

**REPORT OF
THE SECRETARY OF EDUCATION
AND
THE SECRETARY OF HUMAN RESOURCES
ON A STUDY RELATING TO
ESTABLISHMENT OF LOCAL AND REGIONAL
SPECIAL EDUCATION FACILITIES
HOUSE JOINT RESOLUTION 264**

House Document No. 12

**COMMONWEALTH OF VIRGINIA
Richmond, Virginia
1980**

December 21, 1979

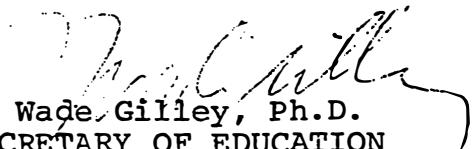
TO: The Honorable John N. Dalton
 Governor of Virginia

The General Assembly of Virginia

Pursuant to House Joint Resolution 264, we are pleased to submit this report on the study of the establishment of local and regional special education facilities. The report includes background information on special education and the Task Force's findings, conclusions, and recommendations.

Moreover, we would like to thank each person who served on the House Joint Resolution 264 Task Force and contributed to the preparation of this report.

Respectfully submitted,


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ean L. Harris, M.D.
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cc: The Honorable A.L. Philpott
The Honorable Edward E. Willey
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November, 1979

HOUSE JOINT RESOLUTION NO. 264

Requesting the Secretary of Education and the Secretary of Human Resources to study the establishment of local and regional special education facilities.

Agreed to by the House of Delegates, February 7, 1979

Agreed to by the Senate, February 19, 1979

WHEREAS, federal and State mandates require free appropriate education fo all handicapped children; and

WHEREAS, many school divisions are unable to provide these children access to appropriate special education programs and facilities; and

WHEREAS, many children who require instruction must be sent to private schools at the public expense; and

WHEREAS, local and regional special education facilities might provide more effective education and services at reduced costs; and

WHEREAS, cooperation and consideration among several State and federal agencies is required; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Secretary of Education and the Secretary of Human Resources are requested to conduct a study to assess the benefit and possible impact of the establishment of local and regional special education facilities including the possibility of new funding or the reallocation of existing funding for such facilities and program. The Secretary of Education and the Secretary of Human Resources are requested to complete their study and make recommendations to the Governor and the General Assembly no later than January one, ninetten hundred eighty.

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INTRODUCTION

House Bill No. 264 required the Secretary of Education and the Secretary of Human Resources to study the establishment of local and regional special education facilities. The study was prompted by the recognition by legislators, state administrators and local officials that many school divisions are unable to meet the educational needs of certain handicapped children in programs administered directly by their systems. The potential for providing effective education and services at reduced costs through local and regional special education facilities has been suggested.

This study is intended to fulfill the request of the Virginia General Assembly by assessing the benefit and possible impact of the establishment of local and regional special education facilities including the possibility of new funding or the reallocation of existing funding for such facilities and program.

The report is divided into four sections.

Section I provides background information on the basis for the mandate to provide all handicapped children an appropriate and free public education as set forth in court decisions and federal or state legislation.

Section II is devoted to the study committee's findings on the requirements for educational services, costs of services, need for related services, and methods of financing educational and related services.

Section III sets forth the committee's conclusions relative to the target group of children that school divisions have the greatest difficulty serving, and problems in planning, financing and implementing programs to meet their educational and related needs.

Section IV provides recommendations to the Governor and the General Assembly on a program to facilitate the development and delivery of educational and related services to those children with handicapping conditions that cannot be served more effectively and efficiently through programs operated by each individual school system.

SECTION I. - BACKGROUND INFORMATION

The policy guaranteeing the right of all handicapped children to a free, appropriate public education, at no cost to parents or guardians has been firmly established by court decisions as well as state and federal legislation enacted during the past decade. The basic principle of equal opportunity for an education, set forth in the 1954 U.S. Supreme Court decision in Brown v. Board of Education, was extended in arguments presented on behalf of the handicapped in two related federal cases, PARC v. State of Pennsylvania and Mills v. Board of Education of the District of Columbia.

These two cases, which were concluded in 1972, established the legal principles that all children are educable in one fashion or another and must be guaranteed complete due process to insure that the provision, restriction or denial of publicly sponsored programs or services are made in a fair and rational manner. The Mills case, in particular, extended the equal-opportunity-for-education principle to insure that "each child of school age shall be provided a free and suitable publicly supported education regardless of the degree of the child's mental, physical, or emotional disability or impairment."

