapter 1 funds could be used to serve eligible students in any educational setting. In effect, the funds would be provided to serve severely handicapped students without regard to the educational setting in which they receive services.

The Department also provided comments dealing with technical aspects of the draft report, which were considered and incorporated as appropriate.

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## **State Education Agency Comments and Our Evaluation**

Several state education agencies we visited commented on a draft of this report. Generally they agreed with our recommendations.

The Illinois state education agency said that it had no objection to eliminating the funding transfer provision. But the agency expressed the opinion that any legislation seeking to change the way funds are distributed needs a "hold harmless" provision to protect states, such as Illinois, that would receive less funding than under the current method of allocating funds. The Michigan state education agency also advocated a hold harmless provision which could be phased out after several years. Adoption of such a provision is a legislative option, which, in our opinion, should be considered if the Chapter 1 Handicapped Program is restructured.

The Pennsylvania state education agency expressed concern that some state education agencies, in deciding which severely handicapped children to serve, could make such decisions without input from certain other state agencies, such as state welfare or mental health agencies that serve handicapped children. For this reason, we believe all such agencies should be involved in the process of determining which severely handicapped children will be served with Chapter 1 Handicapped Program funds so that the program placement decision will be based on input from all concerned state officials and thus be most beneficial to the needs of the children.

Texas agreed that Chapter 1 funds should be used only for the severely handicapped but expressed concern that the per-student funding differential between EHA and Chapter 1 should remain in order to adequately provide for the more costly services needed by the severely handicapped. If our recommendations are implemented, such per-student funding differentials will exist. In fact, the per-student funding for

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Chapter 1 program participants would increase, presuming the appropriation level were to remain constant and the number of children included in the future as severely handicapped decreases.

Texas also said that the severely handicapped should be served with Chapter 1 funds irrespective of where they receive their education (i.e., in a local school district or institutional setting). As stated previously, we agree, and our recommendation would encourage this. Handicapped children could be served with Chapter 1 funds irrespective of their location as long as the state considers them severely handicapped.

# Chapter 1 Handicapped Program Services Differ in Frequency and Duration Compared to EHA Program Services

The Congress has been concerned that the Chapter 1 Handicapped Program continue to play a useful and appropriate role in educating handicapped children. Although we found a number of administrative problems in the program, it does by and large continue to serve its primary objective—subsidizing educational services to severely handicapped children, most of whom are in state custodial and state supported institutions. Even after a number of years of deinstitutionalization or mainstreaming, children included in our review of the program are being educated in separate classrooms or facilities rather than regular classrooms with nonhandicapped children. This is very likely because of the greater severity of their handicapping condition as compared to handicapped children served in public schools.

Each of the locations we visited had policies and procedures to assure that students and parents were protected under the various rights and safeguards guaranteed by the Education of the Handicapped Act. For example, parents were made aware of their children's right to a free and appropriate public education and they were asked to play a role in developing their children's individual education plan (IEP)

Although similar in nature to EHA services, Chapter 1 services generally were provided more frequently and for longer periods. The services children received varied among the locations we visited, but most often included speech and occupational or physical therapy. Program services were usually provided directly to the handicapped child, as in the case of a therapist or counselor, although in some instances the funds provided indirect services, such as paying the salary of a program coordinator for a local school district. The services funded usually supplement basic educational services that the school or local district is required by state law to provide.

Current Chapter 1 regulations stipulate that each child counted for program purposes must receive some services funded from the program. Nonetheless, some children counted were not served with Chapter 1 funds. Adhering to this requirement to provide services to each participating student is complicated in locations where there are few children to serve in any one location. However, this requirement would be unnecessary and could be eliminated if the Chapter 1 Handicapped and EHA programs were merged as discussed in chapter 4.

## Most Handicapped Children Educated in Separate Settings

Since passage of the Education for All Handicapped Children Act of 1975, all handicapped children must be afforded a free appropriate public education.<sup>1</sup> Under the act's provisions, states are to assure that, to the maximum extent appropriate, handicapped children, including those in public or private institutions or other care facilities, are educated with nonhandicapped children. Further, special classes, separate schooling, or other removal of handicapped children from the regular educational environment should occur only when the nature or severity of the handicap is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily. This requirement is generally known as placement in the least restrictive environment. The 1975 legislation protects these rights to a free and appropriate education for handicapped children.

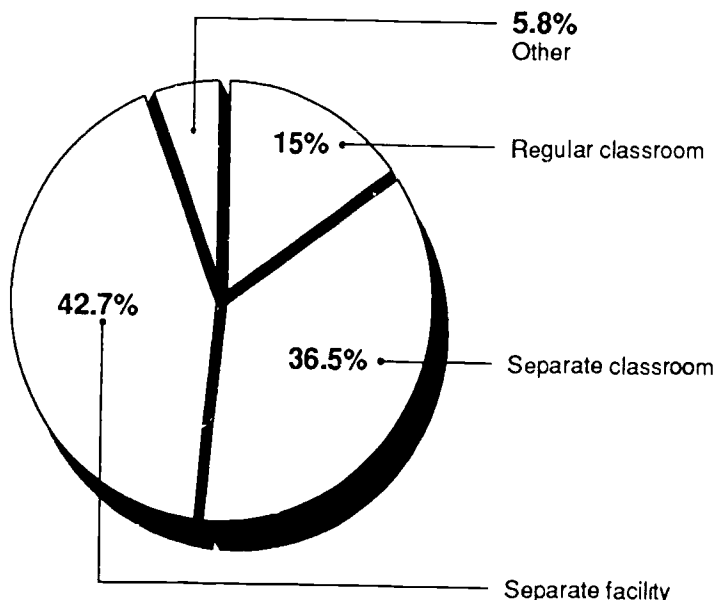
According to data available from the states, most handicapped children counted under the Chapter 1 Handicapped Program are being educated in separate settings because in most states they tend to be the more severely handicapped and require more intense services. Thus, their placement in separate settings is primarily a function of the severity of their handicapping condition. (As discussed in chapter 2, some states count a large number of Chapter 1 preschool children or children at higher grade levels in public schools transferred from Chapter 1 preschool programs who are often the less severely handicapped, such as learning disabled and speech impaired.) Data on the educational setting for program participants were maintained by the District of Columbia and 34 of the 50 states. According to this data, 79 percent of the 140,045 handicapped children counted by these 35 entities on October 1, 1987, as participants in the program are being educated in separate settings. About 15 percent are being educated in regular classrooms with nonhandicapped children, as shown in figure 3.1.

## The Individual Education Plan Controls Placement

At the locations we visited, the recommendations of local IEP committees determined the kind of setting in which a handicapped child would be placed. EHA requires that each handicapped child have an annual individualized education program specifying, among other things, the services to be provided and the extent to which the child will be able to participate in regular educational programs. In addition to including in

<sup>1</sup>The act applies to handicapped children 3 through 21 years old, exclusive of those 3-5 and 18-21 years old if inconsistent with state law or practice or the order of any court. In addition, amendments added in 1986 provide for grants to states to help finance early intervention services for handicapped infants and toddlers (from birth to 2 years old).

Figure 3.1: Educational Settings Used in  
Chapter 1 Handicapped Program (1988)



Note: Data are based on responses from 34 states

#### Separate Education Settings

the IEP the basic education services the state or local district is responsible to provide, some locations also show supplemental services in the IEP, such as those provided with Chapter 1 funds. EHA also assures that all handicapped children have available to them a free appropriate public education in conformity with their IEP. These statutory guarantees are also provided to all handicapped children counted under Chapter 1, according to coordinators for the program in each state and the District of Columbia.

We visited 24 locations in eight states and analyzed 3,104 IEPs. The results of our analyses are projectable to the 106,800 children with the handicapping conditions we selected for review from the EHA and Chapter 1 programs at these locations. These IEPs

- nearly always (94 percent of the time) had been prepared within 1 year before our review, indicating that the requirement for an annual IEP was being met

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- nearly always (about 97 percent of the time) based placement on tests of the child's cognitive, affective (behavioral), and psychomotor performance.
- generally considered various placement options and services besides the typical ones of full-time regular education, part-time special education, full-time special education, related services, and special materials and equipment. For example, private school placements were considered in some cases, as were interpreters for mainstreamed hard-of-hearing and deaf students.
- showed that children in Chapter 1 are more likely to be in full-time special education than EHA children. About 89 percent of the Chapter 1 participants were in special education classes full-time compared to about 51 percent of EHA participants. Further, of those counted under Chapter 1, the learning disabled and speech impaired were more likely to be in special education part time or regular education full time than were the hard of hearing, mentally retarded, and emotionally disturbed. (See table 3.1.)

**Table 3.1: Percent of Children in GAO Sample Classified as Full- or Part-Time Special Education or Full-Time Regular Education**

| Handicapping condition | Classification <sup>a</sup> |                             |                             |
|------------------------|-----------------------------|-----------------------------|-----------------------------|
|                        | Full-time special education | Part-time special education | Full-time regular education |
| Hearing impaired       |                             |                             |                             |
| Chapter 1              | 95                          | 1                           | 4                           |
| EHA                    | 18                          | 18                          | 64                          |
| Mentally retarded      |                             |                             |                             |
| Chapter 1              | 99                          | 1                           | 0                           |
| EHA                    | 35                          | 15                          | 50                          |
| Emotionally disturbed  |                             |                             |                             |
| Chapter 1              | 92                          | 5                           | 3                           |
| EHA                    | 73                          | 2                           | 25                          |
| Speech impaired        |                             |                             |                             |
| Chapter 1              | 75                          | 21                          | 4                           |
| EHA                    | 0                           | 0                           | 100                         |
| Learning Disabled      |                             |                             |                             |
| Chapter 1              | 75                          | 21                          | 4                           |
| EHA                    | 48                          | 39                          | 12                          |

<sup>a</sup>According to Department of Education guidance to states for counting children, children who spend no more than 20 percent of their time in a regular classroom are considered full time special education students and those spending 21 to 79 percent of their time in a regular classroom are considered part-time special education students, whereas those spending 80 percent or more of their time in a regular classroom are considered regular education students



## Are Rights Guaranteed Under EHA Being Afforded to Parents of Chapter 1 Handicapped Program Participants?

Another question we were asked was whether parents of Chapter 1 children are being afforded the rights guaranteed under EHA. As part of routine practice, state operated and supported programs provide parents of all handicapped children written information explaining their rights.

As provided in EHA, parents or guardians of a handicapped child have, among others, the right to

- receive a free appropriate public education for their child, obtain an independent educational evaluation of the child, and examine all relevant records relating to the identification, evaluation, and educational placement of the child;
- receive written notice, in their native language, before proposals or refusals to initiate or change the identification, evaluation, or educational placement of the child or the provision of a free appropriate public education to the child;
- present complaints with respect to any matter relating to the identification, evaluation, or educational placement of the child, or the provision of a free appropriate public education to the child;
- request an impartial due-process hearing, in the event of a complaint, conducted by a state, local, or intermediate educational agency; and
- appeal to the state educational agency any unfavorable decisions rendered by a local or intermediate agency.

