



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

EVALUATION REPORT

School District Integration Revenue



NOVEMBER 2005

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OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

November 2005

Members Legislative Audit Commission

In fiscal year 2005, Minnesota's School Integration Revenue program, a component of the K-12 funding formula, provided about \$79 million to 80 school districts for integration-related activities. In April of 2005, the Legislative Audit Commission directed us to evaluate the program. Legislators were concerned with how school districts have used the funding and the extent to which the program has reduced racial disparities.

We found that state law does not set a clear purpose for the program and, as a result, school districts spend integration revenue on a wide range of activities. To achieve measurable results and greater accountability, we think the program's purpose and expenditures should be more focused. We also recommend that the Department of Education's oversight authority be strengthened and the program's funding formula reformed.

This report was researched and written by Judy Randall (project manager) and David Chein. The Department of Education cooperated fully with our evaluation.

Sincerely,

A handwritten signature in black ink that reads "James R. Nobles".

James R. Nobles
Legislative Auditor

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Summary

The Integration Revenue program needs more focus and oversight.

Major Findings:

- The purpose of the Integration Revenue program is not clear (p. 16).
- School districts vary widely in how they use integration revenue. While many of their expenditures are reasonable, some are questionable (p. 19).
- Neither the state nor school districts have adequately assessed the results of the Integration Revenue program (p. 22).
- Over the last five years, racial concentration has increased in some of the school districts that participate in the Integration Revenue program (p. 23).
- The Minnesota Department of Education has not provided consistent or required oversight of the program, although it has made some improvements in the past year (p. 28).
- The Integration Revenue funding formula has some unintended and potentially negative consequences (p. 30).
- The Legislature should authorize the Minnesota Department of Education to: (1) establish criteria against which school districts must evaluate their integration plans, and (2) withhold integration revenue from those districts that fail to meet these evaluation requirements (p. 36).
- The Minnesota Department of Education should use its statutory authority to establish criteria for allowable Integration Revenue expenditures and fulfill its responsibilities for overseeing the Integration Revenue program (pp. 36-37).
- The Legislature should require districts that want to voluntarily participate in the Integration Revenue program to obtain approval from the Minnesota Department of Education (p. 38).
- The Legislature should give the Minnesota Department of Education authority to approve the integration budgets of the Minneapolis, St. Paul, and Duluth school districts (p. 39).
- The Legislature should consider revising the Integration Revenue funding formula (p. 39).

Key Recommendations:

- The Legislature should clarify the purpose of the Integration Revenue program (p. 35).

Report Summary

In 2005, 80 school districts received about \$79 million in integration revenue.

The Integration Revenue program, a component of the K-12 education funding formula, provides money to certain school districts for integration-related activities. In 2005, 80 school districts received almost \$79 million in integration revenue.

School districts are eligible to receive integration revenue if they have a “racially identifiable school”—a school with a significantly greater minority concentration than the school district as a whole for the grade levels served by that school. Districts are also eligible for integration revenue if they are a “racially isolated school district”—a district that has a significantly higher concentration of minority, or “protected,” students than surrounding districts. Districts that meet this requirement must, in cooperation with adjoining districts, establish a multidistrict collaboration council to identify ways to offer cross-district opportunities to improve integration. These multidistrict councils must develop an “integration plan” that identifies the councils’ integration issues, the goals of the integration effort, and how the districts intend to achieve their goals.

We evaluated how school districts use their integration revenue and how the Minnesota Department of Education (MDE) oversees the program. We also analyzed school districts’ student enrollment and financial data to determine how these have changed over the past five years.

The Purpose of the Integration Revenue Program is not Clear

Minnesota laws outline the goals of the Integration Revenue program and broadly define how school districts can use these funds. However, the laws that govern this program are ambiguous, giving school district staff significant flexibility when using their integration revenue.

In statute, the program’s main emphasis is on “interracial contacts,” a term that can mean a broad array of integration

activities, ranging from interdistrict magnet schools to one-day multicultural festivals. School districts are not required to use their integration revenue to alleviate racial imbalance among schools or school districts.

School district staff with whom we met had varying and, at times, conflicting ideas regarding the purpose of the Integration Revenue program. Some school district staff thought the purpose of the program was to alleviate racial imbalance, others thought it was to reduce the achievement gap, while others thought it was to increase community involvement in the schools. Many school district staff with whom we met expressed a desire for the purpose of the program to be clarified.

School Districts Have Used Their Integration Revenue for a Variety of Purposes

Most districts make their Integration Revenue spending decisions through a collaborative council process, as required by law. School districts’ collaboration councils are generally comprised of district staff and teachers, school board members, parents, community members, and sometimes students. Ultimately, the school board in each district must approve the integration plan and budget.

Due in part to differing district needs and in part because the purpose of the program is not clear, school districts use integration revenue for a wide variety of activities. School districts’ integration activities range from magnet schools and cross-district transportation to one-time social gatherings for students and families from different cultures.

School districts in the Twin Cities metropolitan area tend to participate in more “traditional” integration programs that bring students of different cultural and ethnic backgrounds together in the classroom. Because distances between schools and districts are much larger in greater Minnesota, some of these programs may not be practical for districts outside the Twin Cities area. Instead, many districts in greater

State law does not require districts to achieve explicit outcomes through the Integration Revenue program.

Minnesota have integration programs that are centered on special activities, such as summer academic camps or soccer programs. These programs bring students together on a regular basis, within the constraints imposed by larger geographic distances.

In contrast to the magnet schools and ongoing integration activities mentioned above, some districts have used their integration revenue for questionable purposes. For example, a few districts used their integration revenue to purchase U.S. history or social studies textbooks for their schools' general curriculum; several districts used their revenue to provide English language learner services; and several other districts used their integration revenue to purchase computers. These expenditures are all existing responsibilities of a school district and are outside of the Integration Revenue program.

Neither the State nor School Districts Have Adequately Assessed the Results of the Integration Revenue Program

Local flexibility is an integral part of the Integration Revenue program, and it allows school districts to identify and implement integration activities that best fit their local needs. However, as a state-funded program, there is also a need for accountability and results. We were unable to determine the impact of the program for three primary reasons:

(1) the law does not state specific criteria or explicit outcomes for the program; (2) local school districts vary in the extent to which they evaluate the impact of their integration plan, as required by law; and (3) the Minnesota Department of Education has not evaluated districts' integration programs, as required by rule.

The Racial Concentration of Certain School Districts Has Increased Over the Last Five Years

With the exception of Minneapolis and St. Paul, the differences in protected student enrollment between racially isolated school districts and their adjoining districts have increased. For

example, in 2000, 31 percent of the Worthington school district's enrollment was protected students. This compared with a total of 3 percent for Worthington's adjoining districts, a difference of 28 percentage points. By 2005, 42 percent of Worthington's enrollment was protected students, compared with 5 percent for the adjoining districts, a difference of 37 percentage points. Thus, while the percentage of protected students increased in both the Worthington school district and its adjoining districts, the increase was greater in Worthington, leading to a greater concentration of protected students.

While the Integration Revenue program has not decreased the racial concentration of most school districts participating in the program, it is difficult to know what would have occurred in the program's absence. Furthermore, it is difficult to know the extent to which the program can mitigate the influence of other factors such as housing, transportation, and economic opportunities.

The Minnesota Department of Education Has Not Fulfilled Its Responsibilities With Respect to the Integration Revenue Program

The Department of Education (MDE) has provided inconsistent guidance to school districts regarding allowable integration revenue expenditures. The department is responsible for approving most school districts' integration budgets and, as part of this process, must communicate with districts regarding what expenditures are allowed under the Integration Revenue program. Staff in over half of the school districts with whom we met said they would like more guidance regarding the purpose of the Integration Revenue program and allowable ways to use the funding. In addition, staff from 8 of the 20 school districts we visited said that MDE staff have provided inconsistent guidance over the life of the program. This past year MDE implemented some new oversight procedures. In May 2005, the department issued its first written guidance regarding allowable expenditures of integration revenue, and

The program's impact has not been measured.

in August 2005 the department more systematically reviewed districts' 2006 integration budgets.

In addition to providing inconsistent guidance, the Department of Education has not provided required Integration Revenue program oversight. For example, MDE has not conducted regular evaluations of districts' integration plans, as required by rule, nor has the department reviewed how districts actually use their integration revenue. MDE also has not provided additional oversight of, or assistance to, school districts that have had a racially identifiable school for three consecutive years, as required by rule.

Finally, to date, MDE has conducted only three in-depth reviews of school districts to determine whether "intentional segregation" exists. (A district is found to have intentional segregation if the racial composition of a school results from acts motivated at least in part by a discriminatory purpose.) There are now 12 districts with racially identifiable schools that MDE should review.

The Integration Revenue Funding Formula Has Unintended Consequences

The integration revenue allocated to school districts does not necessarily reflect the needs of different districts, and may provide a disincentive for districts to achieve racial balance among their schools. Because the Integration Revenue funding formula is based on a district's total student population, a smaller district with greater integration challenges may receive less funding than a larger district with fewer integration challenges. Furthermore, the funding formula contains a financial disincentive to fully integrate schools or districts. If

districts successfully integrate and achieve "racial balance," they will no longer receive integration revenue.

In addition, the Minnesota Department of Education has no authority to determine whether districts can participate in the Integration Revenue program as voluntary districts. With an isolated district's consent, a school district that is not identified as an adjoining district can choose to become a "voluntary" district and participate in the program without the approval of the Minnesota Department of Education. According to preliminary data, voluntary districts Eden Prairie, Inver Grove Heights, Mahtomedi, Murray County Central, Stillwater, and White Bear Lake received a total of over \$3.4 million of integration revenue in fiscal year 2005.

Finally, the Department of Education does not have approval authority for the integration budgets of the Minneapolis, St. Paul, and Duluth school districts, which represent over half of the state's integration revenue (\$44.7 million of \$78.9 million in fiscal year 2005). These districts are not subject to the department's budget approval or oversight. In contrast, all other school districts must submit a budget to the department outlining how they intend to spend their integration revenue. MDE staff must approve these integration budgets before the districts can receive their integration revenue.

The Minneapolis, St. Paul, and Duluth school districts receive over half of the state's integration revenue, but are subject to almost no state oversight.

Introduction

In 1954, the U.S. Supreme Court unanimously ruled to end racial segregation in public schools in *Brown v. The Board of Education*. Since then, states and school districts have worked to integrate their schools. School districts in Minnesota first started addressing integration issues in the 1960s, and in the late 1990s the state increased its financial support for these efforts through the Integration Revenue program.