The Constitution of Virginia, as amended in 1971, stipulated that:

The General Assembly shall provide for a system of free public elementary and secondary schools for all children of school age throughout the Commonwealth and shall seek to insure that an educational program of high quality is established and continually maintained. (Constitution of Virginia (1971), Article VIII, Section 1).

Then in 1972, the General Assembly amended the Code of Virginia requiring that:

The Board of Education shall prepare and place in operation a program of special education designed to educate and train handicapped children between the ages of two and twenty one . . . (Code of Virginia, Section 22-10.4), and

Each school division shall provide special education for the handicapped children within its jurisdiction in accordance with rules and regulations of the Board of Education (Code of Virginia, Section 22-10.5).

Congress recognized the impact of the right to education litigation when it enacted Public Law 94-142, the Education for All Handicapped Children Act of 1975. Its stated purpose is to:

Assure that all handicapped children have available to them . . . a free appropriate education which emphasizes special education and related services designed to meet their unique needs, to assure that the right of handicapped children and their parents or guardians are protected, to assist states and localities to provide for the education of all handicapped children and to assess and assure the effectiveness of efforts to educate handicapped children. (The Education for All Handicapped Children Act, Public Law 94-142, 20 U.S.C. 1401, et. seq.).

Further legislative support for the principle of equal protection of the handicapped was provided by a 1974 amendment to the Rehabilitation Act of 1973 which stated that:

No otherwise qualified handicapped individual in the United States . . . shall . . . solely by reason of his handicap, be denied the benefits of, or be subject to discrimination under any program or activity receiving federal financial assistance. (The Rehabilitation Act of 1973, 29 U.S.C. 794)

These decisions and legislation have shaped the concept of a legal right to education and formed the framework within which full educational services for the handicapped are to be provided. State and local public officials responsible for the provision of educational services must therefore provide a program of special education designed to educate and train handicapped children between the ages of two(2) and twenty one(21) and insure that special education and related services:

- o Are provided at public expense, under public supervision and direction and without charge,
- o Meet the standards of the state educational agency,
- o Include preschool, elementary school or secondary school education, and
- o Are provided in conformity with an individualized education program.

Further, states and their local school systems must establish procedures to assure that to the maximum extent appropriate, handicapped children are educated with children who are not handicapped. It is the intent of this policy that 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. The least restrictive alternative principle applies to all handicapped children regardless of the nature or severity of their disabilities and is designed to recognize that different children have different educational strengths and weaknesses which require different education programs.

In order to serve the child in the most normal circumstances possible, school systems therefore, must have available a range

of alternative educational resources for handicapped children, including:

- o Regular classes with direct services or resource room services,
- o Itinerant services,
- o Self-contained classes on a regular school campus or in a special public or private day school facility,
- o Public or private residential school facilities,
- o Hospital programs,
- o Homebound instructional programs.

In addition, handicapped children must be provided an education that is appropriate and emphasizes special education and related services that meet their unique needs at no cost to the parent.

For example, special education that meets the unique needs of a handicapped child, might include classroom instruction, instruction in physical education, home instruction or instruction in hospitals and institutions. "Related services" means transportation and such developmental corrective and other supportive services as are required to assist a handicapped child to benefit from social education, and includes speech pathology and audiology, psychological services, physical and occupational therapy, recreation, early identification and assessment of disabilities in children, counseling services, and medical services for diagnostic or evaluation purposes. The term also includes school health services, social work services in schools, and parent counseling and training.

SECTION II - FINDINGS

Requirements for Educational Services

1. A review of data collected by Virginia's 140 school systems and submitted to the Virginia Department of Education during the 1978-79 school year (See Table 1) indicates that:

- o There were a total of 89,019 children or 1 out of every 12 pupils in the state's local school systems who had been identified as having a handicapping condition.
- o Pupils identified as having a speech impairment (37.4%), learning disability (26.6%), or who were educable mentally retarded (18.0%) accounted for the greatest number of children with handicapping conditions.
- o Pupils who were identified as being multi-handicapped (3.2%), emotionally disturbed (4.9%) or trainable mentally retarded (4.3%) accounted for approximately 12.4 percent of the total number of pupils with handicapping conditions.
- o The remaining 5.2 percent of the pupils identified as having handicapping conditions were the deaf, deaf/blind, hearing impaired, orthopedically impaired, or had a health related visual impairment.
- o Of the total pupils identified as having handicapping conditions, 89 percent were placed in regular classrooms or in special classrooms on a regular school campus.