These rights and protections guaranteed under EHA are also a matter of written policy for children and their parents under the Chapter 1 Handicapped Program in each of the 50 states and the District of Columbia, according to our telephone survey with program coordinators. To assure these rights, program coordinators reported the following:

- Fifty states monitor local school districts for compliance.
- Thirty-three also rely on complaint, hearing, and due-process procedures.
- Sixteen states rely on local school district certification of compliance.
- Sixteen use a combination of state monitoring and local school district certification.

Our review of available documentation at the locations visited indicates that parents of children in Chapter 1 are being informed of their rights. Of the IEPs we examined from both programs, 84 percent contained statements indicating whether parents received notification of their rights, and nearly all (99 percent) indicated parents were informed of their rights.



The procedures and processes that state operated and supported programs follow provide for parents to receive advance notice of IEP committee meetings. Information showing whether parents attended the committee meeting was available for 87 percent of the children with the handicapped conditions we reviewed in Chapter 1 and 92 percent of those in EHA. This information showed that 69 percent of the parents of children in the Chapter 1 and 61 percent of those children in EHA attended the meeting where their child's IEP was discussed. At the 24 locations we visited, parents' inability to attend meetings was not attributable to a lack of notification, because all 24 locations provide parents with prior written notice of the meeting date as a matter of routine procedure.

About the same proportion of parents in both programs agreed with their child's IEP. Parent signatures indicating whether they agreed with the IEP decisions were available on 87 percent of the Chapter 1 children and 51 percent of EHA children. Of these, 81 percent and 80 percent, respectively, indicated agreement with the IEP. In addition, about 21 percent of the IEPs we examined from both programs contained information indicating whether IEP committee members agreed with the final placement decision. Of these, all but about 1 percent indicated agreement.

While we made no attempt to assess the appropriateness of childrens' placement, we examined the IEPs for several children at each of the locations we visited to compare recommended versus actual placement.<sup>2</sup> We made this comparison for 240 Chapter 1 children and found that each child was placed according to the recommendations of the local IEP committee.

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## Chapter 1 Handicapped Program Services Vary and Usually Are Provided Directly to Children to Supplement Basic Educational Services

Current regulations for the Chapter 1 Handicapped Program provide that funds may be used, in general, for expenditures reasonably necessary for activities directly related to the conduct of programs and projects to meet the special education needs of handicapped children. The regulations further state that funds may be used for the costs of special education and related services for handicapped children, but are to supplement and not supplant appropriately designed education services for such children. The regulations broadly define allowable services, and state operated and supported programs provided varied educational and related services to program participants.

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<sup>2</sup>At one location, the handicapping condition we selected to review included EHA but not Chapter 1 participants, and, therefore, we could not perform this comparison.

## Educational and Related Services Provided

The results of our telephone interviews with Chapter 1 program coordinators in the 50 states and the District of Columbia as well as on-site visits to 8 states show that a variety of services are provided with program funds. For example, services include counseling, speech therapy, occupational or physical therapy, and adaptive physical education. Services usually are provided directly to the children, although such indirect services as in-service training for teachers are sometimes funded by the program. Table 3.2 shows the more prevalent kinds of services that states told us were allowable.

**Table 3.2: Number of States in Which Listed Services Can Be Provided to Chapter 1 Handicapped Program Participants**

| Services to children in Chapter 1     | Number of states <sup>a</sup> indicating service can be provided |
|---------------------------------------|--|
| <b>Direct:</b>                        |  |
| Speech therapy                        | 51   |
| Occupational or physical therapy      | 51   |
| Orientation and mobility service      | 51   |
| Counseling                            | 49   |
| Adaptive physical education           | 49   |
| Transportation                        | 46   |
| Music therapy                         | 43   |
| <b>Indirect:</b>                      |  |
| Teacher aides                         | 51   |
| Special equipment, supplies, material | 49   |
| In-service teacher training           | 48   |

<sup>a</sup>Including the District of Columbia

In addition, 31 state coordinators responded that other services can also be provided, such as curriculum development, parent training, and extended school-year program.

At the 24 locations we visited, we found that Chapter 1 funds available for school year 1987-88 were used to provide services like those above, which states identified as allowable.

## Services Generally Are More Frequent and Intense Under the Chapter 1 Handicapped Program Than Under the EHA Program

Although similar in nature, services provided to handicapped children under Chapter 1 are generally more frequent and intense than those provided to the same kind of handicapped children under EHA. Of 51 Chapter 1 coordinators nationwide, 32 stated that services to students in state operated or supported facilities are provided more frequently,<sup>1</sup> for a longer period of time, or both compared to services provided to EHA students with similar types of handicaps. The other 19 coordinators said services in their states do not differ between the two programs. This is consistent with our review of 3,104 student IEPs that revealed services under the Chapter 1 and EHA programs are similar but tend to be more frequent and longer under Chapter 1.<sup>2</sup> We examined the five handicapping conditions with the largest number of children in the Chapter 1 and five common categories of service (speech therapy, occupational/physical therapy, music therapy, adaptive physical education, and counseling services). As shown in table 3.3, except for music therapy, the services were provided to children in both programs for all but the speech-impaired handicapping condition. Speech-impaired children received no counseling services in either the Chapter 1 or EHA programs. Music therapy was provided only to mentally retarded and emotionally disturbed children in Chapter 1. Speech-impaired children in EHA also did not receive occupational/physical therapy and adaptive physical education.

**Table 3.3: Commonly Provided Services to Children in Chapter 1 Handicapped and EHA Programs**

| Service                        | Handicapping condition |                       |                       |                   |                 |
|--------------------------------|------------------------|-----------------------|-----------------------|-------------------|-----------------|
|                                | Mentally retarded      | Emotionally disturbed | Head of hearing, deaf | Learning disabled | Speech impaired |
| Speech therapy                 | X                      | X                     | X                     | X                 | X               |
| Counseling                     | X                      | X                     | X                     | X                 | •               |
| Occupational/ physical therapy | X                      | X                     | X                     | X                 | O               |
| Music therapy                  | O                      | O                     | —                     | —                 | —               |
| Adaptive physical education    | X                      | X                     | X                     | X                 | O               |

X= Both Chapter 1 and EHA programs  
O = EHA program only

Although similar services are provided under both programs, the data in table 3.4 taken from our sample of children from 24 locations show that

<sup>1</sup>These 32 coordinators represent 72 percent of the Chapter 1 and 66 percent of EHA program participants nationwide

<sup>2</sup>Our student sample was representative of about 9,800 Chapter 1 and 97,000 EHA program participants at the 24 locations we visited

generally a larger percentage of children in Chapter 1 receive the services than in EHA.

**Table 3.4: Percentage of Children in GAO Review Receiving Selected Services**

| Service                        | Mentally retarded |     | Emotionally disturbed |     | Hard of hearing, deaf |     | Learning disabled |     | Speech impaired |     |
|--------------------------------|-------------------|-----|-----------------------|-----|-----------------------|-----|-------------------|-----|-----------------|-----|
|                                | Chapter 1         | EHA | Chapter 1             | EHA | Chapter 1             | EHA | Chapter 1         | EHA | Chapter 1       | EHA |
| Speech therapy                 | 76                | 35  | 21                    | 17  | 37                    | 49  | 55                | 23  | 99              | 100 |
| Counseling                     | 4                 | 19  | 79                    | 56  | 14                    | 6   | 59                | 43  | 0               | 0   |
| Occupational/ physical therapy | 27                | 3   | 14                    | 1   | 4                     | 2   | 7                 | 1   | 7               | 0   |
| Music therapy                  | 21                | 0   | 24                    | 0   | 0                     | 0   | 0                 | 0   | 0               | 0   |
| Adaptive physical education    | 65                | 8   | 20                    | 1   | 4                     | 2   | 3                 | 1   | 20              | 0   |

Table 3.4 also shows that the percent of children in each handicapping condition receiving the services varied from service to service and between programs. For example, 76 percent of the mentally retarded children received speech therapy, more than any of the other services; whereas more emotionally disturbed children (79 percent) received counseling than other services. The variance between programs in the percent of children receiving a particular service also is evident for most of the handicapping conditions listed in table 3.4. For example, 76 percent of the mentally retarded received speech therapy under Chapter 1 compared to 35 percent under EHA, and 24 percent of the emotionally disturbed received music therapy under Chapter 1 compared to none under EHA.

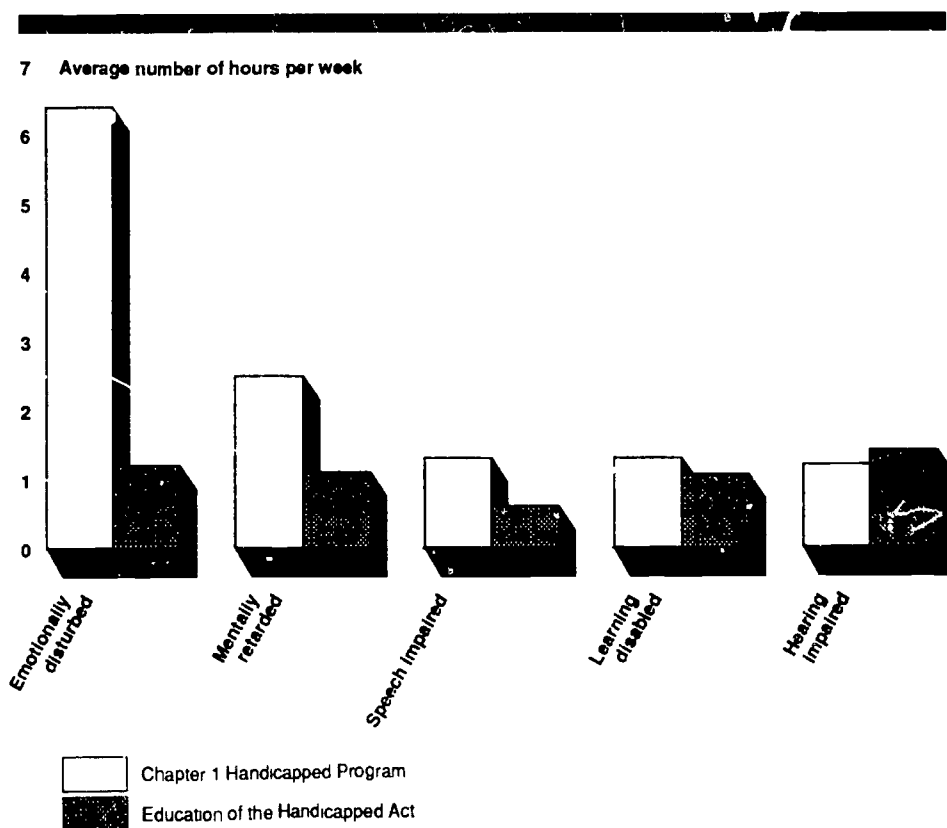
The most obvious difference in services between the programs, aside from the generally larger percentage receiving services in the Chapter 1 Handicapped Program, is the amount of time children received services. To determine the length of time services were provided, we identified from each child's IEP the frequency and duration of services they were to receive each week and from this data calculated the average amount of time each child was to receive the services. For the children in our review, we found a significant difference in total service time between programs for four of the five handicapping conditions examined. The most significant differences occurred in the emotionally disturbed and mentally retarded handicaps, which comprise over one-half of the children in the Chapter 1 Handicapped Program.