In April 2005, the Legislative Audit Commission directed the Office of the Legislative Auditor to evaluate the school district Integration Revenue program. Legislators' questions largely focused on how school districts use this revenue and how well the Department of Education oversees the program. In addition to providing an overview of the Integration Revenue program, this evaluation addresses the following questions:

- **What are the goals of the Integration Revenue program, and how do school district officials and other stakeholders view the purpose of the program?**
- **To what extent do Minnesota school districts use integration revenue for its intended purpose?**
- **How well does the Minnesota Department of Education oversee districts' integration plans and the use of integration revenue?**
- **To what extent has this program achieved its goals?**

To answer these questions, we relied on various sources of information. We reviewed the Minnesota statutes and rules that govern the Integration Revenue program and met with several legislators and legislative staff to discuss the history and intent of the program. To examine demographic and funding trends, we analyzed student enrollment and financial data from the Minnesota Department of Education and interviewed department staff. To learn more about how school districts use integration revenue, we reviewed all of the integration budgets and plans that school districts filed with the Department of Education and met with staff from 20 school districts regarding their integration revenue activities. We also observed the department's review and approval process for school districts' 2006 integration budgets and interviewed interest group representatives and citizens. Finally, we reviewed the literature regarding integration efforts in Minnesota and across the country.

This report is divided into three chapters. Chapter 1 provides an overview of the Integration Revenue program. Specifically, it discusses how districts become

eligible for the program and how funds are allocated. Chapter 1 also reviews the history of integration efforts in Minnesota over the past 40 years. In Chapter 2, we discuss the purpose of the Integration Revenue program and analyze how school districts use these funds. Chapter 2 also examines the extent to which we can determine whether the Integration Revenue program has been successful. In Chapter 3, we review the role of the Department of Education and discuss the Integration Revenue funding formula. Chapter 3 concludes with recommendations for both the Legislature and the Minnesota Department of Education.

The Appendix at the end of the report provides a list of all school districts in the Integration Revenue program in 2005 and indicates how much integration revenue each district received.

Background

SUMMARY

In 1987, the Legislature provided funding to assist the Minneapolis, St. Paul, and Duluth school districts with their integration efforts. In 1997, the Legislature created the Integration Revenue program, which expanded integration funding and established eligibility criteria for school districts statewide. In fiscal year 2005, 80 school districts received approximately \$79 million for integration activities.

The Integration Revenue program, a component of the K-12 education funding formula, provides funds to certain school districts for integration-related activities. Established in 1997 by the Minnesota Legislature, the program provided approximately \$79 million in fiscal year 2005 to 80 qualifying school districts, including \$54.4 million in state aid and \$24.5 million in matching local property tax levies.¹

In this chapter, we describe the Integration Revenue program and review its history. We address the following research questions:

- **What is the Integration Revenue program and which school districts participate?**
- **How has integration revenue funding changed over time?**
- **How has the racial composition of school districts changed since the Integration Revenue program was implemented?**

To answer these questions, we reviewed Minnesota statutes and rules, publications, and other documents regarding the origins of the program and subsequent changes to it. We also interviewed current and former legislators, legislative staff, Minnesota Department of Education (MDE) staff, and others connected with the program. Finally, we analyzed school enrollment data and financial records maintained by MDE.

ORIGINS OF THE INTEGRATION REVENUE PROGRAM

Since the United States Supreme Court declared in 1954 that laws requiring segregated school systems are unconstitutional, state and local governments have struggled with how to integrate their schools.² The task has been especially difficult where segregated schools result not from legal barriers to integration,

¹ Unless stated otherwise, all years cited in this report are fiscal years beginning July 1 and ending June 30. Thus, fiscal year 2005 encompasses the 2004 – 2005 academic school year.

² Brown v. Board of Education, 347 U.S. 483 (1954).

but from underlying patterns of housing, economic segregation, and access to transportation.

Table 1.1 shows some of the important historical events relating to school integration in Minnesota. Efforts to integrate Minnesota's public schools began in the 1960s when both the Minneapolis and St. Paul school boards adopted plans that featured voluntary busing of students and provided additional resources to schools with high concentrations of minority students. Representatives of minority communities criticized these efforts as inadequate and in 1971, civil rights advocates filed a lawsuit in federal court alleging that the Minneapolis schools were intentionally segregated and, therefore, illegal.

In 1972, in *Booker v. Special School District No. 1*, the U.S. District Court found that Minneapolis schools were illegally segregated. As a result, the court ordered that no Minneapolis public school could have more than 35 percent of its students be minority.³ In 1973, the Minnesota State Board of Education adopted a racial balance requirement, known as the "15-percent rule." This rule prohibited schools from having minority enrollments more than 15 percentage points higher than the district-wide average of minority students for grade levels served by those schools.

The Legislature created the current Integration Revenue program in 1997.

Beginning in the 1980s, the Legislature provided funding for the Minneapolis, St. Paul, and Duluth school districts to assist them with their integration efforts. Recognizing that integration was an issue in other areas of the state besides Minneapolis, St. Paul, and Duluth, the 1997 Legislature created the current Integration Revenue program. In 1999, MDE replaced the "15-percent rule" with rules outlining eligibility criteria and specifying school district requirements for the Integration Revenue program. These rules are commonly referred to as the "Desegregation Rule."⁴ While some school districts received funding in fiscal year 2000 to develop integration plans, the program became fully operational in fiscal year 2001. The Minneapolis, St. Paul, and Duluth school districts continued to receive integration revenue at a higher rate based on historical spending, and were not subject to some of the requirements of the new law and rule.

As school districts and the state have addressed integration issues, the ethnicity of Minnesota's students has changed considerably over the last 15 years, with minority students becoming an increasingly larger percentage of the public school population. According to census data, the number of minority children under age 18 in Minnesota doubled between 1990 and 2000, from about 114,500 to about 231,000, while the number of non-Hispanic white children remained about the same (about 1,052,300 in 1990 and 1,055,400 in 2000). In 1991, minorities made up 9.7 percent of Minnesota's public school enrollment, but by 2001, the first year that the Integration Revenue program was fully operational, 17 percent of public school students were minorities. Between 2001 and 2005, the number of minority students increased 19 percent while the non-Hispanic

³ *Booker v. Special School District No. 1*, 351 F. Supp. 799 (1972).

⁴ The new rules were authorized by *Laws of Minnesota* First Special Session 1997, chapter 4, art. 2, sec. 18, and codified as *Minnesota Rules* 3535.

Table 1.1: Major School Integration Events in Minnesota History

Year	Brief Description
1964	The St. Paul school board adopted a desegregation policy for the St. Paul Public Schools that included privately financed voluntary busing of African-American students to formerly all-white schools.
1967	The Minneapolis school board adopted guidelines to eliminate de facto segregation. The plan included voluntary busing of students.
1970	The Minnesota State Board of Education issued guidelines calling for a ceiling of 30 percent minority student enrollment in Minnesota public schools. School districts not meeting this standard were required to submit a desegregation plan to the Department of Education or have state aid withheld.
1971	A class-action lawsuit was filed in U.S. District Court against the Minneapolis school district alleging denial of equal education to all students (<i>Booker v. Special School District No. 1</i>).
1972	In the <i>Booker</i> case, the U.S. District Court found that Minneapolis schools were illegally segregated and ruled that no Minneapolis school may have over 35 percent students of color. ^a
1973	The Minnesota State Board of Education adopted the “15-percent rule,” which prohibited schools from having minority enrollments more than 15 percentage points above the district average.
1983	The Minnesota Department of Education assumed responsibility for monitoring the Minneapolis, St. Paul, and Duluth school districts’ desegregation efforts.
1984	The Legislature for the first time authorized Minneapolis, St. Paul, and Duluth school districts to levy a property tax to implement their integration plans. ^b
1985	The St. Paul school district opened six magnet schools, with priority given first to attendance area students and second to achieving racial balance.
1987	The Legislature for the first time appropriated integration grants for the Minneapolis, St. Paul, and Duluth school districts to supplement the local property tax levy. ^c
1994	The State Board of Education approved a voluntary, Twin Cities metro-wide school desegregation plan, which involved creating special magnet schools in Minneapolis and St. Paul suburbs. The Legislature authorized capital funding to establish these schools.
1995	The NAACP filed a lawsuit alleging that Minneapolis public schools deprived its students of an adequate education.
1997	The Legislature established the Integration Revenue program, which provides state funds to qualifying school districts. ^d
1999	The Minnesota Department of Education approved rules specifying eligibility for integration revenue and program requirements.
2000	The State of Minnesota and the NAACP settled the 1995 lawsuit with the creation of a four-year voluntary program (The Choice Is Yours) that included voluntary busing of low-income Minneapolis students to suburban schools.

^a *Booker v. Special School District No. 1*, 351 F. Supp. 799 (1972). The court modified its ruling in 1975 to allow Minneapolis schools to have up to 42 percent students of color and again in 1981 to allow up to 50 percent students of color in Minneapolis. It vacated the order entirely in 1983.

^b *Laws of Minnesota* 1984, chapter 463, art. 6, sec. 6.

^c *Laws of Minnesota* 1987, chapter 398, art. 6, sec. 19, subd. 12.

^d *Laws of Minnesota* First Special Session 1997, chapter 4, art. 2, sec. 18.

SOURCES: Compiled by the Minnesota Office of the Legislative Auditor from information contained in: (1) League of Women Voters, *Metropolitan School Desegregation and Integration* (St. Paul, January 1991); (2) Lisa Larson, *School Desegregation* (St. Paul: Minnesota House of Representatives Research Department, February 1994); (3) House Republican Task Force on Student Achievement and Integration, *Bridging Gaps and Breaking Barriers: A Minnesota Model for Student Achievement and Integration* (St. Paul, November 1995); and (4) Minneapolis-St. Paul Star Tribune, *Tests of Time: Brown vs. Board of Education: the Twin Cities Impact, Reaction* (Minneapolis, May 9, 2004); <http://www.startribune.com/stories/1592/4765308.html>; accessed May 5, 2005.

white student population declined by 6 percent. As a result, minority students made up 21 percent of the public school population in 2005.⁵

PROGRAM ELIGIBILITY AND FUNDING

Except for Minneapolis, St. Paul, and Duluth, whose eligibility is explicitly stated in law, eligibility for receiving integration revenue is based on the “protected student” populations of schools and school districts. The Desegregation Rule defines protected students as students who self-identify or are identified in one or more of the following categories: African/Black Americans, Asian/Pacific Americans, Chicano/Latino Americans, or American Indians/Alaskan Natives.⁶ The amount of integration revenue each eligible school district receives is based on its total enrollment at a rate established in state law. Table 1.2 lists the terms and definitions in the Desegregation Rule that MDE uses to determine which school districts are eligible to receive integration revenue.

Table 1.2: Integration Revenue Terms and Definitions

Adjoining District	A school district where the districtwide proportion of protected students is at least 20 percentage points less than that in a neighboring district.
Protected Student	A student who self-identifies or is identified in one or more of the general racial categories of African/Black Americans, Asian/Pacific Americans, Chicano/Latino Americans, and American Indian/Alaskan Native.
Racially Identifiable School	A school where the proportion of protected students is more than 20 percentage points greater than the proportion of protected students in the entire district for the grade levels served by that school.
Racially Isolated School District	A school district where the districtwide proportion of protected students exceeds that of any neighboring district by more than 20 percentage points.
Voluntary District	A school district that is not identified as an adjoining or isolated district, but joins a multidistrict integration collaborative and files an integration plan with the Minnesota Department of Education.