TABLE I.
DESIGNATION OF PUPIL ASSIGNMENT BY DISABILITY AND LOCATION
OF EDUCATION SERVICE BY LEAST RESTRICTIVE ENVIRONMENT FOR
ALL VIRGINIA SCHOOL SYSTEMS 1978 - 1979

Handicap	Regular Class	Self-Contained Regular School Campus	Self-Contained Special Public Day School	Self-Contained Special Class in Private School Fac.	Public Residential School Facility	Private Residential School Facility	Hospital	Homebound	Totals	Percent
Deaf	20	358	56	1	487	2	--	1	925	1.0
Deaf/Blind	4	12	3	--	21	--	1	--	41	.1
Hearing	603	321	41	--	16	1	2	5	989	1.1
EMR	3,027	12,333	407	12	202	16	2	37	16,036	18.0
TMR	35	2,079	1,154	68	481	14	1	22	3,854	4.3
MH	148	778	814	54	766	150	5	118	2,833	3.2
OI	145	198	150	11	468	3	1	44	1,020	1.2
OHI	43	45	27	--	842	1	11	178	1,147	1.3
ED	956	1,407	565	285	358	488	223	93	4,375	4.9
LD	18,448	4,556	407	199	4	48	1	13	23,676	26.6
Speech	32,400	686	146	26	24	--	1	48	33,331	37.4
Visual	589	20	27	--	151	2	--	3	792	.9
Total	56,418	22,793	3,797	656	3,820	725	248	562	89,019	100.0
	63.4%	25.6%	4.3%	.7%	4.3%	.8%	.3%	.6%		

SOURCE: Virginia Department of Education, Division of Special
Division of Special Education Support Services

- o The remaining 11 percent were placed in special classes in separate public or private facilities, public or private residential facilities, or were receiving their education program in a hospital setting or through homebound instruction.

- o The greatest numbers of children receiving their education in a setting other than a regular class or on a regular public school campus, were those identified as being health impaired, multihandicapped, orthopedically impaired, severely emotionally disturbed and trainable mentally retarded.

2. Recent studies indicated by the eight school systems in Planning District 20 and the five systems in Virginia's Planning District 21 to determine service needs that could be met through regional programs were generally consistent with the analysis of statewide incidence figures. In addition, these studies indicated that the capacity to provide specialized medically related diagnostic services, required to prescribe appropriate educational programs for children with complex learning problems, is generally not present within school systems. Development of medically related diagnostic services required by handicapped pupils within the school systems will necessarily involve numerous public and private sources at both local and state levels. These sources, however, are neither coordinated nor fully capable of delivering adequate and timely services.

3. The National School Boards Association (NSBA) collected data during February and March, 1979, to assess the costs imposed on local school districts by the special education needs of the handicapped. The sample utilized by the NSBA included returns from 261 local school districts with a total enrollment of 11 percent of the total national enrollment for 1977. Districts of all

sizes were represented in the sample, ranging from one with 172 pupils to one with almost one half million.

Its report, A Survey of Special Education Costs in Local School Districts, includes these findings:

- o Cost differentials between special education and the regular programs of the schools will continue to widen, at least within the next several years.
 - oo Local school district budgets for special education are rising at the rate of 14 percent per year, or twice as rapidly as other instructional and operating budgets (seven to eight percent per year).
 - oo Nationwide, special education budgets are equivalent to 11.5 percent of instructional budgets. This proportion has been rising by nearly a percentage point each year.
- o The vast majority of school districts must place some of their handicapped pupils in instructional settings outside the district's own facilities. NSBA found the following cost guidelines to be valid regardless of district location, size or per pupil expenditure. (No indication was given as to whether placement was in a privately or publicly sponsored program.)
 - oo The cost of placing a handicapped student in a non-residential setting is equivalent to four times the average per pupil expenditure for all students.

- oo The cost of placing a handicapped student in a residential setting is eight times the average per pupil expenditure.

- o The size of the school district is related to the number of out-of-district instructional placements made, as well as to their cost. Small districts lacking in facilities must plan to place a much larger percentage of their handicapped pupils outside the district. Large districts will place a much smaller percentage, but will pay extremely high fees for many of those for whom the district's facilities are not appropriate.

- o Local school districts identify federal mandates as the most significant factor contributing to rising special education costs. Similar state mandates are seen to be the second most important factor.

- o The larger school districts (10,000 or more pupils) pay the highest costs for the education of the handicapped. The cost ratio between handicapped and regular education in such districts is 2.10 to 1 or more.