As shown in figure 3.2, emotionally disturbed children received over 6 hours of services under Chapter 1 compared to a little more than 1 hour

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under EHA. The difference was somewhat less for the mentally retarded, who received about 2-1/2 hours of service under Chapter 1 and about 1 hour under EHA. Service time differed much less between programs for speech-impaired and learning disabled children. For the hard of hearing and deaf, service time was virtually the same under both programs.

Figure 3.2: Amount of Service Provided in the Chapter 1 Handicapped and EHA Programs by Disability (1988)



Under Chapter 1, children generally receive more frequent and intense services because they tend to be more severely handicapped than those counted under EHA. Chapter 1 coordinators in 29 of the 50 states and the District of Columbia indicated that children in their programs are generally more severely handicapped than those in the EHA program. Our work in the eight states also indicated that children in Chapter 1 tend to be more severely handicapped. Michigan, for example, classifies mentally retarded children into one of three groups—educable, trainable, or severely mentally impaired. Children are classified according to their

performance on standardized tests. Only the trainable and severely mentally impaired children are included in Chapter 1. Children classified as educable mentally impaired are included in EHA.

Audiological evaluations (measurements of hearing loss) for hard-of-hearing and deaf students included in our eight-state study further substantiated that the more severely hearing impaired are in the Chapter 1 Handicapped Program. We reviewed audiological evaluations for hard-of-hearing and deaf students at six locations. Two of these six locations were state operated facilities in California serving hard-of-hearing and deaf children under Chapter 1 only. Of their hearing-impaired students, 71 percent at one location and 97 percent at the other were severely or profoundly hearing impaired. The remaining four locations served such children under both programs. Of such children served by Chapter 1 in these four locations, 70 percent had severe to profound hearing impairments. In comparison, only 8 percent of the hard-of-hearing and deaf children in the EHA program at these four locations had severe to profound hearing loss.

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### Some Children Counted Under the Chapter 1 Handicapped Program Do Not Benefit From Funds Generated

Six of the 24 locations we visited did not comply with the requirement that each handicapped child counted for the Chapter 1 funding allocation receive at least some services from the program. Further, other locations were using program practices that the Department of Education considers to be questionable in order to comply with this requirement.

At each of the three Ohio school districts we visited, (Cuyahoga, Hamilton, and Lucas County Boards of Mental Retardation and Developmental Disabilities) some handicapped children counted as Chapter 1 Handicapped Program participants did not receive services from program funds. Of the 1,761 handicapped children counted for the program at these locations, 1,525 or 87 percent did not receive services funded by the program. Instead, Chapter 1 funds were used to provide a preschool program to handicapped children who were not counted as program participants. The Ohio state education agency believed the children counted but not served received indirect benefit as a result of having additional teachers in the buildings to serve the preschool children. The Ohio state agency said that school-age students' needs were being met with state and local funds and, therefore, serving preschool children was a proper use of Chapter 1 funds.

A similar situation occurred at one school district in New York (Rochester City School District). According to school district officials, some handicapped children who generated Chapter 1 funds did not receive services funded by the program and some handicapped children who did not generate funds were served by the program. While we observed that children not counted were served in some classrooms we visited, we did not determine the extent to which these practices occurred.

We also found noncompliance with this requirement at a Michigan school district (Genesee Intermediate School District). This school district had about 415 mentally retarded students in its program in two centers for the mentally retarded. At one center, four instruction supervisors (lead teachers) funded from Chapter 1 functioned as classroom teachers for up to 48 students, 28 percent of the 174 Chapter 1 program participants enrolled. Aside from the part-time services of a program coordinator who helped certain students who were being mainstreamed into the regular classroom, no other staff or services funded by Chapter 1 were available to the other 126 students generating funds. School district officials told us that each handicapped child enrolled in the program receives all services recommended in his or her IEP, whether or not funded from Chapter 1. The Michigan state education agency believed the district's program complied because all students benefited from the reduced student-teacher ratio.

Learning disabled students were not benefiting from program funds in an Illinois school district (Northwest Suburban Special Education Organization). At one center we examined a sample of 10 students out of 190 learning disabled Chapter 1 program participants to determine if they were receiving program-funded services. Six of the students had not received services directly funded by the program. Due to the structure of the learning disabled program and kinds of positions funded, we were unable to determine how many of the remaining 180 learning disabled Chapter 1 program participants did not receive funded services. Again, a school district official assured us that all learning disabled students generating funds receive the services recommended on their IEPs whether or not funded by Chapter 1.

Officials at some locations said that they were serving the students counted for Chapter 1 even though the students had no direct contact with personnel funded or materials purchased with program funds. This occurs because the amount of Chapter 1 funds some programs receive is small relative to the number of eligible students, who may be dispersed among numerous locations. This has forced some school districts to use



their funds to provide indirect services to eligible students. These take the form of program coordinators, technical consultants, in-service training for teachers, staff development, or curriculum development. According to the Department of Education official responsible for this program, it is questionable whether such services meet the requirement of benefiting students counted for the program. Because Chapter 1 funds may benefit students only indirectly, determining whether each student benefits is extremely difficult.

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## Conclusions

In our opinion, the Chapter 1 Handicapped Program is generally providing services to severely handicapped students in educational settings consistent with their individual placement decisions, although, as discussed in chapter 2, the program includes many less severely handicapped children in a few states. Based on our review of the services provided under Chapter 1 and EHA, we believe Chapter 1 continues to play a useful role in educating severely handicapped children.

The instances of noncompliance we found with the requirement that each child counted for funding purposes receive at least some services from Chapter 1 funds indicate, we believe, the difficulty of adhering to this requirement. It forces districts to sometimes provide services only indirectly or inefficiently when the numbers of children involved are small or widely dispersed. If our recommendations in chapter 2 are implemented, it is our view that this requirement should be eliminated because each state will determine which severely handicapped children it will serve with Chapter 1 funds, and all other handicapped children, including the severely handicapped not served with Chapter 1 funds, will be counted and served under the EHA program. Because the number of children served in Chapter 1 will no longer generate funds, the present requirement that each child counted be served will no longer fit the program design.

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## Recommendation to the Secretary of Education

If the Congress implements our recommendations for refocusing the Chapter 1 Handicapped Program on severely handicapped children, we recommend that the Secretary of Education eliminate from program regulations the provision requiring that each child counted under the Chapter 1 Handicapped Program must receive some benefit from program funds.

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## Agency Comments and Our Evaluation

The Department said that the regulation in question is over 10 years old and the issue will be considered as the Department develops new program regulations to reflect program provisions in the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988. However, the Department said it did not understand how our recommendation to eliminate this requirement applied to the children to be "counted." In this regard, the Department believed we were recommending that all handicapped children, including those children previously counted under the Chapter 1 Handicapped Program, be counted under the EHA Program. The Department's interpretation of our recommendation is incorrect.

Implementing our report recommendations would mean that the EHA program count would be increased to include only the current Chapter 1 Handicapped Program students with conditions determined to be non-severe by state officials. Our recommendation was intended to remove from the regulations a provision that would no longer be meaningful because, if our recommendations were adopted, Chapter 1 funds would no longer be allocated based on the count of children in that particular program. We revised the report to clarify how we intended funds to be allocated, that is, based on the count of children in the Chapter 1 and part B of the EHA programs

# Should the Chapter 1 Handicapped and EHA Programs Be Merged?

Although enacted at different times to serve handicapped students' needs, the Chapter 1 Handicapped and EHA programs are now similar in many ways. For example, both programs

- serve students of similar ages and often the same kind of handicapping conditions;
- provide federal funds to educate handicapped children;
- allocate funds based on student counts; and
- use funds to supplement, not supplant, state and local funded services

In addition, the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988 (P.L. 100-297, enacted Apr. 28, 1988) require consolidated state administration of both programs by fiscal year 1991, counting students for funding allocation purposes for both programs on the same day each year, and joint monitoring visits by federal program officials. At the federal level, however, while the Chapter 1 Handicapped Program is administered by the Department of Education's Office of Special Education and Rehabilitative Services, it is funded through the Department's Compensatory Education Office. The same responsibilities for EHA are handled by the Department's Office of Special Education and Rehabilitative Services

Sixty-nine percent of the Chapter 1 program coordinators told us that they would not object to combining administration of the programs, provided the funding authority for both programs remains separate. Because of programmatic and administrative similarities, we believe merging the programs would enable them to function more efficiently and better achieve their goals. We made a similar recommendation in 1978.<sup>1</sup>

## Recent Legislation Paves the Way for Program Merger

In 1988, federal legislation combined key administrative aspects of Chapter 1 Handicapped and EHA programs. The law requires that

- both programs, by fiscal year 1991, be administered through the state office responsible for administering the EHA program.
- federal monitoring of the Chapter 1 Handicapped Program be conducted whenever the Department of Education conducts monitoring visits for the EHA program.

<sup>1</sup>Federal Direction Needed for Educating Handicapped Children in State Schools (HRD-78-6, Mar. 16, 1978)

- both programs count children for funding purposes on the same day—December 1 of each year. Previously, the Chapter 1 Handicapped Program count date was October 1. On these two dates, each participating school and state facility had to count its enrollment of eligible handicapped children for the respective program and report the figure to the state program office, which in turn applied for federal program funds.

Of the eight states we visited, seven had already consolidated administration of the two programs in the special education office of the state department of education. In five of the seven states, the special education office had been established to administer the EHA program. In most of these states, Chapter 1 had been previously administered by the Chapter 1 program office. Most states had also combined state monitoring of the two programs under one comprehensive periodic review.

Chapter 1 Handicapped and EHA program participants currently have the same age requirements for eligibility. In October 1986, the Congress expanded the age ranges of EHA by authorizing funding to states for an optional handicapped infant and toddler program covering those from birth to 2 years old. EHA, before 1986, guaranteed handicapped children 6 through 17 years old with a free and appropriate public education in the least restrictive environment. Such education was also required for handicapped children 3 to 5 and 18 to 21 only when consistent with a state's laws and practices. Handicapped children from birth through 2 years old were not covered by EHA before 1986. The Chapter 1 Handicapped Program has always been available for handicapped children from birth through 21.

During our telephone survey of state coordinators, we asked if EHA's new program would reduce the number of children they counted under Chapter 1. About one-third of the coordinators were uncertain because the legislation was so recent, another one-third said fewer children will be counted, while the remaining one-third said there would be no significant change.

Overall, more than two-thirds of the state coordinators told us they would not object to combining the programs to reduce the administrative burdens of two separate programs. They favored merging the programs provided funds from both programs would continue at present levels and be kept separate so that Chapter 1 funds could be available to serve only severely handicapped children. Several other state coordinators objected to combining the programs, primarily because they feared the

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Chapter 1 Handicapped Program would lose its identity and eventually disappear

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## Conclusion

We believe the Chapter 1 Handicapped Program should be merged under the EHA program. Merging the two programs would further simplify the coordination of program administration at the federal, state, and local levels and could be done so as to maintain the Chapter 1 Handicapped Program with a specific and distinct purpose—to serve the severely handicapped only. If the programs are merged, a separate funding set-aside should be allocated for the Chapter 1 Handicapped Program. This would likely overcome the most serious reservations on the part of program officials at the state level that a merger would result in the Chapter 1 Handicapped Program losing its identity and the separate funding to serve the severely handicapped.