SOURCES: *Minnesota Rules* 2005, 3535.0110, subp. 4, 6, and 7; *Minnesota Statutes* 2004, 124D.86, subd. 3; and Office of the Legislative Auditor.

⁵ Minnesota Minority Education Partnership, *2004 State of Students of Color* (Minneapolis, 2004), 8, and Office of the Legislative Auditor’s analysis of Minnesota Department of Education school district enrollment data.

⁶ *Minnesota Rules* 2005, 3535.0110, subp. 4.

School districts qualify for integration revenue in several ways; some simply by volunteering to participate in the program.

Eligibility

Based on their protected student population, school districts qualify for integration revenue in one of three ways. First, a school district is eligible for integration revenue if it has one or more “racially identifiable schools.” A school is racially identifiable if its proportion of protected students is more than 20 percentage points above the proportion of protected students for the district as a whole for those grades served by the school.⁷ For example, the Bloomington school district qualifies for integration revenue because 71 percent of the enrollment at Valley View Elementary School in 2005 was protected students, which was more than 20 percentage points above the district average of 35 percent protected students in grades K-5. In fiscal year 2005, 12 school districts had a total of 51 racially identifiable schools. Minneapolis had the most racially identifiable schools with 22, followed by Osseo with 10, and St. Paul with 6.

School districts are also eligible for integration revenue if a district’s proportion of protected students exceeds that of a neighboring district by more than 20 percentage points. In this case, both the “racially isolated” school district and the neighboring, or “adjoining,” district are eligible for integration revenue. For example, the proportion of protected students in the St. James school district in southwestern Minnesota was 37 percent in 2005. This was over 20 percentage points higher than the proportion of protected students in several neighboring districts (Comfrey, New Ulm, Truman, and Martin County West), all of which were eligible to receive integration revenue. Statewide, there were 20 racially isolated and 60 adjoining school districts in fiscal year 2005.⁸

Finally, school districts that are not identified as adjoining districts may work with a racially isolated district on a voluntary basis and also receive integration revenue. For example, the Stillwater school district is a “voluntary district” that works with St. Paul even though the two districts are not contiguous. Eden Prairie, Inver Grove Heights, Mahtomedi, Murray County Central, and White Bear Lake also received integration revenue in 2005 as voluntary districts.

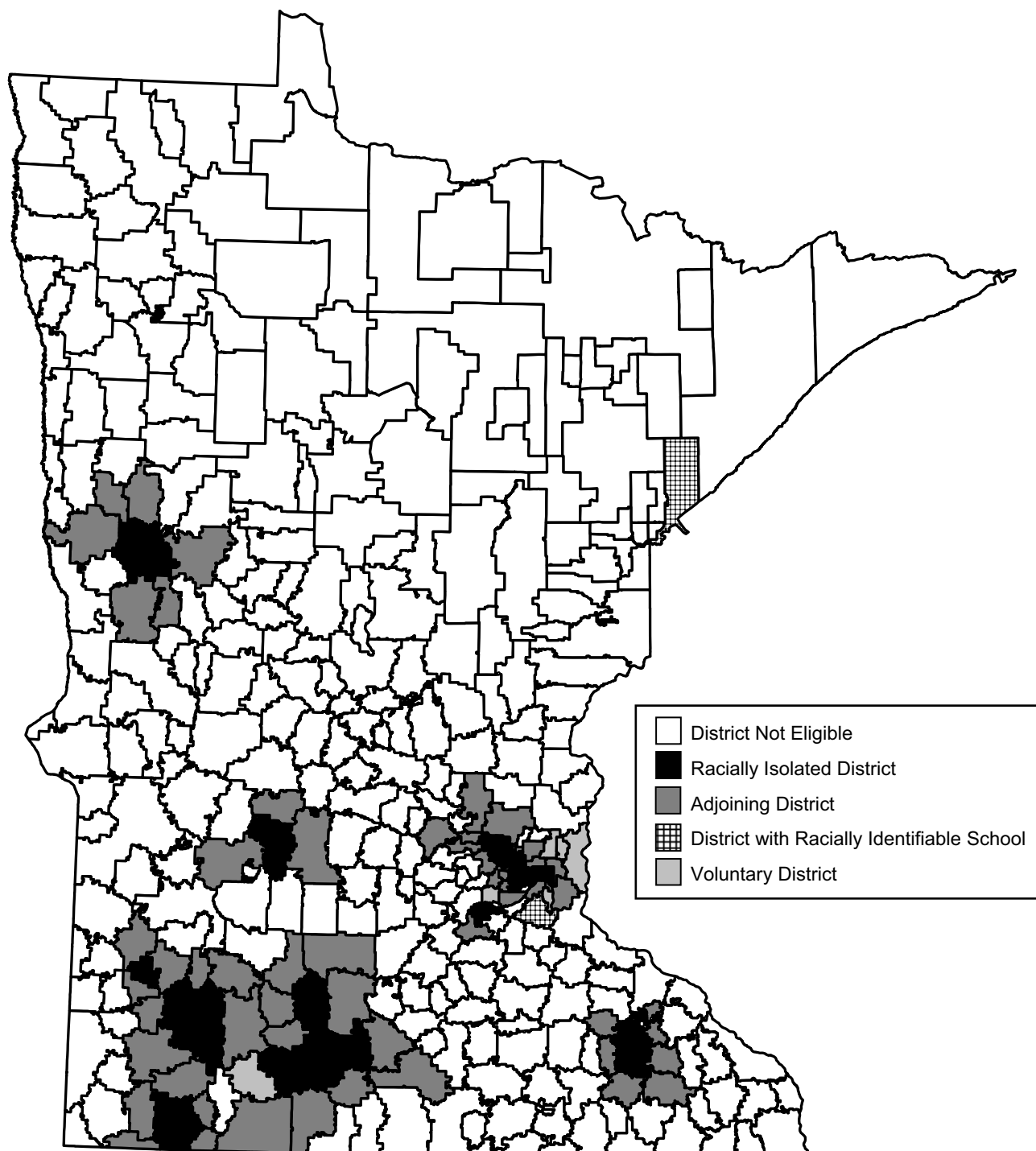
Figure 1.1 highlights all of the school districts that received integration revenue in fiscal year 2005. As shown, most of the districts are in the Twin Cities metropolitan area and in southwestern Minnesota.

School District Funding

While eligibility for integration revenue is based on protected student enrollment, the amount a school district receives is based on its funding rate and total student enrollment. Table 1.3 shows the funding rates for different types of school

⁷ *Minnesota Rules* 2005, 3535.0110, subp. 6. A school that is racially identifiable solely due to a concentration of American Indian students attempting to serve the unique academic and cultural needs of American Indian students is not required to participate in the Integration Revenue program. However, American Indian students are counted with other protected students in determining whether eligibility requirements are met. *Minnesota Rules* 2005, 3535.0160, subp. 1.

⁸ Charter schools, area learning centers, alternative schools, and other specialized schools may not receive integration revenue and are not included in enrollment counts to determine eligibility. *Minnesota Rules* 2005, 3535.0110, subp. 8.

Figure 1.1: Integration Revenue Program School Districts, 2005

NOTE: School district eligibility is based on fiscal year 2005 enrollment data. Some districts have multiple classifications that are not reflected in this map. For example, Rochester is identified as a racially isolated district, but it also has a racially identifiable school. Similarly, West St. Paul is an adjoining district to St. Paul, but also has a racially identifiable school.

SOURCE: Minnesota Office of the Legislative Auditor.

The amount of integration revenue a district receives is based on its per-student funding rate and its total enrollment.

districts. As outlined in statute, Minneapolis receives \$480 per student in integration revenue, St. Paul receives \$445, and Duluth receives \$206.⁹ Other eligible school districts receive an amount per student based on their protected student population. School districts that are required to participate in the Integration Revenue program and have a protected student population of over 15 percent receive \$129 per student, whether they are a racially isolated district, have a racially identifiable school, or are an adjoining district. In fiscal year 2006, 31 school districts are eligible to receive funding at this level. School districts that are required to participate in the program and have a protected student population of 15 percent or less receive \$92 per student. Voluntary districts receive \$92 per student regardless of their protected student population. In fiscal year 2006, 46 school districts are eligible to receive integration revenue at this level. These rates are multiplied by a school district's total enrollment to determine the amount of integration revenue for which each district is eligible.¹⁰ Districts may not receive more money than they actually spend on integration-related activities.¹¹

Table 1.3: Integration Revenue Funding Rates per Student

	Proportion of Protected Student Enrollment	
	Less Than or Equal to 15 Percent	More Than 15 Percent
Minneapolis ^a	\$480	\$480
St. Paul	445	445
Duluth	206	206
Racially Isolated School District	92	129
Adjoining School District	92	129
School District with Racially Identifiable School(s)	92	129
Voluntary District	92	92

NOTE: These funding rates are per "adjusted pupil unit," as defined in *Minnesota Statutes* 2004, 124C.05. A district's total integration revenue is equal to its funding rate multiplied by its total adjusted pupil units.

^a The funding rate for Minneapolis includes a \$35 special levy.

SOURCE: *Minnesota Statutes* 2004, 124D.86, subd. 3.

⁹ The law authorizes Minneapolis to levy an additional \$35 per student, which is included in the \$480 funding rate. *Minnesota Statutes* 2004, 124D.86, subd. 3.

¹⁰ Specifically, the rates in Table 1.3 are multiplied by school districts' "adjusted pupil units." Pupil units are the average number of students enrolled in the school district during the school year weighted by grade level. "Adjusted pupil units" takes into consideration students who attend school outside of their resident district. Pupil units and adjusted pupil units are the basis for several components of the K-12 school funding formula and are defined in *Minnesota Statutes* 2004, 126C.05. For purposes of our discussion, we refer to this as the funding rate per student.

¹¹ *Minnesota Rules* 2005, 3535.0130, subp. 1.

The funding formula has resulted in considerable variation in the amount of integration revenue that school districts receive. For example, one of the state's most populous school districts, Anoka-Hennepin, received about \$4.3 million in integration revenue in 2005. In contrast, the Round Lake school district received less than \$15,000 in 2005. Table 1.4 shows the school districts that received the most and the least integration revenue in 2005, according to preliminary figures. The Appendix contains a listing of all school districts that received integration revenue and their funding levels in 2005.

Table 1.4: Estimated Integration Revenue for Selected School Districts, FY 2005

There is wide variation in the amount of integration revenue school districts receive.

	Enrollment	Funding Rate per Student	Total Integration Revenue
School Districts with the Most Integration Revenue			
Minneapolis	44,060	\$480 ^a	\$21,148,603
St. Paul	47,190	445	20,999,608
Anoka-Hennepin	47,173	92	4,305,370
Osseo	24,712	129	3,187,903
Duluth	12,319	206	2,537,691
Median Integration Revenue			262,408
School Districts with the Least Integration Revenue			
Butterfield	227	129	29,289
Brewster	218	92	20,040
Ellsworth	208	92	19,098
Comfrey	172	92	15,860
Round Lake	160	92	14,704

NOTES: The table excludes 22 school districts that were eligible for integration revenue in 2005 and requested funding for planning purposes only. Enrollment and funding rates are based on "adjusted pupil units," as defined in *Minnesota Statutes* 2004, 124C.05. Amounts are rounded to the nearest dollar.