- o Nationwide, the NSBA respondents identify approximately nine percent of their total enrollment as in need of special education services as defined by P. L. 94-142.

4. The State can document, through the Inter-Agency Rate Setting Committee, the exact and full costs of educational and related services provided by the private sector.

Information on the full costs of publicly operated programs is not available. The lack of such information was noted in the report of the Governor's Committee on the Education of the Handicapped (December, 1977).

6. A review of recent reports by legislative subcommittees, task forces, State Departments and special committees that have studied the needs of children in Virginia point to several common findings and conclusions:

a. The need for comprehensive programs of early screening and detection to identify children with handicapping conditions,

b. The need for alternative living arrangements such as group homes and special needs foster homes for children unable to function in their home environment, and

c. The need for extended day programs for the emotionally disturbed child that can provide services to supplement educational programs provided by the school systems and which can work with the family, foster family or with children residing in group homes.

Several studies have pointed to the problems of delivering a comprehensive program of community-based services to children caused by the fragmentation of responsibility of the numerous health, mental health, education and social service providers within the state and among the localities. The Report of the Governor's Committee on the Education of the Handicapped (December, 1977), the latest in a series of studies relating to the needs of children, concluded that:

"A comprehensive and appropriate program of education and related services mandated by P.L. 94-142 and Section 504 will require systematic coordination and cooperation between educational and other social services agencies." (p. 12)

Specific recommendation in this report pointed to the need to:

- a. Establish Local Inter-Agency Placement Teams in each school district to coordinate placement of children in services,
- b. Establish inter-agency planning units to recommend feasible, economic and efficient cooperative arrangements in delivering services to handicapped children,
- c. Provide categorical state funding for training of special education and regular education personnel, for planning and development of regional special education programs,
- d. Make state funds available to assist localities in assessing needs, meeting construction costs to ensure program accessibility for handicapped children attending public schools, and for construction of regional special education facilities.

7. Funding sources for provision of special education and related services for handicapped children are available from several sources, in addition to funds budgeted annually by local governments including:

- o State funds made available to each system for the education of all pupils in their membership. The basic aid appropriation for the Standards of Quality (SOQ) is determined by a formula based on the average daily membership within each system.

In 1978-79, the total basic aid amounted to \$ 413,659,043 and averaged \$ 394.29 per child.

- o State funds to meet the excess cost of special education services are made available to each school system in accordance with rates established by the Virginia Department of Education. Rates are established based on each exceptionality i.e., deaf, blind, emotionally disturbed, multihandicapped and preschool handicapped students, for transportation of special education students, and for placement of students in private, nonsectarian facilities when services are not available within the school system. With regard to the latter, school systems may be reimbursed 60 percent of the reasonable costs for services provided through such private facilities.

- o Federal funds made available to each state under provisions of the Education of All Handicapped Children's Act of 1975 (Public Law 94-142). A total of \$12,178,610 in federal funds was made available to the State of Virginia for the 1978-79 school year, and an estimated \$ 17,690,451 will be available during the 1979-80 school year. Seventy five percent (75%) of these funds are required to flow directly to local school system, and the Virginia Department of Education may retain 25 percent of funds to finance administrative costs and special projects of statewide significance. (Virginia is currently allocating 80 percent of these funds to local school systems.

- o In addition, federal funds are made available to support the education of the handicapped under two other public laws. The Elementary and Secondary Education Act requires that 15 percent of the funds, earmarked for Title IV-C Innovative Projects, be utilized for the education of the handicapped. The Vocational Education Act requires that ten percent of the total funds available to the state under this Act be set aside to support programs for the handicapped. Applications must be made to the Virginia Department of Education by school systems interested in obtaining these funds. Funds are awarded on a competitive basis in accordance with specified guidelines and priorities.

- o Federal funds, directly administered by the Bureau of Education for the Handicapped, are also available to support research, demonstrations, innovative projects and training activities, including:
 - o Handicapped Personnel Preparation
 - o Handicapped Children's Early Education
 - o Demonstration Centers for Children with Specific Learning Disabilities
 - o Model Program for School Aged Handicapped Children

In addition, the Bureau of Education for the Handicapped periodically makes funds available to implement demonstration projects that will impact upon specific disabilities (autistic, deaf-blind) or test models of service delivery. Requests for proposals for these funds are advertised periodically in the Federal Register, and local school systems are normally eligible to submit applications.