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## Recommendations to the Congress

The Congress should enact legislation to combine the Chapter 1 Handicapped and EHA programs. If the Chapter 1 Handicapped Program is merged under the EHA program, the Congress should also consider a separate Chapter 1 Handicapped Program funding set-aside for the states to use to serve only severely handicapped students.

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## Agency Comments and Our Evaluation

The Department of Education agreed with our recommendation to merge the programs. The Department said it had not decided whether funds should be set aside for services only to severely handicapped children. Based on our discussions with state officials, we do not believe a merger of the programs will be supported by state officials unless there is a funding set-aside to serve severely handicapped children only. In our opinion, a set-aside would better assure the level of funding necessary to serve the severely handicapped.

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## State Education Agency Comments

The eight states we visited generally agreed with our recommendations that the Chapter 1 Handicapped and EHA programs be merged or did not specifically comment on this issue. Michigan noted that such a merger would eliminate duplicate application and fiscal reporting procedures at the state and local level.

# Number of Handicapped Children and Amount of Funding Allocations for Chapter 1 Handicapped (P.L. 89-313) and EHA (P.L. 94-142) Programs

| State                | 89-313 student count 10-1-87 | EHA student count 12-1-87 | Total handicapped children 1987/88 | Percent of nation's handicapped in state | Percent of state handicapped in 89-313 | Fiscal Year 1989 funding allocations to state |              |                    |                    |
|----------------------|------------------------------|---------------------------|------------------------------------|--|--|---|--------------|--------------------|--------------------|
|                      |                              |                           |                                    |  |  | 89-313  | 94-142       | 89-313 per-student | 94-142 per-student |
| Alabama              | 1,352                        | 94,468                    | 95,820                             | 2 15                                     | 1 41                                   | \$593,370                                     | \$31,294,947 | \$439              | \$331              |
| Alaska               | 3,205                        | 9,641                     | 12,846                             | 0 29                                     | 24 95                                  | 2,109,932                                     | 3,193,828    | 658                | 331                |
| Arizona              | 1,293                        | 52,732                    | 54,025                             | 1 21                                     | 2 39                                   | 584,865                                       | 17,468,827   | 452                | 331                |
| Arkansas             | 3,376                        | 43,675                    | 47,051                             | 1 06                                     | 7 18                                   | 1,481,670                                     | 14,468,464   | 439                | 331                |
| California           | 2,333                        | 407,842                   | 410,175                            | 9 22                                     | 0 57                                   | 1,213,565                                     | 135,108,120  | 520                | 331                |
| Colorado             | 4,390                        | 47,652                    | 52,042                             | 1 17                                     | 8 44                                   | 2,582,710                                     | 15,785,947   | 588                | 331                |
| Connecticut          | 3,454                        | 60,987                    | 64,441                             | 1 45                                     | 5 36                                   | 2,273,855                                     | 20,203,507   | 658                | 331                |
| Delaware             | 3,650                        | 11,031                    | 14,681                             | 0 33                                     | 24 86                                  | 2,402,886                                     | 3,654,302    | 658                | 331                |
| District of Columbia | 4,411                        | 2,750                     | 7,161                              | 0 16                                     | 61 60                                  | 2,903,872                                     | 911,008      | 658                | 331                |
| Florida              | 8,251                        | 185,972                   | 194,223                            | 4 37                                     | 4 25                                   | 4,241,065                                     | 61,607,993   | 514                | 331                |
| Georgia              | 2,926                        | 90,031                    | 92,957                             | 2 09                                     | 3 15                                   | 1,284,173                                     | 29,825,077   | 439                | 331                |
| Hawaii               | 460                          | 11,375                    | 11,835                             | 0 27                                     | 3 89                                   | 258,101                                       | 3,768,260    | 561                | 331                |
| Idaho                | 275                          | 18,800                    | 19,136                             | 0 43                                     | 1 44                                   | 120,693                                       | 6,248,190    | 439                | 331                |
| Illinois             | 40,202                       | 210,502                   | 250,704                            | 5 63                                     | 16 04                                  | 22,242,455                                    | 69,734,186   | 553                | 331                |
| Indiana              | 8,843                        | 98,839                    | 107,682                            | 2 42                                     | 8 21                                   | 4,273,992                                     | 32,742,953   | 483                | 331                |
| Iowa                 | 417                          | 55,998                    | 56,415                             | 1 27                                     | 0 74                                   | 222,809                                       | 18,550,773   | 534                | 331                |
| Kansas               | 2,123                        | 40,807                    | 42,930                             | 0 96                                     | 4 95                                   | 1,201,093                                     | 13,518,365   | 566                | 331                |
| Kentucky             | 3,352                        | 73,221                    | 76,573                             | 1 72                                     | 4 38                                   | 1,471,137                                     | 24,256,334   | 439                | 331                |
| Louisiana            | 5,070                        | 64,390                    | 69,460                             | 1 56                                     | 7 30                                   | 2,328,403                                     | 21,330,838   | 459                | 331                |
| Maine                | 1,117                        | 27,076                    | 28,193                             | 0 63                                     | 3 96                                   | 569,104                                       | 8,969,619    | 509                | 331                |
| Maryland             | 1,829                        | 88,156                    | 89,985                             | 2 02                                     | 2 03                                   | 1,196,263                                     | 29,203,935   | 654                | 331                |
| Massachusetts        | 16,302                       | 129,379                   | 145,681                            | 3 27                                     | 11 19                                  | 10,732,014                                    | 42,860,111   | 658                | 331                |
| Michigan             | 12,287                       | 148,841                   | 161,128                            | 3 62                                     | 7 63                                   | 7,513,283                                     | 49,307,397   | 611                | 331                |
| Minnesota            | 489                          | 82,478                    | 82,967                             | 1 86                                     | 0 59                                   | 284,818                                       | 27,322,952   | 582                | 331                |
| Mississippi          | 958                          | 57,631                    | 58,589                             | 1 32                                     | 1 64                                   | 420,450                                       | 19,091,746   | 439                | 331                |
| Missouri             | 2,445                        | 97,276                    | 99,721                             | 2 24                                     | 2 45                                   | 1,148,246                                     | 32,225,169   | 470                | 331                |
| Montana              | 598                          | 14,745                    | 15,343                             | 0 34                                     | 3 90                                   | 359,729                                       | 4,884,659    | 602                | 331                |
| Nebraska             | 244                          | 30,206                    | 30,450                             | 0 68                                     | 0 80                                   | 130,409                                       | 10,006,512   | 534                | 331                |
| Nevada               | 598                          | 14,524                    | 15,122                             | 0 34                                     | 3 95                                   | 304,407                                       | 4,811,447    | 509                | 331                |
| New Hampshire        | 1,081                        | 15,674                    | 16,755                             | 0 38                                     | 6 45                                   | 564,909                                       | 5,192,414    | 523                | 331                |
| New Jersey           | 6,148                        | 167,255                   | 173,403                            | 3 90                                     | 3 55                                   | 4,047,382                                     | 55,407,507   | 658                | 331                |
| New Mexico           | 477                          | 30,906                    | 31,383                             | 0 71                                     | 1 52                                   | 221,000                                       | 10,238,405   | 463                | 331                |
| New York             | 44,069                       | 244,294                   | 288,363                            | 6 48                                     | 15 28                                  | 29,011,724                                    | 80,928,652   | 658                | 331                |
| North Carolina       | 2,862                        | 106,535                   | 109,397                            | 2 46                                     | 2 62                                   | 1,256,084                                     | 35,292,450   | 439                | 331                |
| North Dakota         | 647                          | 11,836                    | 12,483                             | 0 28                                     | 5 18                                   | 329,545                                       | 3,920,978    | 509                | 331                |
| Ohio                 | 7,335                        | 191,102                   | 198,437                            | 4 46                                     | 3 70                                   | 3,808,853                                     | 63,307,437   | 519                | 331                |

(continued)

**Appendix I**  
**Number of Handicapped Children and**  
**Amount of Funding Allocations for Chapter 1**  
**Handicapped (P.L. 89-313) and EHA (P.L. 94-**  
**142) Programs**

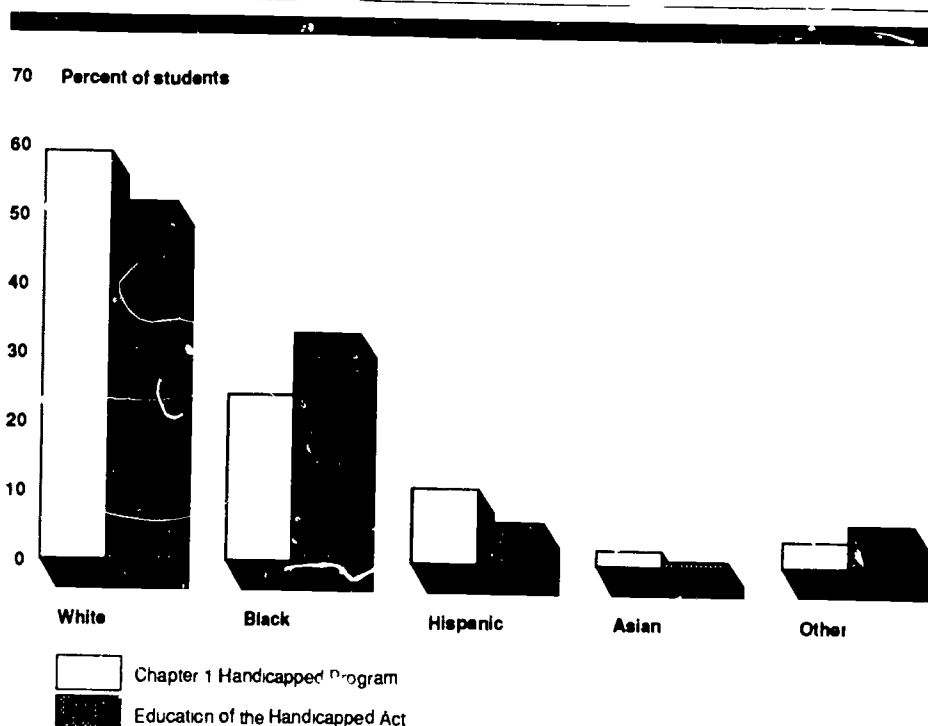
| State          | 89-313<br>student<br>count<br>10-1-87 | EHA<br>student<br>count<br>12-1-97 | Total<br>handi-<br>capped<br>children<br>1987/88 | Percent<br>of<br>nation's<br>handi-<br>capped in<br>state | Percent<br>of state<br>handicapped<br>in 89-313 | Fiscal Year 1989 funding allocations to state |                        |                           |                           |
|----------------|---------------------------------------|------------------------------------|--|---|---|---|------------------------|---------------------------|---------------------------|
|                |                                       |                                    |  |   |   | 89-313  | 94-142                 | 89-313<br>per-<br>student | 94-142<br>per-<br>student |
| Oklahoma       | 1,159                                 | 62,639                             | 63,798   | 1.43  | 1.82  | 536,631                                       | 20,750,775             | 463                       | 331                       |
| Oregon         | 6,209                                 | 42,177                             | 48,386   | 1.09  | 12.83   | 3,783,618                                     | 13,972,213             | 609                       | 331                       |
| Pennsylvania   | 21,891                                | 186,627                            | 208,518  | 4.69  | 10.50   | 14,166,395                                    | 61,824,979             | 647                       | 331                       |
| Rhode Island   | 881                                   | 18,974                             | 19,855   | 0.45  | 4.44  | 579,984                                       | 6,285,624              | 658                       | 331                       |
| South Carolina | 860                                   | 74,130                             | 74,990   | 1.69  | 1.15  | 392,666                                       | 24,557,463             | 445                       | 331                       |
| South Dakota   | 504                                   | 13,916                             | 14,420   | 0.32  | 3.50  | 223,426                                       | 4,610,032              | 443                       | 331                       |
| Tennessee      | 1,242                                 | 97,047                             | 98,289   | 2.21  | 1.26  | 545,093                                       | 32,149,307             | 439                       | 331                       |
| Texas          | 11,302                                | 300,296                            | 311,598  | 7.00  | 3.63  | 5,425,071                                     | 99,480,750             | 480                       | 331                       |
| Utah           | 2,200                                 | 42,624                             | 44,824   | 1.01  | 4.91  | 965,543                                       | 14,120,293             | 439                       | 331                       |
| Vermont        | 2,721                                 | 9,523                              | 12,244   | 0.28  | 22.22   | 1,604,084                                     | 3,154,738              | 590                       | 331                       |
| Virginia       | 1,721                                 | 103,920                            | 105,641  | 2.37  | 1.63  | 892,630                                       | 34,426,164             | 519                       | 331                       |
| Washington     | 4,002                                 | 69,651                             | 73,653   | 1.66  | 5.43  | 2,284,009                                     | 23,073,680             | 571                       | 331                       |
| West Virginia  | 1,779                                 | 44,643                             | 46,422   | 1.04  | 3.83  | 918,966                                       | 14,789,136             | 517                       | 331                       |
| Wisconsin      | 2,824                                 | 75,144                             | 77,968   | 1.75  | 3.62  | 1,738,720                                     | 24,893,377             | 616                       | 331                       |
| Wyoming        | 1,235                                 | 9,659                              | 10,894   | 0.24  | 11.34   | 813,031                                       | 3,199,791              | 658                       | 331                       |
| <b>Total</b>   | <b>259,399</b>                        | <b>4,189,658</b>                   | <b>4,449,057</b>                                 | <b>100.0</b>  | <b>5.83</b>                                     | <b>\$150,548,733</b>                          | <b>\$1,387,931,633</b> | <b>\$580</b>              | <b>\$331</b>              |