^a Includes a \$35 additional local levy.

SOURCE: Office of the Legislative Auditor's analysis of Minnesota Department of Education financial data.

Participating school districts receive integration revenue as a combination of state aid and property tax revenue. The Legislature has changed the portion paid as state aid several times. In fiscal year 2005, the state paid 70 percent and school districts levied for 30 percent of their eligible integration revenue.¹²

In addition to integration revenue, school districts that enroll students from the Minneapolis, St. Paul, and Duluth school districts under open enrollment or similar programs receive "alternative attendance aid" if the enrollment of those

¹² *Minnesota Statutes* 2004, 124D.86, subd. 4.

students contributes to integration. For each such student enrolled, the school district receiving the student gets the difference between its integration revenue funding rate and the funding rate of the resident district.¹³ For example, 243 Minneapolis students attended the Richfield school district in fiscal year 2005. Richfield received an additional \$351 in alternative attendance aid for each of those students, which is equal to Minneapolis' rate of \$480 minus Richfield's rate of \$129 per student, or a total of about \$85,000. In all, 20 school districts (all in the Twin Cities metropolitan area) received a total of about \$885,000 in alternative attendance aid in fiscal year 2005.¹⁴ School districts use these funds for their integration programs.

Funding Trends

Between 2001 and 2005, total integration revenue increased 16 percent, from \$68 million to almost \$79 million. However:

- **After an initial increase in 2002, total integration revenue has remained relatively stable.**

Total integration revenue increased from \$68 million in 2001 to \$81 million in 2002, and it has been between \$77 million and \$79 million since then. Figure 1.2 shows that the three original school districts that received integration funding (Minneapolis, St. Paul, and Duluth) experienced decreases in integration revenue between 2001 and 2005, while revenue for participating school districts in the remainder of the state showed an overall increase. In 2001, the Minneapolis, St. Paul, and Duluth school districts received 83 percent of the integration revenue, but by 2005 their combined share was 57 percent.

Minneapolis' integration revenue decreased the most, by \$9.2 million (30 percent), from 2001 to 2005. This occurred for two reasons. First, total enrollment in Minneapolis schools declined by about 8,300 students during this time period. Since integration revenue is calculated on a per student basis, this decline in enrollment caused a corresponding decrease in revenue. Second, the Legislature reduced Minneapolis' integration revenue funding rate from \$536 per student to \$446, effective in 2003, and further reduced it to \$445 effective in 2004.¹⁵ However, Minneapolis was allowed to levy an extra \$35 per pupil, yielding a net reduction of \$56 per student.¹⁶

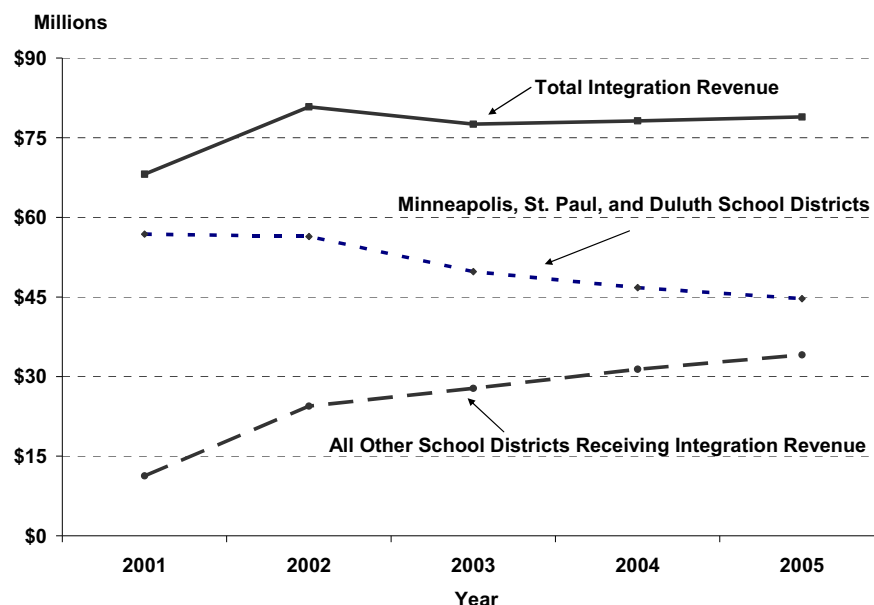
Over half of the integration revenue goes to the Minneapolis, St. Paul, and Duluth school districts.

¹³ *Minnesota Statutes* 2004, 124D.86, subd. 6.

¹⁴ The Robbinsdale school district received the most alternative attendance aid, about \$242,000, and Columbia Heights received about \$111,000. No other school district received over \$100,000. The median amount was \$26,803. Alternative attendance aid is paid entirely by the state and is not subject to the local levy match.

¹⁵ *Laws of Minnesota* First Special Session 2001, chapter 6, art. 2, sec. 47, and *Laws of Minnesota* 2003, chapter 9, art. 2, sec. 31.

¹⁶ *Laws of Minnesota* 2002, chapter 377, art. 5, sec. 1.

Figure 1.2: Integration Revenue, FY 2001-2005

SOURCE: Office of the Legislative Auditor's analysis of Minnesota Department of Education data.

The St. Paul school district also experienced a decrease in integration revenue, although not as much as Minneapolis. St. Paul's enrollment declined by about 4,000 students between 2001 and 2005, about half as much as Minneapolis. In addition, the Legislature reduced St. Paul's integration revenue funding rate by only \$1 per student, from \$446 to \$445. As a result, St. Paul's integration revenue decreased by \$2.5 million (11 percent) between 2001 and 2005. Duluth's enrollment dropped by about 1,500 students during this time period and the Legislature reduced its funding rate by \$1 per student. As a result, Duluth's integration revenue decreased by about \$380,000 (13 percent) between 2001 and 2005.

Since 2001, more school districts have become eligible for integration revenue.

For the remaining school districts eligible for the program, total integration revenue increased by about \$23 million (203 percent) between 2001 and 2005. There are four main reasons for this increase. First, more school districts have become eligible for integration revenue. Eighty school districts received some integration revenue in 2005, as compared with 32 districts in 2001. Second, as noted earlier, the Legislature enacted a higher rate of funding for districts with over 15 percent protected student enrollment, effective in 2002. Prior to that, all eligible districts (except Minneapolis, St. Paul, and Duluth) received \$93 per student.¹⁷ As noted earlier, 31 school districts are eligible to receive funding at the higher level (\$129) in 2006. Third, the Legislature allowed voluntary districts to receive integration revenue for the first time in 2002, at the rate of \$93

¹⁷ The higher rate was initially \$130 and the lower rate was \$93. Effective in 2004, the Legislature reduced all funding rates by \$1 per adjusted pupil unit. *Laws of Minnesota* 2003, chapter 9, art. 2, sec. 31.

“Racially isolated” and their adjoining school districts must establish collaboration councils to develop interdistrict integration plans.

per student.¹⁸ Finally, school districts are now using all or most of the integration revenue for which they are eligible. The Department of Education (MDE) requires that integration activities be budgeted and the money spent before MDE releases the integration revenue to school districts. In the early years of the program, many school districts were developing integration plans and were not at the point of implementing them. As a result, many districts did not use all of their integration revenue. More recently, most school districts have implemented programs that use all or most of the integration revenue to which they are entitled.

SCHOOL DISTRICT COLLABORATION

By law, school districts identified as “isolated” and “adjoining” must work together to develop a multidistrict plan to address integration issues. Districts with racially identifiable schools are also required to develop a plan to address their intra-district integration issues. School districts must use a “collaboration council” that is reasonably representative of the participating districts to develop the integration plan.¹⁹ In the plan, districts, with the help of the council, must identify their integration issues, state the goals of the integration effort, and outline strategies for achieving those goals. School districts are then required to submit the plan to MDE along with a proposed budget explaining how the districts will use the integration revenue. Except for the Minneapolis, St. Paul, and Duluth school districts, MDE must approve the budget before funds are released.²⁰

School districts have taken different approaches to fulfilling this collaboration requirement. For example, school districts in the Twin Cities metropolitan area have established three “integration districts” to pool their integration revenue and establish regional integration programs. These integration districts are governed through joint powers agreements and cover most of the Twin Cities metropolitan area. Specifically, they are: (1) the West Metro Education Program (WMEP), a collaboration of 11 school districts in the western portion of the metropolitan area; (2) the East Metro Integration District (EMID), which includes 10 school districts in the eastern part of the metropolitan area; and (3) the Northwest Suburban Integration School District (NWSISD), which includes 7 school districts in the northwestern part of the metropolitan area.

Although they have not formed joint powers boards, school districts in greater Minnesota have also pooled integration revenue and collaborated on integration plans. For example, Willmar, a racially isolated district, and its three adjoining districts have formed the West Central Integration Collaborative to develop a joint strategy for dealing with integration issues. Integration districts and similar collaborative efforts do not receive integration revenue directly from the state, but receive all or a portion of their revenue from member districts. For example,

¹⁸ This was subsequently changed to \$92. *Laws of Minnesota* First Special Session 2001, chapter 6, art. 2, sec. 47.

¹⁹ *Minnesota Statutes* 2004, 124D.86, subd. 1b; and *Minnesota Rules* 2005, 3535.0160, subp. 2, and 3535.0170, subp. 2.

²⁰ *Minnesota Statutes* 2004, 124D.86, subd. 1a. The exemption for the Minneapolis, St. Paul, and Duluth school districts will be discussed more fully in Chapter 3.

districts belonging to EMID contribute one-third to one-half of their integration revenue to the collaboration effort and use the remainder for intra-district programming.²¹

In contrast to the integration districts and other formal collaboration programs, some school districts work together on a more informal basis. These districts do not combine their integration revenue, but try to provide joint programming throughout the year. We discuss all of these collaboration efforts and the integration strategies that school districts have implemented in Chapter 2.

²¹ Adjoining districts that do not have a racially identifiable school are expected to use their intra-district funds to help meet the goals of the interdistrict collaborative in which they participate.

Integration Revenue Activities and Results

SUMMARY

The purpose of the Integration Revenue program is not clear. Minnesota statutes and rules that govern the program give school districts significant flexibility when using their integration funding. As a result, school districts use their integration revenue for a wide array of programs, including magnet schools, teacher and staff diversity training, and multicultural festivals or other special events. Some school districts have used their integration revenue for questionable purposes. The program's vague guidelines also make it difficult to measure the impact of the Integration Revenue program. Minnesota laws governing the program do not require school districts to achieve specific integration outcomes or use measurable criteria when assessing their integration programs. In addition, neither school districts nor the Minnesota Department of Education systematically evaluates districts' integration programs to determine their impact. Finally, the concentration of protected students in school districts identified as racially isolated increased between 2001 and 2005, indicating that the Integration Revenue program has not achieved greater racial balance among school districts.