Other programs within the Department of Health, Education and Welfare, as well as other federal departments, have established programs or project priorities that support the provision of services to the handicapped. Of particular importance in this regard would be: the Child and Maternal Health Services of the Virginia Department of Health and Developmental Disabilities Services administered by the Virginia Department of Mental Health and Mental Retardation.

- o Programs administered by the Virginia Department of Health and their local affiliates support the provision of related health services to children, including those that may have handicapping conditions. These include:
 - a. Title XIX of the Social Security Act (Medicaid) which provides health services, including physical therapy, psychiatric care, dental care and prosthetics to income eligible population.
 - b. A separate Medicaid component, the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program, which provides comprehensive health care for needy children from birth to age 21. These services may include child find and identification, screening, treatment and the support of school health personnel.
 - c. Crippled children's services which provide formula grants to states for financial assistance to crippled children. Financial support may be used for medical, surgical corrective or diagnostic services.
 - d. Supplemental Security Income which is targeted for disabled children from birth to age seven, although the program may be extended to include children up to age 16.

- o Funds provided local Community Services Boards (Chapter 10 Boards) by the Virginia Department of Mental Health and Mental Retardation may be utilized to finance services to mentally retarded and mentally ill children and adults. Funds are allocated by local boards to specific programs either operated directly by the Board or under contract with other community agencies. Local boards have generally placed priorities on funding adult services, and therefore specific services for children, particularly those who are mentally ill, are limited in most areas.

- o Funds are also available through Title XX of the Social Security Act to finance the provision of a range of social services to eligible children, many of which are needed and available to children with handicapping conditions.

- o Funds to support programs administered by the Department of Rehabilitative Services are available and may be utilized to meet the service needs of handicapped children, particularly those requiring employment related training.

8. The Department of Education has sponsored studies in two of Virginia's 22 Planning Districts to determine the most efficient and effective method to develop and deliver such services. The formation of two intermediate educational units by participating school systems in these two areas has resulted from these studies. The purpose of these newly created organizations, which function under the supervision of a Committee of Control of School Board-level members, is to:

- o Operate education programs and related services on behalf of cooperating school systems,
- o Initiate and foster development of education programs and related services by public or private service providers to support local school systems in providing services to the handicapped; and
- o Coordinate programs offered through community resources with services of the schools.

SECTION III. - CONCLUSIONS

1. Virginia's school systems are expanding their capacity to provide educational services for the bulk of the children in their communities identified as having handicapping conditions.

2. Local school divisions have the greatest difficulty in adequately providing for children within communities whose handicapping condition occurs at an extremely low incidence rate or for children whose severity of impairment requires specialized services not typically provided by that division. Low incidence population might include children who are multiply handicapped, severely and profoundly retarded, visually or hearing impaired or in some cases, very young. Most notable are those children who evidence severe emotional disturbance or significant lack of control over their own behavior, requiring specialized services such as intensive counseling, psychotherapy, highly structured programming, or twenty-four hour care in order for their educational needs to be met.

3. Local school divisions also have the greatest difficulty in providing the related services that are required to be provided in order to permit a child to avail himself of educational services. These include:

- o Diagnostic services for children with complex medical and psychosocial problems, particularly among adolescents,
- o Alternative living arrangements for children with special needs.
- o Day treatment programs for children who are mentally ill, have severe behavior disorders or are severely and profoundly handicapped.

- o Long-term or short-term residential treatment programs for the highly acting out adolescent who is unable to function in either regular or special day programs available within his community.

4. In order to insure that handicapped children are educated with children who are not handicapped, to the maximum extent possible, and thereby comply with the provisions of the Education for All Handicapped Children Act, school systems must have available a range of alternative educational resources, including those that provide related or support services that will enable the child to take advantage of the educational services.

5. Implementation of the policy of providing services in the least restrictive environment, like Virginia's current policy of deinstitutionalization, necessitates the development of adequate and appropriate services at the community level. Further, the complexities of the problems of children with emotional disorders and medically related problems requires bringing together the resources and expertise found in other service providers with those of the schools. Thus, initiatives to develop facilities and programs to meet the needs of the identified target group should have a local or regional orientation.

6. Since communities vary in terms of needs, resources and capacity, the responsibility for planning new community-based services should reside, ideally, with agencies at the community level. Circumstances, however, are working against achieving the ideal. There are a multiplicity of health, mental health, education and social service agencies, operating within both the public and private sectors, with capacity to provide parts of the total service needs of the handicapped child. The responsibility for planning, establishing priorities, allocating resources and determining initiatives of those agencies are scattered, some

being located at the state level, while others are assigned to administrative boards, agency heads or local governmental bodies. Further, the ability of agencies to deliver services needed by handicapped children are hindered by categorical funding, geographical boundaries, restrictions of age, income, and type of disability, as well as codes and regulations governing certain programs.