# Ethnic and Economic Characteristics of Students in GAO Review

No national data exist to identify the ethnic and economic characteristics of the students served in the Chapter 1 Handicapped and EHA programs. However, we collected demographic data on 106,800 of the children in Chapter 1 or EHA at the 24 locations in eight states we visited to determine how children in these programs differed. (Of the 106,800 children, 9,800 were in Chapter 1 and 97,000 were in EHA.) Because of time constraints, we collected ethnic and economic data for several handicapping conditions, but for only one handicap category at each location. As shown in figure II.1, EHA had a slightly larger percentage of minorities than Chapter 1 in these 24 locations during school year 1987-88.

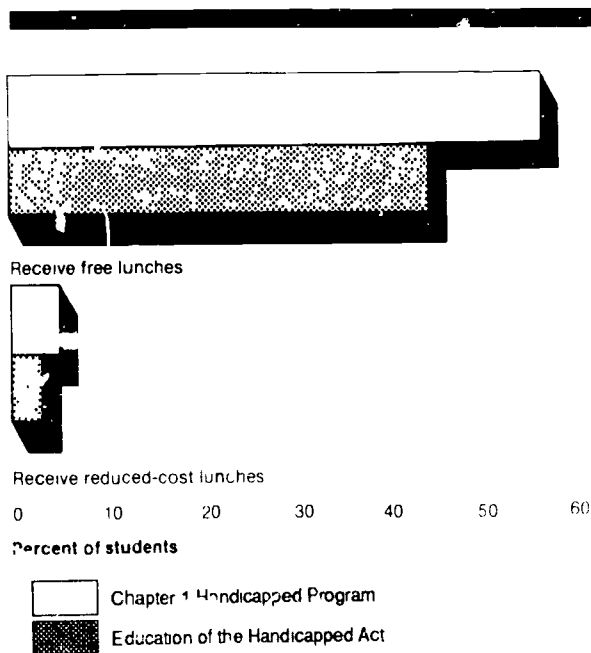
**Figure II.1: Race or Ethnic Origin of Students at 24 Locations GAO Visited (1988)**



As shown in figure II.2, a larger percentage of children get free or reduced-cost lunch in Chapter 1 than in EHA (data were available at only 14 of the 24 locations we visited).

Appendix II  
Ethnic and Economic Characteristics of  
Students in GAO Review

Figure II.2: Student Participation in  
Lunch Programs (1988)



Note: Data are based on information obtained from 14 states GAO visited

# State and Local Education Agencies Included in GAO Review

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## California

State Department of Education (Sacramento)  
Department of Developmental Services (Sacramento)  
Napa State Hospital (Napa)  
California School for the Deaf (Fremont)  
California School for the Deaf (Riverside)

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## Illinois

State Board of Education (Springfield)  
Chicago Public Schools (Chicago)  
Northwest Suburban Special Education Organization (Palatine)  
Dupage/West Cook Regional Special Education Association (Lombard)

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## Kansas

State Department of Education (Topeka)  
Rainbow Mental Health Facility (Kansas City)  
Early Education Center (Hutchinson)  
Arrowhead West, Inc. (Dodge City)

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## Michigan

Department of Education (Lansing)  
Detroit Public Schools (Detroit)  
Macomb Intermediate School District (Mt. Clemens)  
Genesee Intermediate School District (Flint)

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## New York

The State Education Department (Albany)  
New York City Board of Education  
Syracuse City School District  
Rochester City School District

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## Ohio

Department of Education Division of Special Education (Worthington)  
Hamilton County Board of Mental Retardation and Developmental Disabilities (Cincinnati)  
Lucas County Board of Mental Retardation and Developmental Disabilities (Toledo)  
Cuyahoga County Board of Mental Retardation and Developmental Disabilities (Cleveland)

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**Appendix III  
State and Local Education Agencies Included  
in GAO Review**

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**Pennsylvania**

Department of Education (Harrisburg)  
Intermediate Unit #26 (Philadelphia)  
Bucks County Intermediate Unit #22 (Doylestown)  
Allegheny Intermediate Unit #3 (Pittsburgh)

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**Texas**

Texas Education Agency (Austin)  
Houston Independent School District  
Dallas Independent School District  
Fort Worth Independent School District

# Technical Description of GAO's Data Collection Instrument Development and Sampling Methodology

During the spring and summer 1988, we collected individualized education programs (IEPs) from 24 locations in eight states across the country. Using a standardized data collection instrument, we coded selected information for analysis. This appendix contains a technical description of our instrument development and testing, sampling design, and calculation of sampling errors.

## Data Collection Instrument Design and Pretest

To obtain consistent IEP information at each state, school district, and state operated agency, we designed a standardized data collection instrument. The design process included using a variety of IEPs from different educational settings (state hospital, state operated program, intermediate school district, and local education agency) in two states. From these IEPs we identified the key data elements needed for our analysis. These elements became the basis for a series of close-ended questions that fell into the following categories.

- general background information about the student,
- type of handicapping condition,
- nature of services provided,
- location and setting of service, and
- parental involvement in the IEP development process.

Before implementing the data collection instrument, we pretested it at various locations in two states. GAO staff used the instrument to record the desired information. Based on the results of these pretests, we revised the instrument to ensure (1) the instrument provided relevant information, (2) questions were easy to answer, and (3) the information was generally free of design bias.

Each question was then programmed into an interactive computer program thus enabling a coder to evaluate an IEP, respond to the prompted question on the computer screen, and record the answer.

## Sampling Plan for IEP

Our review focused on 24 selected schools and local education agencies. To the extent possible, we wanted to compare students with selected handicapping conditions in the Chapter 1 Handicapped and EHA programs at these locations. We obtained student lists from the appropriate schools or agencies to identify the universe of students with the selected handicapping conditions at each of these locations. We selected a total of 38 random samples (23 Chapter 1 and 15 EHA) from the 24 locations in our review. In some cases it was impossible to compare

Appendix IV  
 Technical Description of GAO's Data  
 Collection Instrument Development and  
 Sampling Methodology

Chapter 1 and EHA program students at each location as noted below. Table IV.1 shows the handicapping conditions reviewed, the universe and sample sizes for each of the 38 samples, and the resulting response rates. Depending on the location, response rates less than 100 percent reflect school officials inability or unwillingness to send us all sampled IEPS.

Table IV.1: Universe and Sample Sizes and Response Rate for Schools and Education Agencies in GAO Review

Chapter 1 Handicapped Programs

| Chapter 1: Handicapped Programs                           |                       |          |        |                         | Response rate (percent) | EHA Programs |                         | Response rate (percent) |
|---|-----------------------|----------|--------|-------------------------|-------------------------|--------------|-------------------------|-------------------------|
| State/location  | Handicap reviewed     | Universe | Sample | Response rate (percent) | Universe                | Sample       | Response rate (percent) |                         |
| <b>California:</b>  |                       |          |        |                         |                         |              |                         |                         |
| School for the Deaf (Fremont) <sup>2</sup>                | Hard of hearing/deaf  | 454      | 100    | 100                     |                         |              |                         |                         |
| Napa State Hospital (Napa) <sup>a</sup>                   | Emotionally disturbed | 159      | 100    | 98                      |                         |              |                         |                         |
| School for the Deaf (Riverside) <sup>2</sup>              | Hard of hearing/deaf  | 331      | 100    | 100                     |                         |              |                         |                         |
| <b>Illinois:</b>  |                       |          |        |                         |                         |              |                         |                         |
| Chicago Public Schools                                    | Learning disabled     | 2,794    | 104    | 100                     | 10,472                  | 105          | 99                      |                         |
| Dupage/West Cook (Lombard)                                | Hard of hearing/deaf  | 193      | 100    | 99                      | 86                      | 85           | 100                     |                         |
| Northwest Suburban Special Education                      | Learning disabled     | 266      | 100    | 98                      | 3,425                   | 103          | 98                      |                         |
| <b>Kansas:</b>  |                       |          |        |                         |                         |              |                         |                         |
| Arrowhead West (Dodge City) <sup>1</sup>                  | Speech impaired       | 36       | 36     | 100                     |                         |              |                         |                         |
| Early Ed Center (Hutchinson) <sup>1</sup>                 | Speech impaired       | 49       | 49     | 100                     |                         |              |                         |                         |
| Rainbow Mental Health Facility (Kansas City) <sup>a</sup> | Emotionally disturbed | 49       | 49     | 100                     |                         |              |                         |                         |
| <b>Michigan:</b>  |                       |          |        |                         |                         |              |                         |                         |
| Detroit Public Schools <sup>1</sup>                       | Learning disabled     |          |        |                         | 5,081                   | 104          | 95                      |                         |
| Genesee Intermediate School District (Flint)              | Mentally retarded     | 415      | 100    | 100                     | 1,144                   | 100          | 53                      |                         |
| Macomb Intermediate School District (Mt. Clemens)         | Mentally retarded     | 328      | 100    | 100                     | 59                      | 59           | 100                     |                         |
| <b>New York:</b>  |                       |          |        |                         |                         |              |                         |                         |
| New York City Board of Education                          | Learning disabled     | 564      | 125    | 100                     | 68,683                  | 125          | 79                      |                         |
| Rochester School District                                 | Emotionally disturbed | 56       | 56     | 95                      | 863                     | 100          | 98                      |                         |
| Syracuse School District                                  | Emotionally disturbed | 38       | 38     | 100                     | 488                     | 114          | 98                      |                         |
| <b>Ohio:</b>  |                       |          |        |                         |                         |              |                         |                         |
| Cuyahoga County (Cleveland)                               | Mentally retarded     | 964      | 100    | 97                      | •                       | •            |                         |                         |
| Hamilton County (Cincinnati) <sup>c</sup>                 | Mentally retarded     | 491      | 100    | 100                     | •                       | •            |                         |                         |
| Lucas County (Toledo)                                     | Mentally retarded     | 307      | 100    | 99                      | •                       | •            |                         |                         |
| <b>Pennsylvania:</b>                                      |                       |          |        |                         |                         |              |                         |                         |
| Allegheny County Intermediate Unit #3 (Pittsburgh)        | Speech impaired       | 157      | 87     | 98                      | 2,464                   | 150          | 93                      |                         |