Over the past few years, news articles reporting how school districts use their integration revenue have led to questions regarding whether districts are using these funds as intended. In March 2004, one news article highlighted a school district that planned to spend about \$70,000 of its integration revenue on multicultural artwork and cultural artifacts.¹ In a time of budget shortfalls, expenditures such as this have caused legislators and others to question whether school districts are using integration revenue appropriately. Accordingly, this chapter addresses the following questions:

- **What are the goals of the Integration Revenue program? How do various stakeholders view the purpose of the program?**
- **How do Minnesota school districts use integration revenue, and to what extent do districts use the funding for its dedicated purpose?**
- **To what extent has the Integration Revenue program achieved its goals?**

To answer these questions, we reviewed the most recent integration plans and budgets for all school districts that receive integration revenue, as well as

¹ Megan Boldt, "More Diversity Dollars Moving to Suburbs: Desegregation Efforts Face Increased Scrutiny," *St. Paul Pioneer Press*, March 22, 2004, sec. A, p. 1.

relevant state statutes and rules. To better understand how school districts use these funds, we met with staff from 20 school districts that receive integration revenue.² We also interviewed Minnesota Department of Education (MDE) staff, interest group representatives, and citizens. Finally, we analyzed MDE's student enrollment data to determine how school districts' student enrollment has changed since implementing the Integration Revenue program.

PURPOSE OF INTEGRATION REVENUE

Minnesota statutes and the state's Desegregation Rule outline the goals of the Integration Revenue program and broadly define how school districts can use the revenue. However, because the laws that govern this program are ambiguous, we found that:

- **The purpose of the Integration Revenue program is not clear.**

Despite the name of the program, districts are not required to use integration revenue for traditional "integration" programs. Instead, Minnesota statutes and the Department of Education's Desegregation Rule outline a variety of ways in which school districts can use their integration revenue, ranging from opportunities for "interracial contacts" to staff development programs. In addition, school district staff have varying, and at times contradictory, ideas as to how they can use their integration revenue.

School districts are not required to use integration revenue to reduce racial imbalances in their schools.

School districts are not required to use their integration revenue to integrate their students and alleviate the racial imbalance within a district or across school districts. As discussed in Chapter 1, school districts qualify for integration revenue based on their enrollment of protected students.³ Specifically, if a district's proportion of protected students is more than 20 percentage points different than one of its neighboring districts, it qualifies for integration revenue. Similarly, if a district has one or more schools where the proportion of protected students exceeds the district average for the grade levels served by the school by more than 20 percentage points, it qualifies for integration revenue. However, districts are not required to use this funding to address the racial isolation that made them eligible for the revenue in the first place. Instead, districts must use the revenue to "create or enhance learning opportunities which are designed to provide opportunities for students to have increased interracial contacts through classroom experiences, staff initiatives, and other educationally related programs."⁴ Thus, according to statutes, the emphasis is on "interracial

² We met with staff from the following school districts: Anoka-Hennepin, Bloomington, Brooklyn Center, Buffalo-Hanover-Montrose, Duluth, East Metro Integration District, Edina, Minneapolis, Mountain Lake, New London-Spicer, Northwest Suburban Integration School District, Osseo, Robbinsdale, Rochester, St. Paul, South Washington County, West Central Integration Collaborative, West Metro Education Program, West St. Paul-Mendota Heights-Eagan, and Windom.

³ As defined in Chapter 1, a protected student is a student who self-identifies or is identified in one or more of the general racial categories of African/Black Americans, Asian/Pacific Americans, Chicano/Latino Americans, and American Indian/Alaskan Native. *Minnesota Rules* 2005, 3535.0110, subp. 4.

⁴ *Minnesota Statutes* 2004, 124D.86, subd. 1.

contacts,” and not necessarily achieving racial balance, which is a more traditional use of the term “integration.”

Moreover, how districts should achieve “interracial contact” is not clear. “Interracial contact” can mean a variety of things, ranging from integrated classrooms and interdistrict magnet schools, to one-day multicultural festivals. Clearly, these activities provide different degrees of interracial contact. Integrated classrooms provide opportunities for students to work together and form relationships. In contrast, a multicultural festival may teach about different cultures and physically bring students together for a brief period, but it does not necessarily provide opportunities for students to build relationships. However, under the current law, both are equally valid types of integration activities. In other words, there are no guidelines regarding the meaningfulness of the “interracial contacts” that take place.

School districts may use integration revenue for staff development, multicultural festivals, and to reduce class sizes, among other things.

Examples of allowable expenditures outlined in the state’s Desegregation Rule further complicate the purpose of the Integration Revenue program. For racially isolated school districts, the rule suggests some traditional integration options such as cooperative transportation, magnet schools, and incentives for students to transfer to non-racially isolated districts.⁵ However, the rule also sets forth “cooperative programs to enhance the experience of students of all races and from all backgrounds,” cooperative staff development programs, and shared extracurricular opportunities as examples of allowable expenditures.⁶ This indicates that activities other than those providing increased “interracial contacts” for students are acceptable, such as staff development and training.

For districts with racially identifiable schools, the purpose of the program is also ambiguous.⁷ In addition to transportation and other traditional integration activities, the rule suggests districts can use the integration funds for smaller class sizes, more extracurricular opportunities, and greater support services at the racially identifiable school. While these programs may serve to attract a diverse student population to the racially identifiable school, the rule does not require these districts to directly integrate the school. Instead, districts could simply add resources to their racially identifiable schools to improve student achievement or for other purposes.

School district staff with whom we met consistently expressed a desire for the purpose of the Integration Revenue program to be clarified. Staff in different districts had varying, and at times conflicting, ideas regarding the goals of the program, and collectively identified six major purposes of integration revenue. As listed in Table 2.1, some school district staff thought the purpose of the program was to achieve traditional integration, others thought it was to reduce the achievement gap, while others thought it was to increase community

⁵ As discussed in Chapter 1, a racially isolated school district’s proportion of protected students is more than 20 percentage points greater than a neighboring district’s proportion of protected students.

⁶ *Minnesota Rules* 2005, 3535.0170, subp. 6. B. (4)-(6).

⁷ As discussed in Chapter 1, a racially identifiable school’s proportion of protected students is more than 20 percentage points greater than the proportion of protected students in the entire district for the grade levels served at that school.

Table 2.1: School District Staff Perceptions of the Purpose of the Integration Revenue Program

Purpose	Examples
Providing opportunities for the voluntary movement of students to achieve traditional integration	Magnet schools and The Choice Is Yours program
Increasing opportunities for interracial contact through classroom and extracurricular activities	After school programs, language camps, and festivals
Improving students' academic achievement and reducing the achievement gap between protected students and their peers	Reduced class sizes and remedial assistance
Increasing community involvement in the school district	Home-school liaisons and community centers
Increasing overall multicultural awareness	Multicultural curriculum and diversity speakers
Providing teacher and staff development focused on diversity issues	Teacher training and teacher mentors

SOURCE: Office of the Legislative Auditor.

School district staff have varying ideas about the program's purpose.

involvement in the schools. Staff in many school districts thought the Integration Revenue program has multiple purposes.

SCHOOL DISTRICT USE OF INTEGRATION REVENUE

Most school districts make their Integration Revenue spending decisions through a collaborative council process, as required by law.⁸ Minnesota's Desegregation Rule requires that districts use a community collaboration council that is reasonably representative of the diversity of the districts involved to develop the integration plan and budget.⁹ Districts may either use an existing committee or establish a new committee for the purposes of the Integration Revenue program. School districts' collaboration councils are generally comprised of district staff and teachers, school board members, parents, community members, and sometimes students.

In many of the school districts we visited, these councils have a significant role in determining how districts use their integration revenue. Typically, district staff, along with the district's collaboration council, review allowable uses for integration revenue outlined in Minnesota statutes and rules and identify the needs of their communities. In most cases, district staff and council members work together to develop an integration plan and budget. In some districts, the integration plan is a component of the district's overall strategic plan; in others it

⁸ Two of the 20 school districts we visited did not have a collaboration council in place.

⁹ *Minnesota Rules* 2005, 3535.0160, subp. 2, and 3535.0170, subp. 2-3.

is a stand-alone document. Ultimately, the school board in each district must approve the integration plan and budget.

While one would expect some variation in integration expenditures as a result of local community preferences and needs, we found that:

- **School districts vary widely in how they use integration revenue. While many of their expenditures are reasonable, some are questionable.**

In part due to differing district needs and in part because the purpose of the program is not clear, school districts use integration revenue for a wide variety of activities, ranging from interdistrict magnet schools to one-time social gatherings for students and families.

Some school districts use their integration revenue to operate interdistrict magnet schools.

Some of the integration programs that school districts have implemented, or are planning to implement, are consistent with a traditional view of integration—physically bringing together students of different cultural and ethnic backgrounds. For example, the West Metro Education Program (WMEP), a collaboration of 11 school districts in the western portion of the Twin Cities metropolitan area, operates two interdistrict magnet schools, the Fine Arts Interdisciplinary Resource School (FAIR) located in Robbinsdale, and the Interdistrict Downtown School (IDDS) located in downtown Minneapolis.¹⁰ In addition, WMEP operates The Choice Is Yours (TCIY) program, which allows qualifying Minneapolis students to enroll in nearby suburban school districts. Minneapolis students enrolling in TCIY program receive free transportation from their home to the suburban school in which they are enrolled.¹¹

Similar to WMEP, the East Metro Integration District (EMID), a collaboration of ten school districts in the eastern portion of the Twin Cities metropolitan area, operates two interdistrict magnet schools, the Harambee Elementary School in Maplewood, and the Crosswinds Middle School in Woodbury.¹² In addition, the EMID member districts have extensive partnerships between St. Paul and suburban school district classrooms. Through these partnerships, classrooms jointly attend weekend retreats, nature centers, and other facilities on a regular basis throughout the school year for educational programming and interracial contact.

¹⁰ WMEP member districts are: Brooklyn Center, Columbia Heights, Eden Prairie, Edina, Hopkins, Minneapolis, Richfield, Robbinsdale, St. Anthony-New Brighton, St. Louis Park, and Wayzata. WMEP receives its integration funding from its member districts, not directly from the state.

¹¹ Minneapolis students who are eligible to receive free or reduced-price lunch may participate in The Choice Is Yours (TCIY) program. As mentioned in Chapter 1, TCIY program was originally established to settle the NAACP lawsuit against the state regarding the adequacy of the Minneapolis schools. Transportation costs associated with TCIY are paid for by a separate aid program.

¹² EMID member districts are: Inver Grove Heights, Mahtomedi, North St. Paul-Maplewood-Oakdale, Roseville, St. Paul, South St. Paul, South Washington County, Stillwater, West St. Paul-Mendota Heights-Eagan, and White Bear Lake. EMID receives its integration funding from its member districts, not directly from the state.