7. Maximum use should be made of existing state or locally-owned facilities that may become available through declining enrollments or referrals. A way should be found, however, to provide capital funding by the State to facilitate the renovation of existing facilities to meet new needs and standards.

8. The Virginia Department of Education's initiatives to plan and organize regionwide or intermediate educational units in several areas of the State are consistent with the recommendations of the Report of the Governor's Committee on the Education of the Handicapped. The provision of jointly sponsored programs of special education by school systems in a geographical area has great promise for providing many of the educational services required to meet the needs of the handicapped, particularly among the smaller systems. The major focus of such programs for the handicapped should be directed initially toward the provision of the more specialized and highly structured services for the severely handicapped, particularly the severely emotionally disturbed and multihandicapped child who cannot be served within programs of the school districts.

9. The provision of additional financial support to assist local school districts meet the educational needs of severely handicapped children is essential if they are to meet both federal and state mandates. The National School Boards Association's Report indicates that when the handicapped pupil must be placed in instructional settings outside the regular school setting the

costs will range from four(4) to eight(8) times the average per pupil expenditure.

The present per pupil reimbursement rate established by the Board of Education is designed to assist school systems in meeting the additional cost for instructional and support services required to educate handicapped children. While this reimbursement rate may be appropriate for the mildly and moderately handicapped child, it proves to be inadequate reimbursement for the cost of educating severely and profoundly handicapped children who require additional and expensive supportive and related services.

The State Board of Education has also approved regulations governing reimbursement of school systems, for payments of tuition to private, nonsectarian schools, but not to school systems contracting with another school division or divisions.

The inability to secure additional financial support for provision of services to the severely handicapped, except through referral to a private agency:

- o Serves as a disincentive to a local school system to develop community-based programs in cooperation with other systems and utilize support services needed by a child and available within their own community.
- o Discourages development of alternative education programs that are more accessible to a student's own community and thereby permit:
 - oo Placement of children in programs which may operate in a less restrictive environment,
 - oo Greater opportunity for parents to become involved in the program and receive counseling and training, and
 - oo Greater opportunity to monitor educational programs.

RECOMMENDATIONS

It is recommended that the Governor and General Assembly facilitate the development and delivery of educational and related services to children and youth whose disabilities are at an extreme low incidence rate or who are severely or profoundly handicapped by initiating the following actions:

1. Direct the Secretary of Education, Human Resources and Public Safety to provide a framework within State Agencies for the planning and delivery of community-based services for handicapped children and youth by:
 - a. Aligning the plans of the several state departments and agencies to insure that their goals, objectives, priorities and program initiatives are directed toward a concerted effort in providing services to handicapped children and particularly the identified target group,
 - b. Identifying and recommending modification of State codes and regulations that hinder or preclude cooperative action among State agencies and their local affiliates,
 - c. Providing a realistic appraisal of the needs for services for handicapped children, including detailed information on: numbers and characteristics of children to be served, types of programs and personnel required to meet these needs and detailed information on costs.
2. Appropriate sufficient funds to the Board of Education to permit reimbursement at no less than 60 percent of the actual cost for the provision of educational services to severely handicapped children when such programs are sponsored by a consortium of school divisions or purchased from a private source. It is further

recommended that the criteria for provision of these State reimbursement funds should be the same for publicly operated programs as that which is applied to programs under private sponsorship. In particular, the same standards of quality as are required by State licensing standards should apply to any newly developed program and procedures for the establishment of "reasonable rates" as currently established. The costs in the private sector should also be applied to publicly operated separate self-contained or residential programs.

3. Encourage and facilitate the development and delivery of community-based educational and related services for severely handicapped children by establishing a demonstration program designed to meet the specialized educational and related services required by children with severe handicapping conditions in order to secure better information on costs, arrangements for planning and delivering such programs.

Funding of the model program should be achieved by earmarking funds within the budgets of the several departments or agencies providing services to children and the establishment of an "Incentive Fund" by the General Assembly to be used in initiating the demonstration program. The "Incentive Fund" should be able to be used flexibly, including use for renovation in order to make maximum use of existing State or locally-owned facilities and private sector.

The responsibility for preparing guidelines and administering the demonstration program should be assigned to the Department of Education with the assistance of the other State departments and agencies serving children with handicapping conditions.