(continued)

Chapter 1 Handicapped Programs

| State/location                                     | Handicap reviewed    | Universe     | Sample | Response<br>rate<br>(percent) | EHA Programs  |        | Response<br>rate<br>(percent) |
|--|----------------------|--------------|--------|-------------------------------|---------------|--------|-------------------------------|
|  |                      |              |        |                               | Universe      | Sample |                               |
| Bucks County Intermediate Unit<br>#22 (Doylestown) | Mentally retarded    | 371          | 100    | 90                            | 578           | 100    | 91                            |
| Philadelphia Intermediate Unit<br>#26              | Mentally retarded    | 1,002        | 120    | 57                            | 3,609         | 120    | 62                            |
| <b>Texas:</b>                                      |                      |              |        |                               |               |        |                               |
| Dallas Independent School<br>District              | Hard of hearing/deaf | 361          | 100    | 93                            | 12            | 12     | 92                            |
| Fort Worth Independent School<br>District          | Hard of hearing/deaf | 104          | 104    | 99                            | 11            | 11     | 100                           |
| Houston Independent School<br>District             | Hard of hearing/deaf | 268          | 100    | 88                            | 33            | 33     | 91                            |
| <b>Total</b>                                       |                      | <b>9,757</b> |        |                               | <b>97,008</b> |        |                               |
| Number of programs sampled                         |                      | 23           |        |                               | 15            |        |                               |

<sup>a</sup>No EHA program students at this location

<sup>b</sup>No learning disabled students in Chapter 1 Handicapped Program

<sup>c</sup>No mentally retarded students in EHA program at these locations

We weighted the IEPs from each of the samples based on the ratio of the universe to the sample responses of each of the 38 samples selected. The weighted cases were used to project our results to the universe of students with the handicapping conditions in both programs at the locations we visited.

As we collected and recorded the data, we verified the quality of the instrument to collect accurate information. Selecting a random sample of 10 percent or at a minimum 10 IEPs from each of our 38 groups of handicapped students, an independent person recoded the data in the computer program. This process allowed us to establish a "coefficient of inter-rater agreement." This coefficient measured the reliability of the data collection instrument to capture the same information if two different persons evaluated and coded with the same IEP. The reliability coefficients for our samples ranged from 87 to 100 percent, with an average coefficient of 96 percent.

## Sampling Errors

Using our sample results, we estimated various characteristics of students in the Chapter 1 Handicapped and EHA programs in our review. Because these estimates are made from statistical samples of IEPs, each estimate has a sampling error. A sampling error is the measure of the expected difference between the values found in a sample and the value



of the same characteristic that would have been found by examining the entire universe.

Sampling errors are usually stated at a specific confidence level—in this case, 95 percent. This means that chances are 95 out of 100 that, if we had reviewed all IEPs at the locations we visited, the results would differ from the estimates we have made, based on our sample, by no more than the sampling error of the estimate.

Our sampling plan was designed to provide sample sizes that would yield expected error of not greater than 10 percent at the 95 percent confidence level. However, the actual sampling error for any reported figure derived from the sample depends upon the percentage of the sample that actually had the attribute in question. The following tables show the sampling errors for the estimates found in tables in our study.

**Table IV.2: Sampling Errors Related to the Ethnic Classification of Sampled Children by Educational Program**  
 (Data for Figure II.1)

| Ethnic group                         | Students in each ethnic classification |                      |                      |                                |
|--------------------------------------|--|----------------------|----------------------|--------------------------------|
|                                      | Estimated number                       | Sampling error (+/-) | Estimated percentage | Sampling error (+/-) (percent) |
| <b>Chapter 1 Handicapped Program</b> |  |                      |                      |                                |
| White                                | 4,300                                  | 272                  | 44.1                 | 2.8                            |
| Black                                | 3,675                                  | 313                  | 37.7                 | 3.2                            |
| Hispanic                             | 1,338                                  | 240                  | 13.7                 | 2.5                            |
| Asian                                | 214                                    | 80                   | 2.2                  | .8                             |
| Other                                | 230                                    | 51                   | 2.4                  | .5                             |
| <b>EHA Program</b>                   |  |                      |                      |                                |
| White                                | 26,766                                 | 5,909                | 27.6                 | 6.1                            |
| Black                                | 40,845                                 | 6,702                | 42.1                 | 6.9                            |
| Hispanic                             | 24,501                                 | 6,404                | 25.3                 | 6.6                            |
| Asian                                | 1,437                                  | 1,913                | 1.5                  | 2.0                            |
| Other                                | 3,459                                  | 2,348                | 3.6                  | 2.4                            |

Appendix IV  
Technical Description of GAO's Data  
Collection Instrument Development and  
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**Table IV.3: Sampling Errors Related to Participation in Free or Reduced-Cost Lunch Program** (Data for Figure II 2)

| Type of participation                | Students in each lunch program |                      |                      |                                |
|--------------------------------------|--------------------------------|----------------------|----------------------|--------------------------------|
|                                      | Estimated number               | Sampling error (+/-) | Estimated percentage | Sampling error (+/-) (percent) |
| <b>Chapter 1 Handicapped Program</b> |                                |                      |                      |                                |
| Free lunch                           | 3,396                          | 261                  | 59.3                 | 4.5                            |
| Reduced-cost lunch                   | 278                            | 108                  | 4.9                  | 1.9                            |
| No lunch assistance                  | 2,049                          | 251                  | 35.8                 | 2.6                            |
| <b>EHA Program</b>                   |                                |                      |                      |                                |
| Free lunch                           | 9,845                          | 1,126                | 46.4                 | 5.2                            |
| Reduced cost lunch                   | 375                            | 295                  | 1.8                  | 1.4                            |
| No lunch assistance                  | 11,009                         | 1,117                | 51.9                 | 1.2                            |

**Table IV.4: Sampling Errors Related to Percent of Children in Special Education Classrooms Full Time and Part Time** (Data for Figure 3 1)

| Handicapping                         | Students in special education full-time |                      |                      |                                |
|--------------------------------------|---|----------------------|----------------------|--------------------------------|
|                                      | Estimated number                        | Sampling error (+/-) | Estimated percentage | Sampling error (+/-) (percent) |
| <b>Chapter 1 Handicapped Program</b> |   |                      |                      |                                |
| Hard of hearing                      | 1,614                                   | 26                   | 35.1                 | 1.5                            |
| Mentally retarded                    | 3,837                                   | 130                  | 99.4                 | 0.8                            |
| Emotionally disturbed                | 262                                     | 5                    | 92.3                 | 1.7                            |
| Speech impaired                      | 178                                     | 11                   | 73.9                 | 4.6                            |
| Learning disabled                    | 2,638                                   | 231                  | 74.7                 | 6.4                            |
| <b>EHA Program</b>                   |   |                      |                      |                                |
| Hard of hearing                      | 18                                      | 2                    | 18.0                 | 1.7                            |
| Mentally retarded                    | 4,373                                   | 222                  | 34.4                 | 4.3                            |
| Emotionally disturbed                | 870                                     | 65                   | 73.2                 | 5.5                            |
| Speech-impaired                      | 0                                       | N/A                  | 0.0                  | N/A                            |
| Learning disabled                    | 40,380                                  | 6,682                | 47.8                 | 7.9                            |

**Appendix IV**  
**Technical Description of GAO's Data**  
**Collection Instrument Development and**  
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**Students in special education part-time**

| Handicapping condition               | Estimated number | Sampling error (+/-) | Estimated percentage | Sampling error(+/-) (percent) |
|--------------------------------------|------------------|----------------------|----------------------|-------------------------------|
| <b>Chapter 1 Handicapped Program</b> |                  |                      |                      |                               |
| Hard of hearing                      | 23               | 16                   | 1.4                  | 0.9                           |
| Mentally retarded                    | 23               | 29                   | 0.6                  | 0.8                           |
| Emotionally disturbed                | 13               | 5                    | 4.5                  | 1.7                           |
| Speech-impaired                      | 0                | N/A                  | 0.0                  | N/A                           |
| Learning disabled                    | 747              | 214                  | 21.2                 | 1.6                           |
| <b>EHA Program</b>                   |                  |                      |                      |                               |
| Hard of hearing                      | 18               | 2                    | 17.8                 | 2.1                           |
| Mentally retarded                    | 798              | 222                  | 15.4                 | 4.3                           |
| Emotionally disturbed                | 26               | 28                   | 2.2                  | 2.3                           |
| Speech-impaired                      | 0                | N/A                  | 0.0                  | N/A                           |
| Learning disabled                    | 33,244           | 6,684                | 39.3                 | 7.9                           |

**Students in each ethnic classification**

| Handicapping condition               | Estimated number | Sampling Error (+/-) | Estimated percentage | Sampling error(+/-) (percent) |
|--------------------------------------|------------------|----------------------|----------------------|-------------------------------|
| <b>Chapter 1 Handicapped Program</b> |                  |                      |                      |                               |
| Hard of hearing                      | 60               | 22                   | 3.5                  | 1.3                           |
| Mentally retarded                    | 0                | N/A                  | 0.0                  | N/A                           |
| Emotionally disturbed                | 9                | 0                    | 3.2                  | 0.0                           |
| Speech-impaired                      | 63               | 11                   | 26.1                 | 4.6                           |
| Learning disabled                    | 145              | 114                  | 4.1                  | 3.2                           |
| <b>EHA Program</b>                   |                  |                      |                      |                               |
| Hard of hearing                      | 64               | 2                    | 64.3                 | 2.1                           |
| Mentally retarded                    | 22               | 41                   | 4                    | 8                             |
| Emotionally disturbed                | 293              | 60                   | 24.6                 | 5.1                           |
| Speech-impaired                      | 2,154            | 0                    | 100.0                | 0.0                           |
| Learning disabled                    | 10,886           | 2,559                | 12.9                 | 3.0                           |