Finally, the Northwest Suburban Integration School District (NWSISD), a collaboration of seven school districts in the northwestern portion of the Twin Cities metropolitan area, opened ten interdistrict magnet schools across the member districts in fall 2005.¹³ Students from the seven member districts can apply to attend any of the NWSISD magnet schools, and enrolled students receive free transportation to their school.

Most of the districts that provide these “traditional” integration opportunities within the classroom are in the Twin Cities metropolitan area. Because distances between schools and districts are much larger in greater Minnesota, some of these programs may not be practical for districts outside the Twin Cities area. Instead, many school districts in greater Minnesota have integration programs that are centered on special activities, such as summer academic camps or soccer programs. These programs bring students together on a regular basis, within the constraints imposed by larger geographic distances. Many school districts also use their integration revenue to provide staff development and diversity training; interpreters and other language-related services; and multicultural dance, music, and art programs, among other things.

Some school districts have used their integration revenue for questionable purposes.

In contrast to the magnet schools and ongoing integration activities mentioned above, some districts have used their integration revenue for questionable purposes. For example, a few districts used their integration revenue to purchase U.S. history or social studies textbooks for their schools’ general curriculum; several districts used their revenue to provide English language learner services; and several other districts used their integration revenue to purchase computers. These expenditures are all existing responsibilities of a school district, and are outside the Integration Revenue program. A few school districts used integration revenue to provide multicultural curriculum in their classrooms. While this was generally part of a larger effort to increase multicultural awareness, it may be supplanting districts’ existing requirements under Minnesota’s Inclusive Education Rule. This rule requires all school districts in the state to provide an inclusive educational program that, among other things, reflects the cultural diversity of the United States.¹⁴

Table 2.2 details how school districts planned to spend their integration revenue, as outlined in their most recent integration budgets. Statewide, over 65 percent of integration revenue was budgeted for magnet schools, transportation, and addressing the achievement gap. This expenditure data, however, is heavily influenced by the Minneapolis and St. Paul school districts, which account for over half of the total integration revenue.

¹³ NWSISD member districts are: Anoka-Hennepin, Brooklyn Center, Buffalo-Hanover-Montrose, Elk River, Fridley, Osseo, and Rockford. NWSISD receives its integration funding from its member districts, not directly from the state.

¹⁴ *Minnesota Rules* 2005, 3500.0550.

Table 2.2: School Districts' Use of Integration Revenue, FY 2005

	Five Districts with Largest Integration Budgets ^a		All Other Districts		Total Districts	
	Dollars (000s)	Percentage	Dollars (000s)	Percentage	Dollars (000s)	Percentage
Magnet schools	\$29,160	43.0%	\$3,486	13.4%	\$32,646	34.8%
Transportation	18,502	27.3	975	3.8	19,476	20.8
Addressing the achievement gap	8,091	11.9	2,855	11.0	10,946	11.7
Administration	5,000	7.4	3,533	13.6	8,533	9.1
Special events and programs	2,403	3.5	2,741	10.5	5,144	5.5
Multicultural staff	281	0.4	4,075	15.7	4,357	4.6
Hiring and training staff	2,320	3.4	1,886	7.3	4,206	4.5
Miscellaneous ^b	1,246	1.8	1,721	6.6	2,967	3.2
Family involvement	82	0.1	2,096	8.1	2,179	2.3
Language-related services	302	0.5	1,807	7.0	2,109	2.3
Multicultural curriculum	<u>463</u>	0.7	<u>820</u>	3.2	<u>1,283</u>	1.4
Total	\$67,851		\$25,995		\$93,846	

NOTES: Use of integration revenue is based on districts' most recent Integration Revenue budget filed with the Minnesota Department of Education as of May 26, 2005. Budgets reflect what districts plan to spend in the upcoming fiscal year, not actual expenditures.

^a The five districts with the largest Integration Revenue budgets are: Minneapolis, St. Paul, East Metro Integration District, Northwest Suburban Integration School District, and West Metro Education Program. The three integration school districts receive their revenue from member districts, not directly from the state.

^b Miscellaneous includes expenditures associated with technology, early childhood programs, and kindergarten readiness, among other things.

SOURCE: Office of the Legislative Auditor.

The activities on which districts spend their integration revenue depend, to some extent, on the size of the program. For example, as illustrated in Table 2.2, the five districts with the largest Integration Revenue budgets (Minneapolis, St. Paul, EMID, WMEP, and NWSISD) planned to spend 43 percent of their integration revenue on magnet schools, as compared to only about 13 percent for the remaining districts. Similarly, the five districts with the largest integration budgets planned to spend less than 1 percent of their integration revenue on family involvement and language-related services, which include family outreach programs and interpreters, as compared with 15 percent of the other districts' integration budgets.

While there are differences in how districts use their integration revenue, there are also some similarities. For example, almost 85 percent of the districts involved in the Integration Revenue program use some of their funding to hire or retain staff from different cultural backgrounds, or train existing staff on diversity issues. Similarly, almost 83 percent of districts involved in the program use some of their funding to provide special events or student programs, such as after-school and summer programs, multicultural festivals, and field trips. Thus, while the biggest use of integration revenue is for magnet schools and transportation, it is important to note that the program also supports many other small-scale integration activities and opportunities.

INTEGRATION REVENUE PROGRAM RESULTS

As discussed above, school districts use their integration revenue in a variety of ways. This local flexibility is an integral part of the Integration Revenue program, and allows school districts to identify and implement integration activities that best fit their local needs. As a state-funded program, however, there is also a need for accountability and assessment of results. We found that:

- **Neither the state nor school districts have adequately assessed the results of the Integration Revenue program.**

Specifically, (1) state law does not have criteria or expected outcomes for the program, (2) local school districts vary in the extent to which they evaluate the impact of their Integration Revenue programs, and (3) the Minnesota Department of Education has not evaluated districts' integration programs.

Because there are no explicit state outcomes associated with the program, it is difficult to measure its success. More specifically, the Minnesota laws governing the Integration Revenue program do not require school districts to meet specific or measurable criteria. For example, there is no requirement that districts achieve some degree of racial balance among their schools or with neighboring districts. Similarly, there is no requirement that districts reduce the achievement gap among their students or ensure that their students achieve at a certain level.¹⁵ Instead, Minnesota statutes require each district to report on "the extent to which the integration goals identified in the plan were met."¹⁶ In other words, by law, school districts are only required to measure their integration outcomes against the goals they included in their integration plan, which vary by district.

Although school districts are required to evaluate the success of their integration plans, districts vary in the extent to which they do so. Among the school districts we visited, the most common evaluation methods used were reporting participation rates in integration programs and reviewing student test scores. Eight of the 20 school districts we visited used test scores to evaluate the success of their integration program. The relationship between test scores and the Integration Revenue program, however, is not always clear. Districts that use their integration revenue for district-wide magnet schools may be able to use changes in test scores as a way to evaluate the impact of their integration program. On the other hand, districts that use their integration revenue for multicultural festivals may have a more difficult time linking changes in test scores to the impact of their integration program.

A few of the districts we visited have conducted surveys to measure attitudes among staff or students. In theory, these surveys would measure the effect of a district's program on less tangible things, such as multicultural tolerance or racism. However, only one of the school districts we visited had systematically

School districts vary in the extent to which they evaluate their Integration Revenue program.

¹⁵ There are performance standards under the federal No Child Left Behind Act, but these are not part of the Integration Revenue program.

¹⁶ *Minnesota Statutes* 2004, 124D.86, subd. 1b.

The Department of Education has not evaluated districts' Integration Revenue programs.

conducted these surveys to track how attitudes have changed over time. Surveys conducted at one point in time cannot be used to measure the success of the districts' integration plans.

Other school districts have monitored discipline and behavioral problems or tracked staff recruitment and retention data to evaluate the impact of their integration plans. These measures may help districts assess specific components of their integration plan, but they should be part of a larger evaluation effort to fully understand the impact of the district's integration program. Five of the 20 districts we visited do not evaluate their integration plans at all, although some said that their integration program was too new to allow for meaningful evaluation.

Finally, as discussed further in Chapter 3, the Minnesota Department of Education has not evaluated districts' Integration Revenue programs, as required by rule. As outlined in its Desegregation Rule, MDE must evaluate any plan developed for districts with racially identifiable schools to determine whether the collaboration plan was implemented and whether the goals were substantially met. The department is supposed to report annually to the relevant legislative committees regarding any changes in the enrollment of protected students at racially identifiable schools. Similarly, MDE is supposed to biennially evaluate the results of interdistrict collaborative efforts targeted towards racially isolated school districts to determine whether the collaboration plan was implemented and whether the action goals were substantially met.¹⁷ According to department staff, to date they have not evaluated districts' integration programs.¹⁸ As a result, the state does not know the extent to which school districts have met the goals established in their integration plans.

Absent meaningful evaluations to review, we examined districts' enrollment data. Although school districts are not required to use their integration revenue to reduce concentrations of protected students, we think it is relevant to examine whether enrollment has changed in participating districts. We found that:

- **Over the last five years, racial concentration has increased in some of the school districts that participate in the Integration Revenue program.**

With the exception of Minneapolis and St. Paul, the percentage of protected students in racially isolated school districts has increased relative to their adjoining districts. Table 2.3 lists the school districts that qualified for integration revenue based on their 2000 enrollment. The table shows the percentage of protected students enrolled in those districts and in their adjoining districts in 2000 and 2005.¹⁹ The right-hand column shows the change in the percentage of protected students enrolled in the districts between 2000 and 2005. The table shows that with the exception of the Minneapolis and St. Paul school

¹⁷ *Minnesota Rules* 2005, 3535.0160, subp. 4, and 3535.0180.

¹⁸ For the first time this fall, the department plans to report to the Legislature on changes in the enrollment of protected students at racially identifiable schools.

¹⁹ We included only those adjoining districts that were identified as adjoining in at least three of the six years from 2000 to 2005.

Table 2.3: Percentage of Protected Students in Racially Isolated School Districts and Their Adjoining School Districts, FYs 2000 and 2005

	Percentage of Protected Students, 2000	Percentage of Protected Students, 2005	Change in Percentage of Protected Students
Brooklyn Center	45.3%	66.0%	20.7%
Adjoining Districts	15.0	25.3	10.3
Difference	30.3	40.7	10.4
Butterfield	25.0	28.4	3.4
Adjoining Districts	1.7	2.7	1.0
Difference	23.3	25.7	2.4
Madelia	24.3	32.1	7.9
Adjoining Districts	2.6	3.7	1.1
Difference	21.7	28.5	6.8
Minneapolis	71.1	72.5	1.4
Adjoining Districts	18.1	29.4	11.3
Difference	53.0	43.1	-9.8
Mountain Lake	27.0	29.1	2.1
Adjoining Districts	4.2	6.2	2.0
Difference	22.8	22.9	0.1
Richfield	28.8	51.5	22.7
Adjoining Districts	6.7	11.6	4.8
Difference	22.1	39.9	17.8
St. James	22.0	37.0	15.1
Adjoining Districts	2.5	4.0	1.5
Difference	19.5	33.0	13.5
St. Paul	64.7	71.8	7.1
Adjoining Districts	12.3	22.1	9.8
Difference	52.4	49.7	-2.7
Worthington	31.4	42.2	10.8
Adjoining Districts	3.2	4.8	1.6
Difference	28.2	37.4	9.2

NOTE: An adjoining district is any school district that has been identified by the Minnesota Department of Education as an adjoining district to the above isolated school districts for at least three of the six years between 2000 and 2005. Amounts above may not sum due to rounding.

SOURCE: Office of the Legislative Auditor's analysis of Minnesota Department of Education enrollment data.

districts, protected student enrollment increased more in the racially isolated districts than in their adjoining districts.²⁰ As a result, differences in the

²⁰ We repeated the analysis for those school districts that became eligible for integration revenue based on their 2001 enrollment. These racially isolated districts (Columbia Heights, Osseo, Robbinsdale, Sleepy Eye, Tracy, and Willmar) all had their proportion of protected students increase more than their adjoining districts.

**Racial
concentration has
increased in many
school districts
participating in
the Integration
Revenue
program.**

percentage of protected students between racially isolated and adjoining districts were greater in 2005 than they were in 2000.

One example of the increasing concentration of protected students is in the Worthington school district. In 2000, 31 percent of the Worthington school district's enrollment was protected students. This compared with a total of 3 percent for Worthington's adjoining districts, a difference of 28 percentage points. By 2005, 42 percent of Worthington's enrollment was protected students compared with 5 percent for the adjoining districts, a difference of 37 percentage points. Thus, while the percentage of protected students increased in both the Worthington school district and its adjoining districts, the increase was greater in Worthington, leading to a greater concentration of protected students.

The Minneapolis and St. Paul school districts had the highest concentrations of protected students in 2000 (71 and 65 percent, respectively), and the percentage of protected students grew to 73 and 72 percent by 2005. However, the percentage of protected students increased at a faster rate in the adjoining school districts, as the inner-ring suburbs became more racially diverse. Specifically, the percentage of protected students in the school districts adjoining Minneapolis went from 18 percent in 2000 to 29 percent in 2005, an 11 percentage point change.

We also evaluated changes in the racial concentration of schools that were designated racially identifiable based on their 2000 enrollment. Specifically, we compared the percentage of protected students in each racially identifiable school with the district's percentage of protected students in the grade levels served by those schools for 2000 and 2005. Of the 22 racially identifiable schools that were first identified in 2000 and still existed in 2005, all but 4 had a higher concentration of protected students in 2005 than in 2000.

The data presented in Table 2.3 suggest that, to date, the Integration Revenue program has not led to less concentration of protected students. However, it is unknown what the racial make-up of the school districts that received integration revenue would have been without the Integration Revenue program. It is possible that there would have been even greater disparities in the racial makeup of racially isolated and adjoining districts. It is also possible that there has not been sufficient time for the integration program to overcome housing patterns and other factors that have an impact on the racial composition of school districts. Finally, as discussed throughout this chapter, it is not clear that the purpose of the Integration Revenue program is to achieve racial balance among school districts.

Oversight and Funding

SUMMARY

The Minnesota Department of Education (MDE) has not met its obligations to oversee the Integration Revenue program. Furthermore, over the life of the program, the department has provided inconsistent guidance to districts regarding allowable integration expenditures. While the department has recently increased its oversight of districts' integration budgets, it is still not meeting all of its responsibilities. In addition, the Integration Revenue funding formula has unintended and potentially negative consequences. The funding formula provides disincentives for districts to achieve racial balance among their schools; does not sufficiently acknowledge differences in districts' funding needs; and allows districts to voluntarily participate in the program without state approval. Adjustments could be made to the integration funding formula that might make the program more effective. Finally, MDE does not have budget approval authority for the Minneapolis, St. Paul, or Duluth school districts, which together account for over half of the state's integration revenue.

As discussed in Chapter 2, Minnesota laws give school districts significant flexibility regarding how they use their integration revenue. Nevertheless, for most districts, the Minnesota Department of Education has a role in ensuring that integration revenue is used appropriately. This chapter analyzes the performance of the Department of Education, and also reviews the Integration Revenue funding formula. Specifically, this chapter addresses the following questions:

- **How well does the Minnesota Department of Education oversee districts' integration plans and the use of integration revenue?**
- **How appropriate is the Integration Revenue funding formula?**

To answer these questions, we reviewed Minnesota statutes and rules, interviewed Minnesota Department of Education staff, and reviewed school districts' integration plans and budgets. We also visited with staff from 20 school districts around the state that participate in the Integration Revenue program and spoke with interest group representatives. Finally, we observed the department's budget review of school districts' fiscal year 2006 integration budgets.

MINNESOTA DEPARTMENT OF EDUCATION OVERSIGHT

The Minnesota Department of Education (MDE) has primary responsibility for overseeing the Integration Revenue program. The department is responsible for reviewing school districts' integration plans and approving most districts' integration budgets. As discussed later in this chapter, the Department of

The Minnesota Department of Education (MDE) is responsible for overseeing the Integration Revenue program.

Education does not approve integration budgets for the Minneapolis, St. Paul, or Duluth school districts. According to Minnesota statutes, the department may develop criteria to use when reviewing and approving districts' integration budgets. Among other things, these criteria should require districts to address how expenditures will be used to support increased opportunities for interracial contact.¹

By rule, MDE is also responsible for evaluating districts' integration plans to determine whether the plan was implemented and its goals substantially met.² As discussed in Chapter 2, these evaluations would help to measure the success of the Integration Revenue program. The department is also responsible for conducting in-depth reviews of districts with at least one racially identifiable school to determine whether or not the racial imbalance in these districts is the result of intentional segregation.³ If intentional segregation is found, a more comprehensive section of the Desegregation Rule that gives more authority to MDE applies.

In short, the department has an important role in overseeing the Integration Revenue program. However, we found that:

- **The Minnesota Department of Education has not provided consistent or required oversight of the program, although it has made some improvements in the past year.**

MDE has not fulfilled many of its responsibilities, although the department has made improvements in some areas. Since the inception of the program, the department has not given school districts consistent direction regarding their integration plans and budgets. In addition, although required by law, the department has not regularly evaluated the success of districts' integration plans, nor has it reviewed information from many districts with racially identifiable schools to determine whether intentional segregation has occurred. On the other hand, this past year MDE implemented some new oversight procedures, and in August 2005, the department more systematically reviewed and approved districts' integration budgets using established criteria.

Inconsistent Oversight

The Department of Education has provided inconsistent guidance to school districts regarding allowable expenditures under the program. As noted above, MDE is responsible for approving most school districts' integration budgets. As part of this process, the department must communicate with districts regarding what expenditures are allowed under the Integration Revenue program. However, staff in over half of the school districts with whom we met said they would like more guidance regarding the purpose of the Integration Revenue program and allowable ways to use the funding. In addition, staff from 8 of the

¹ *Minnesota Statutes* 2004, 124D.86, subd. 1a.

² *Minnesota Rules* 2005, 3535.0160, subp. 4. A. (1), and 3535.0180.

³ Intentional segregation is when the racial composition at a school is the result of school district acts motivated at least in part by a discriminatory purpose. *Minnesota Rules* 2005, 3535.0130, subp. 1.

20 school districts we visited said that MDE staff have provided inconsistent guidance over the life of the program. School district staff cited examples of different districts receiving different answers to the same question, or one district receiving different answers to the same question depending on when or whom they asked. This inconsistency may have contributed to the variety of ways school districts have used their integration revenue, as discussed in Chapter 2. MDE staff acknowledged that, in the past, they have given some districts' integration budgets more scrutiny than others.

One example of inconsistent department oversight involves the Bloomington school district. Since the inception of the program, the Bloomington school district has had at least one racially identifiable school. Initially, MDE staff told Bloomington staff that the district did not need to use its integration revenue to integrate its racially identifiable school. As a result, Bloomington took a district-wide approach to its integration program, using its integration revenue for district-wide staff development, expanded all-day kindergarten, and a district-wide summer preschool program. Over the past year, MDE staff have told Bloomington that it must target its integration revenue to the district's racially identifiable school. As a result, the district must overhaul its integration program, despite the guidance it initially received from the department.

This shift in the department's guidance is in part the result of the ambiguity of the laws governing the Integration Revenue program, and in part the result of changes in agency leadership and staff over the life of the program. Concurrent with the staff changes, MDE increased its oversight of the Integration Revenue program to provide more specific guidance to districts than had previously been available. In May 2005, department staff issued its first written guidance to school districts regarding allowable expenditures of integration revenue. In addition, this summer we observed increased scrutiny of districts' Integration Revenue budgets and a stricter budget approval process. Department staff acknowledged that these changes have led to a shift in the department's focus and may contribute to school district staff perceptions of inconsistent guidance.

Required Oversight

In addition to the inconsistent guidance the department has provided, the Minnesota Department of Education has not met its oversight responsibilities with respect to the Integration Revenue program. MDE has not conducted regular evaluations of districts' integration plans, as required by law, nor has the department reviewed how districts actually use their integration revenue. As a result, the state does not know what integration activities districts have implemented and if districts' integration goals, as outlined in their plans, have been met.

MDE has not fulfilled many of its oversight responsibilities.

MDE also has not provided additional oversight of, or assistance to, school districts that have had a racially identifiable school for three consecutive years, as required by law. There are nine districts in the state with schools that have been

racially identifiable for at least three consecutive years.⁴ By rule, schools that remain racially identifiable for three years must work with the department to develop a new integration plan.⁵ Without this additional oversight from MDE, districts have, for the most part, kept their existing integration plans in place.

Finally, to date, MDE has conducted only three in-depth reviews of school districts to determine whether intentional segregation exists.⁶ A district is found to have intentional segregation if the racial composition of a school results from “acts motivated at least in part by a discriminatory purpose.”⁷ Thus far, no district has been found to have intentionally segregated its schools. In 2004, 10 districts were identified as having racially identifiable schools; the department’s review of these districts should have been completed by now. There are now 12 districts with racially identifiable schools that MDE should review. Without reviewing each district’s situation, the department does not know whether intentional segregation has occurred.

FUNDING

As discussed in Chapter 1, most districts are eligible to receive integration revenue based on differences in the proportion of protected students among schools within a district or among neighboring school districts. However, we found that:

- **The Integration Revenue funding formula has some unintended and potentially negative consequences.**

Specifically, the integration revenue allocated to districts does not necessarily reflect the needs of different districts and may provide a disincentive for districts to achieve racial balance among their schools. In addition, the Minnesota Department of Education has no role in school districts’ decisions to become “voluntary” districts, and it has limited authority regarding how the Minneapolis, St. Paul, and Duluth school districts use their integration revenue because it does not have the authority to approve their integration budgets.⁸

Different Needs

Because the Integration Revenue funding formula is based on a district’s total student population, a smaller district with greater integration challenges may receive less funding than a larger district with fewer integration challenges. In addition, districts with smaller protected student populations may receive more

⁴ The Anoka-Hennepin, Bloomington, Duluth, Minneapolis, Osseo, Robbinsdale, Rochester, St. Paul, and West St. Paul-Mendota Heights-Eagan school districts have schools that have been racially identifiable for at least three consecutive years.