Appendix IV  
Technical Description of GAO's Data  
Collection Instrument Development and  
Sampling Methodology

**Table IV.5: Sampling Errors Related to  
Percent of Students Receiving Selected  
Services** (Data for Table 3.4)

**Mentally retarded students**

| Service                              | Estimated<br>number | Sampling<br>error (+/-) | Estimated<br>percentage | Sampling<br>error (+/-)<br>(percent) |
|--------------------------------------|---------------------|-------------------------|-------------------------|--------------------------------------|
| <b>Chapter 1 Handicapped Program</b> |                     |                         |                         |                                      |
| Speech therapy                       | 2 927               | 104                     | 75.8                    | 2.7                                  |
| Counseling                           | 167                 | 81                      | 4.3                     | 2.1                                  |
| Occupational therapy                 | 1 043               | 142                     | 27.0                    | 3.7                                  |
| Music therapy                        | 805                 | 76                      | 20.9                    | 2.0                                  |
| Adaptive physical<br>education       | 2 494               | 104                     | 64.6                    | 2.7                                  |
| <b>EHA Programs</b>                  |                     |                         |                         |                                      |
| Speech therapy                       | 1 813               | 406                     | 34.9                    | 7.8                                  |
| Counseling                           | 994                 | 362                     | 19.1                    | 7.0                                  |
| Occupational therapy                 | 130                 | 108                     | 2.5                     | 2.1                                  |
| Music therapy                        | 0                   | N/A                     | 0.0                     | N/A                                  |
| Adaptive physical<br>education       | 392                 | 123                     | 7.6                     | 2.4                                  |

**Emotionally disturbed students**

| Service                              | Estimated<br>number | Sampling<br>error (+/-) | Estimated<br>percentage | Sampling<br>error (+/-)<br>(percent) |
|--------------------------------------|---------------------|-------------------------|-------------------------|--------------------------------------|
| <b>Chapter 1 Handicapped Program</b> |                     |                         |                         |                                      |
| Speech therapy                       | 60                  | 7                       | 21.2                    | 2.5                                  |
| Counseling                           | 223                 | 3                       | 78.7                    | 1.2                                  |
| Occupational therapy                 | 42                  | 8                       | 14.2                    | 2.9                                  |
| Music therapy                        | 68                  | 9                       | 23.9                    | 3.2                                  |
| Adaptive physical<br>education       | 58                  | 9                       | 20.3                    | 3.3                                  |
| <b>EHA Program</b>                   |                     |                         |                         |                                      |
| Speech therapy                       | 206                 | 65                      | 17.3                    | 5.5                                  |
| Counseling                           | 668                 | 74                      | 56.2                    | 6.2                                  |
| Occupational therapy                 | 9                   | 16                      | 0.7                     | 1.4                                  |
| Music therapy                        | 0                   | N/A                     | 0.0                     | N/A                                  |
| Adaptive physical<br>education       | 9                   | 16                      | 0.7                     | 1.9                                  |

**Appendix IV**  
**Technical Description of GAO's Data**  
**Collection Instrument Development and**  
**Sampling Methodology**

**Hard-of-hearing student**

| <b>Service</b>                       | <b>Estimated number</b> | <b>Sampling error (+/-)</b> | <b>Estimated percentage</b> | <b>Sampling error (+/-) (percent)</b> |
|--------------------------------------|-------------------------|-----------------------------|-----------------------------|---------------------------------------|
| <b>Chapter 1 Handicapped Program</b> |                         |                             |                             |                                       |
| Speech therapy                       | 624                     | 53                          | 36.8                        | 3.1                                   |
| Counseling                           | 237                     | 40                          | 13.9                        | 2.4                                   |
| Occupational therapy                 | 71                      | 24                          | 4.2                         | 1.4                                   |
| Music therapy                        | 0                       | N/A                         | 0.0                         | N/A                                   |
| Adaptive physical education          | 69                      | 21                          | 4.1                         | 1.3                                   |
| <b>EHA Program</b>                   |                         |                             |                             |                                       |
| Speech therapy                       | 49                      | 2                           | 49.4                        | 2.3                                   |
| Counseling                           | 6                       | 0                           | 6.0                         | 0.0                                   |
| Occupational therapy                 | 2                       | 1                           | 0.7                         | 0.7                                   |
| Music therapy                        | 0                       | N/A                         | 0.0                         | N/A                                   |
| Adaptive physical education          | 2                       | 1                           | 2.1                         | 0.8                                   |

**Learning disabled students**

| <b>Service</b>                       | <b>Estimated number</b> | <b>Sampling error (+/-)</b> | <b>Estimated percentage</b> | <b>Sampling error (+/-) (percent)</b> |
|--------------------------------------|-------------------------|-----------------------------|-----------------------------|---------------------------------------|
| <b>Chapter 1 Handicapped Program</b> |                         |                             |                             |                                       |
| Speech therapy                       | 1,958                   | 268                         | 55.4                        | 7.6                                   |
| Counseling                           | 2,096                   | 263                         | 59.3                        | 7.4                                   |
| Occupational therapy                 | 248                     | 111                         | 7.0                         | 3.1                                   |
| Music therapy                        | 0                       | N/A                         | 0.0                         | N/A                                   |
| Adaptive physical Education          | 89                      | 35                          | 2.5                         | 1.0                                   |
| <b>EHA Program</b>                   |                         |                             |                             |                                       |
| Speech therapy                       | 19,268                  | 5,697                       | 22.8                        | 6.7                                   |
| Counseling                           | 36,385                  | 6,730                       | 43.1                        | 8.0                                   |
| Occupational therapy                 | 254                     | 247                         | 0.3                         | 0.3                                   |
| Music therapy                        | 0                       | N/A                         | 0.0                         | N/A                                   |
| Adaptive physical education          | 779                     | 1,364                       | 0.9                         | 1.6                                   |

Appendix IV  
Technical Description of GAO's Data  
Collection Instrument Development and  
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Speech Impaired Students

| Service                              | Estimated number | Sampling error (+/-) | Estimated percentage | Sampling error (+/-) (percent) |
|--------------------------------------|------------------|----------------------|----------------------|--------------------------------|
| <b>Chapter 1 Handicapped Program</b> |                  |                      |                      |                                |
| Speech therapy                       | 239              | 2                    | 99.2                 | 1.0                            |
| Counseling                           | 0                | N/A                  | 0.0                  | N/A                            |
| Occupational therapy                 | 17               | 0                    | 7.1                  | 0.0                            |
| Music therapy                        | 0                | N/A                  | 0.0                  | N/A                            |
| Adaptive physical education          | 48               | 0                    | 19.9                 | 0.0                            |
| <b>EHA Program</b>                   |                  |                      |                      |                                |
| Speech therapy                       | 2,464            | 9                    | 100.0                | 0.4                            |
| Counseling                           | 0                | N/A                  | 0.0                  | N/A                            |
| Occupational therapy                 | 0                | N/A                  | 0.0                  | N/A                            |
| Music therapy                        | 0                | N/A                  | 0.0                  | N/A                            |
| Adaptive physical education          | 0                | N/A                  | 0.0                  | N/A                            |

Table IV.6: Sampling Errors Related to Average Minutes of Service Provided (Data for Table 3.2)

|                       | Average minutes of Service Provided |                      |                             |                                |
|-----------------------|-------------------------------------|----------------------|-----------------------------|--------------------------------|
|                       | Chapter 1                           |                      | EHA                         |                                |
|                       | Estimated number minutes            | Sampling error (+/-) | Estimated number of minutes | Sampling error (+/-) (percent) |
| <b>Handicapping</b>   |                                     |                      |                             |                                |
| Emotionally disturbed | 382.7                               | 16                   | 69.5                        | 12                             |
| Mentally retarded     | 152.6                               | 6                    | 65.6                        | 9                              |
| Speech impaired       | 80.1                                | 15                   | 37.0                        | 0                              |
| Learning disabled     | 77.8                                | 9                    | 63.5                        | 7                              |
| Hard of hearing/deaf  | 73.9                                | 8                    | 81.0                        | 16                             |

The sampling errors for the remaining estimates contained in the report do not exceed plus or minus 3.3 percentage points for the Chapter 1 Handicapped Program students and 13.1 percentage points for EHA students. The following table shows the specific error rates.

**Appendix IV**  
**Technical Description of GAO's Data**  
**Collection Instrument Development and**  
**Sampling Methodology**

**Table IV.7: Sampling Errors Related to  
Remaining Reported Estimates** (Figures  
Are Percentages)

| <b>Estimate description</b>  | <b>Estimate</b> | <b>Sampling<br/>error (+/-)</b> |
|--|-----------------|---------------------------------|
| Percent of IEPs prepared within 1 year of GAO review   | 93.7            | 3.1                             |
| Percent of IEPs indicating cognitive, affective, and<br>psychomotor criteria used for student evaluation | 96.9            | 0.5                             |
| Percent of students whose handicapping classification was<br>changed by IEP evaluation                   | 1.5             | 0.7                             |
| Percent of parents informed of their rights—Chapter 1<br>Handicapped Program students                    | 99.5            | 3.3                             |
| Percent of parents informed of their rights—EHA program<br>students                                      | 99.9            | 6.3                             |
| Percent of IEPs signed by parent—Chapter 1 Handicapped<br>Program students                               | 80.5            | 3.3                             |
| Percent of IEPs signed by parent—EHA program students  | 80.1            | 13.1                            |
| Percent of IEP committee persons disagreeing with IEP<br>decision—Chapter 1 Handicapped Program students | 1.8             | 1.9                             |
| Percent of IEP committee persons disagreeing with IEP<br>decision—EHA program students                   | 0.8             | 0.8                             |
| Percent of Chapter 1 Handicapped Program students'<br>parents informed of rights at meeting or by form   | 39.2            | 1.9                             |
| Percent of EHA program students' parents informed of<br>rights before meeting                            | 9.9             | 1.2                             |



# Changes in State Funding Allocations Based on Percent of Nation's Handicapped Children in States

| State          | Number of handicapped children 1987/88 | Percent of nation's handicapped in state | Current 89-313 allocation | Proposed alternate allocation | Increase-decrease |
|----------------|--|--|---------------------------|-------------------------------|-------------------|
| California     | 410,175                                | 9.22                                     | \$1,213,565               | \$13,879,644                  | \$12,666,079      |
| Texas          | 311,598                                | 7.00                                     | 5,425,071                 | 10,543,961                    | 5,118,890         |
| Ohio           | 196,437                                | 4.46                                     | 3,808,853                 | 3,714,780                     | 2,905,927         |
| Tennessee      | 98,289                                 | 2.21                                     | 545,093                   | 3,325,937                     | 2,780,844         |
| Virginia       | 105,641                                | 2.37                                     | 892,630                   | 3,574,717                     | 2,682,087         |
| Alabama        | 95,820                                 | 2.15                                     | 593,370                   | 3,242,390                     | 2,649,020         |
| Minnesota      | 82,967                                 | 1.86                                     | 284,818                   | 2,807,466                     | 2,522,648         |
| North Carolina | 109,397                                | 2.46                                     | 1,256,084                 | 3,701,814                     | 2,445,730         |
| Florida        | 194,223                                | 4.37                                     | 4,241,065                 | 6,572,185                     | 2,331,120         |
| Missouri       | 99,721                                 | 2.24                                     | 1,148,246                 | 3,374,394                     | 2,226,148         |
| South Carolina | 74,990                                 | 1.69                                     | 382,666                   | 2,537,538                     | 2,154,872         |
| Georgia        | 92,957                                 | 2.03                                     | 1,284,173                 | 3,145,511                     | 1,861,338         |
| Maryland       | 89,985                                 | 2.02                                     | 1,196,263                 | 3,044,914                     | 1,848,681         |
| New Jersey     | 173,403                                | 3.90                                     | 4,047,382                 | 5,867,671                     | 1,820,289         |
| Iowa           | 56,415                                 | 1.27                                     | 222,809                   | 1,908,990                     | 1,686,181         |
| Oklahoma       | 63,798                                 | 1.43                                     | 536,631                   | 2,158,819                     | 1,622,188         |
| Mississippi    | 58,589                                 | 1.32                                     | 420,450                   | 1,982,555                     | 1,562,105         |
| Arizona        | 54,025                                 | 1.21                                     | 584,865                   | 1,028,117                     | 1,243,252         |
| Kentucky       | 76,573                                 | 1.72                                     | 1,471,137                 | 2,391,104                     | 1,119,967         |
| Nebraska       | 30,450                                 | 0.68                                     | 130,409                   | 1,030,378                     | 899,969           |
| Wisconsin      | 77,968                                 | 1.75                                     | 1,738,720                 | 2,638,308                     | 899,588           |
| New Mexico     | 31,383                                 | 0.71                                     | 221,000                   | 1,061,949                     | 840,949           |
| West Virginia  | 46,422                                 | 1.04                                     | 918,966                   | 1,570,844                     | 651,878           |
| Utah           | 44,824                                 | 1.01                                     | 96,543                    | 1,516,770                     | 551,227           |
| Idaho          | 19,136                                 | 0.43                                     | 120,693                   | 647,531                       | 526,838           |
| Maine          | 28,193                                 | 0.63                                     | 569,104                   | 954,005                       | 384,901           |
| South Dakota   | 14,420                                 | 0.32                                     | 223,426                   | 487,949                       | 264,523           |
| Kansas         | 42,900                                 | 0.96                                     | 1,201,093                 | 1,452,680                     | 251,587           |
| Washington     | 73,653                                 | 1.66                                     | 2,284,009                 | 2,492,296                     | 208,287           |
| Nevada         | 15,122                                 | 0.34                                     | 304,407                   | 511,703                       | 207,296           |
| Montana        | 15,343                                 | 0.34                                     | 359,729                   | 519,182                       | 159,453           |
| Hawaii         | 11,835                                 | 0.27                                     | 258,101                   | 400,477                       | 142,376           |
| Arkansas       | 47,051                                 | 1.06                                     | 1,481,670                 | 1,592,111                     | 110,458           |
| North Dakota   | 12,483                                 | 0.28                                     | 329,545                   | 422,404                       | 92,859            |
| Rhode Island   | 19,855                                 | 0.45                                     | 579,994                   | 671,860                       | 91,876            |
| Louisiana      | 69,460                                 | 1.56                                     | 2,328,403                 | 2,350,412                     | 22,009            |
| New Hampshire  | 16,755                                 | 0.38                                     | 364,909                   | 566,961                       | 2,052             |
| Connecticut    | 64,441                                 | 1.45                                     | 2,273,855                 | 2,180,577                     | -93,278           |

(continued)

**Appendix V**  
**Changes in State Funding Allocations Based**  
**on Percent of Nation's Handicapped Children**  
**in States**

| <b>State</b>            | <b>Number of<br/>handicapped<br/>children 1987/88</b> | <b>Percent of nation's<br/>handicapped in state</b> | <b>Current 89-93<br/>allocation</b> | <b>Proposed alternate<br/>allocation</b> | <b>Increase-decrease</b> |
|-------------------------|---|---|-------------------------------------|--|--------------------------|
| Wyoming                 | 10,894  | 0.24  | 813,031                             | 368,635                                  | -444,396                 |
| Indiana                 | 107,682   | 2.42  | 4,273,992                           | 3,643,781                                | -630,211                 |
| Colorado                | 52,042  | 1.17  | 2,582,710                           | 1,761,015                                | -821,695                 |
| Vermont                 | 12,244  | 0.28  | 1,604,084                           | 414,317                                  | -1,189,767               |
| Alaska                  | 12,846  | 0.29  | 2,109,932                           | 434,687                                  | -1,675,245               |
| Delaware                | 14,681  | 0.33  | 2,402,886                           | 496,781                                  | -1,906,105               |
| Michigan                | 161,128   | 3.62  | 5,513,283                           | 5,452,305                                | -60,978                  |
| Oregon                  | 48,386  | 1.09  | 3,783,618                           | 1,637,302                                | -2,146,316               |
| District of<br>Columbia | 7,161   | 0.16  | 2,903,872                           | 242,316                                  | -2,661,556               |
| Massachusetts           | 145,681   | 3.27  | 10,732,014                          | 4,929,604                                | -5,802,410               |
| Pennsylvania            | 208,518   | 4.69  | 14,166,395                          | 7,055,904                                | -7,110,491               |
| Illinois                | 250,704   | 5.63  | 22,242,455                          | 8,483,409                                | -13,759,046              |
| New York                | 288,363   | 6.48  | 29,011,724                          | 9,757,727                                | -19,253,997              |
| <b>Total</b>            | <b>4,449,057</b>                                      | <b>100.00</b>                                       | <b>\$150,548,733</b>                | <b>\$150,548,733</b>                     | <b>\$0</b>               |

# Comments From the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

APR 10 1980

Mr. Lawrence H. Thompson  
Assistant Comptroller General  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Thompson:

Thank you for the opportunity to comment on the draft report to the Congress on the State Operated Program for Handicapped Children under Chapter 1 of Title I of the Elementary and Secondary Education Act of 1965. In general, the Department agrees with the approach GAO is taking on the issues addressed in this report. The Department of Education supports the concept of merging the Chapter 1 Handicapped program with the program under Part B of the Education of the Handicapped Act (EHA-B) and has made similar proposals in the past.

**RECOMMENDATIONS TO CONGRESS** (page 39 of the report)

We recommend that the Congress restructure the State operated Program to better assure states focus program services on severely handicapped children. This could be done by:

- allocating program funds to states on the basis of their percentage of the nation's total handicapped children;

**Department of Education Response**

We agree that this recommendation is one good approach to eliminating the current funding inequities among States discussed in the report. There are no differences among State populations of handicapped children or sound educational practices that justify these inequities. It should be noted, however, that the recommendation speaks in terms of allocating funds to the States on the basis of "their percentage of the nation's total handicapped children." Elsewhere in the report, the total count is interpreted as the EHA-B child count, which is limited to handicapped children from three through twenty-one years of age. It is unclear whether GAO has considered the current difference in eligibility for generating funding under Chapter 1 and EHA-B. Although children from birth through two years old can currently be served under both programs, they can only be counted under the Chapter 1 program. How children aged birth through two years are treated could have significant implications for the EHA-B child count and Part H, the Handicapped Infants and Toddlers Program.

- eliminating the funding "transfer provision," contained

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Appendix VI  
Comments From the Department  
of Education

in the Education Amendments of 1974:

Department of Education Response

The Department believes that the transfer provision (Chapter 1, section 1221(d)) should be eliminated because it has not been an effective incentive for placing severely handicapped children in integrated rather than segregated environments. Therefore, the Department concurs with GAO's recommendation regarding the transfer provision. However, the Department is concerned that these recommendations may be misunderstood as a recommendation for providing an incentive for States to serve severely handicapped children in segregated State facilities or programs rather than in integrated settings like the public schools. In framing these recommendations, therefore, the Department considers it essential for GAO to indicate that the proposed program should be developed to support the provision of services to all handicapped children in the least restrictive environment.

- **requiring that State Operated program funds be used to serve only severely handicapped children (as identified by each State) in State facilities and public schools.**

Department of Education Response

The Department agrees that the Chapter 1 Severely Handicapped Program and the EHA-B should be merged. However, the Department has not reached a decision about whether, in a program that merges the Chapter 1 program and EHA-B, funds should be set aside for services only to severely handicapped children in State operated or supported facilities or whether it would be more appropriate to allocate funds without regard to severity of handicap or setting for service delivery. One concern is that establishing such a set-aside for the severely handicapped might result in an incentive to place these children in segregated settings, rather than in integrated settings such as public schools. Therefore, any decision about how funding for severely handicapped children should be allocated must consider the potential effects of these allocations upon the least restrictive environment requirement under EHA-B. If a funding set-aside is eliminated, a phase-out provision to allow for adjustment to the eventual full elimination of the Chapter 1 program should be included.

In addition, we urge the GAO, in further discussion of the Chapter 1 program, to refer to it as the "Chapter 1 Handicapped Program" rather than the "State Operated Program" so as not to imply that services under this program may only be provided in State operated facilities and programs.

RECOMMENDATION TO THE SECRETARY OF EDUCATION

**If Congress implements our recommendations in Chapter 2 for refocusing the State Operated Program on severely handicapped**

Appendix VI  
Comments From the Department  
of Education

children, we recommend that the Secretary of Education eliminate from program regulations the provision requiring that each child counted must receive some benefit from program funds.

Department of Education Response

The regulation referred to (34 C.F.R. 302.50(b)) is over ten years old. The Department is currently drafting new regulations for the program to reflect the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988. In the development of new regulations the Department will address the issue raised by GAO. We do not understand, however, how the recommendation that this regulation be eliminated applies to the children to be "counted." As we understand the report, GAO is recommending that all handicapped children, including those children previously counted under the Chapter 1 program, would now be counted under the EHA-B program. Yet under GAO's proposal, funds would not be allocated based upon a count of children served under the Chapter 1 program, or a child count of severely handicapped students. Therefore, it is not clear what the reference to "each child counted" refers to.

RECOMMENDATIONS TO THE CONGRESS (page 62)

Congress should enact legislation to combine the EHA-B and State Operated Programs. If the State Operated Program is merged with EHA-B Program legislation, the Congress should also consider a separate funding set-aside to serve only severely handicapped students.

Department of Education Response

The Department of Education supports the concept of merging the program under EHA-B and the Chapter 1 Handicapped program and has made similar proposals in the past. However, as is discussed above, the Department has not reached a decision about whether, in a program that merges the Chapter 1 program and EHA-B, funds should be set aside for services only to severely handicapped children.

We will be glad to discuss our comments further.

Sincerely,

  
Lauro F. Cavazos

# Major Contributors to This Report

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## Human Resources Division, Washington, D.C.

William J. Gainer, Director Education and Employment Issues,  
(202) 275-5365  
Fred E. Yohey, Jr., Assistant Director  
William DeSarno, Assignment Manager

---

## Detroit Regional Office

C. Robert Coughenour, Evaluator-in-Charge  
Theodore F. Boyden, Site Senior  
Audley Smith, Evaluator  
Brenda J. Trotter, Evaluator  
James Owczarzak, Evaluator  
Lynnette Westfall, Evaluator

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