⁵ *Minnesota Rules* 2005, 3535.0160, subp. 6.

⁶ According to department staff, they currently have three more reviews in process.

⁷ *Minnesota Rules* 2005, 3535.0130, subp. 1.

⁸ As discussed in Chapter 1, a “voluntary” district is a school district that is not identified as an adjoining or isolated district, but joins a multidistrict integration collaborative and files an integration plan with the Minnesota Department of Education.

funding per protected student than districts with larger protected student populations.

As discussed in Chapter 1, school districts that qualify for integration revenue receive funding based on the total number of pupils enrolled in the district. A district receives the same amount per pupil if it is an isolated or adjoining district, or if it has a racially identifiable school.⁹ A district does not receive a higher funding rate if it has multiple obligations, such as being an adjoining district and having its own racially identifiable schools. The only adjustment in the funding rate for most districts is if it has a protected student population of over 15 percent. As discussed in Chapter 1, school districts with a protected student population of over 15 percent receive \$129 per pupil, while districts with protected student populations of 15 percent or less receive \$92 per pupil.¹⁰

Integration revenue allocated to school districts does not reflect the different needs of districts.

The Richfield and Eden Prairie school districts illustrate how the Integration Revenue funding formula does not necessarily reflect districts' needs. Both of these school districts received integration revenue in fiscal year 2005, but they faced very different situations. Richfield, a member of the West Metro Education Program (WMEP) collaborative, is identified as an adjoining district to Minneapolis and is itself an isolated district when compared with Edina and Bloomington. In 2005, Richfield had a protected student population of 52 percent and hosted 165 The Choice Is Yours (TCIY) students.¹¹ On the other hand, Eden Prairie is a voluntary district in the WMEP collaborative. In 2005, Eden Prairie had a protected student population of 16 percent and hosted three TCIY students. According to preliminary figures, Richfield was eligible for about \$611,000 in integration revenue in fiscal year 2005, while Eden Prairie was eligible for over \$1 million.

The integration revenue allocated to the West St. Paul-Mendota Heights-Eagan (West St. Paul) and Stillwater school districts also does not necessarily reflect these districts' integration challenges. West St. Paul is identified as an adjoining district to St. Paul and, as a result, is a member of the East Metro Integration District (EMID) collaborative. West St. Paul also has a racially identifiable school. Stillwater is a voluntary district that participates in the EMID collaborative. In 2005, West St. Paul had a 30 percent protected student population while Stillwater had a 5 percent protected student population. Preliminary figures for fiscal year 2005 show that West St. Paul received approximately \$721,000 in integration revenue while Stillwater received about \$989,000.

⁹ As discussed in Chapter 1, school districts receive a rate per "adjusted pupil unit," but for purposes of our discussion here, we refer to this as a per-pupil rate.

¹⁰ As noted in Chapter 1, the Minneapolis, St. Paul, and Duluth school districts are not subject to this funding mechanism. The Minneapolis school district receives \$480 per pupil in integration revenue, the St. Paul school district receives \$445 per pupil, and the Duluth school district receives \$206 per pupil. Voluntary districts receive \$92 per pupil regardless of their protected student population. *Minnesota Statutes* 2004, 124D.86, subd. 3.

¹¹ As discussed in Chapter 2, The Choice Is Yours program allows qualifying Minneapolis students to enroll in nearby suburban school districts. Participating students also receive free transportation from their home to the school of their choice.

Because integration funding is based on total student enrollment, some districts with a high racial concentration receive less funding per protected student than districts with fewer minority students.

Finally, a similar comparison can be made between the Duluth and Rochester school districts. Both school districts had racially identifiable schools in 2005, although Rochester has now also been identified as a racially isolated school district. From 2001 to 2005, Duluth's protected student population ranged from 12 to 14 percent. In contrast, Rochester's protected student population ranged from 19 to 24 percent during the same time period. Rochester receives its funding through the Integration Revenue formula (\$129 per pupil), while Duluth receives an amount set in statute (\$206 per pupil). In fiscal year 2005, Duluth received just over \$2.5 million in integration revenue, as compared with Rochester, which received just under \$2.4 million. Given the change in Minnesota's demographics over the past several years, it may no longer make sense for Duluth to receive a higher per-pupil funding rate than other school districts, such as Rochester.

Because funding is based on total student enrollment, school districts with a small proportion of protected students often receive a larger amount of integration revenue per protected student than districts with larger proportions of protected students. Table 3.1 shows the amount of integration revenue per protected student that select school districts were eligible to receive in fiscal year 2005. This table also provides the funding rate per student as outlined in the Integration Revenue funding formula, each district's total enrollment, the amount of integration revenue for which each district is eligible, the number of protected students enrolled in each district, and the proportion of its total enrollment that is protected students. The data in Table 3.1 indicate that there is a wide discrepancy in the amount of integration revenue per protected student that different school districts receive. For example, Brooklyn Center was eligible to receive \$223 in integration revenue per protected student in 2005, while Stillwater was eligible to receive over \$2,200 per protected student.

Disincentives

The Integration Revenue funding formula contains a financial disincentive to fully integrate schools or districts. If districts successfully integrate, they will no longer receive integration revenue. This disincentive is most striking for districts that are eligible for the program as a result of having a racially identifiable school. If a district with a racially identifiable school achieves racial balance among its schools, the district would no longer be eligible for integration revenue. While there is no evidence to suggest that districts are intentionally maintaining racially identifiable schools, the funding formula provides an incentive to do so.

For example, in 2005, the Rosemount-Apple Valley-Eagan and Bloomington school districts received integration funding solely because they had racially identifiable schools. Because of its two racially identifiable schools and the fact that Integration Revenue funding is based on a district's total number of students, the Rosemount-Apple Valley-Eagan school district was eligible for approximately \$2.8 million in integration revenue in fiscal years 2005 and 2006. Similarly, in fiscal year 2005, the Bloomington school district received almost

Table 3.1: Integration Revenue per Protected Student for Selected School Districts, FY 2005

	Funding Rate per Student	Total Enrollment	Eligible Funding (000s)	Number of Protected Students	Percentage of Protected Students	Revenue per Protected Student
Stillwater	\$92	8,774	\$982	444	5%	\$2,211
Duluth	206	10,893	2,538	1,486	14	1,708
Windom	92	975	104	103	11	1,005
Minneapolis	480 ^a	40,499	21,149	29,365	73	720
St. Paul	445	41,119	21,000	29,530	72	711
Anoka-Hennepin	92	41,592	4,340	6,130	15	708
Eden Prairie	92	10,124	1,067	1,611	16	662
Rochester	129	16,196	2,394	3,959	24	605
Bloomington	129	10,532	1,590	3,151	30	504
West St. Paul	129	4,749	706	1,402	30	504
Mountain Lake	129	512	74	149	29	500
Richfield	129	4,254	611	2,191	52	279
Brooklyn Center	129	1,691	249	1,116	66	223

NOTES: The figures in this table are the amount of integration revenue for which each district is eligible. Eligible funding is based on "adjusted pupil units," as defined in *Minnesota Statutes* 2004, 124C.05. A district may not have spent all of the integration revenue to which it was entitled. Enrollment data in this table are student counts and not adjusted pupil units. As defined in *Minnesota Rules* 2005, 3535.0110, subp. 4, a protected student is a student who self-identifies or is identified in one or more of the general racial categories of African/Black Americans, Asian/Pacific Americans, Chicano/Latino Americans, and American Indian/Alaskan Native.

^a Includes \$445 statutory rate and \$35 special levy.

SOURCE: Office of the Legislative Auditor's analysis of Minnesota Department of Education data.

\$1.6 million in integration revenue for its one racially identifiable school and requested \$1.6 million for fiscal year 2006.¹²

Funding Trigger

The Integration Revenue funding formula has a seemingly arbitrary funding trigger of 20 percentage points. This means that districts with a proportion of protected students that is at least 20 percentage points different than their neighbors' proportion of protected students are eligible for integration revenue, while those under this level are not. However, there is not much difference between districts with a 19.9 percentage point enrollment differential and those

¹² This spring, Richfield was identified as racially isolated from Bloomington. However, Bloomington and Richfield chose not to form a new interdistrict collaborative and instead continued to focus on their existing integration obligations. Bloomington is eligible for the same amount of integration revenue whether or not it collaborates with Richfield and, therefore, continues to receive integration revenue solely for its racially identifiable school.

with a 20.1 percentage point differential. As student enrollments fluctuate over time, especially in smaller districts, this cut-off point can cause neighboring districts to be identified as adjoining one year, and not the next. For example, the Windom, Comfrey, and Jackson County Central school districts have been identified some years, but not others, as adjoining districts. This may make it difficult for districts to sustain cross-district integration programs.

In addition, the 20 percentage point trigger does not recognize the relative impact of a district's protected student population. For example, there may be a bigger difference between two districts that have 5 and 24 percent protected student populations (only a 19 percentage point difference) than between two districts that have 49 and 70 percent protected student populations (a 21 percentage point difference). Under the current funding formula, only the districts with the 21 percentage point differential would receive integration revenue.

Gaps in State Authority

The Minnesota Department of Education has no authority to determine whether districts can participate in the Integration Revenue program as voluntary districts. In addition, the department has no authority over how more than half of the integration revenue is spent.

With an isolated district's consent, a district can choose to become a voluntary district; the districts do not need the approval of the Department of Education. According to preliminary data, voluntary districts Eden Prairie, Inver Grove Heights, Mahtomedi, Murray County Central, Stillwater, and White Bear Lake received a total of over \$3.4 million of integration revenue in fiscal year 2005. Most of these voluntary districts contributed about 60 percent of their integration revenue to the multidistrict partnership they joined, and then retained the remaining 40 percent for intra-district integration purposes. As noted in Chapter 1, these districts are expected to use their intra-district funds to help meet the goals of the interdistrict collaborative in which they participate. While MDE approves the districts' integration budgets, it does not apply additional scrutiny to voluntary districts. However, geographic distance and other factors may limit the impact these voluntary districts can have on the racially isolated districts.

MDE does not have the authority to approve the integration budgets for the Minneapolis, St. Paul, and Duluth school districts.

Finally, the Department of Education does not have approval authority for the integration budgets of the Minneapolis, St. Paul, and Duluth school districts, which represent over half of the state's integration revenue (\$44.7 million of \$78.9 million in fiscal year 2005). These districts are not subject to MDE budget approval or oversight unless they receive more integration revenue than they did in 2000.¹³ In contrast, all other school districts must submit a budget to the department outlining how they intend to spend their integration revenue. As discussed earlier, MDE staff must approve these integration budgets before the districts can receive their integration revenue.

¹³ *Minnesota Statutes* 2004, 124D.86, subd. 3. (5).

RECOMMENDATIONS

To improve the Integration Revenue program, we make the following recommendations:

Clarify the Purpose of the Program

RECOMMENDATION

The Legislature should clarify the purpose of the Integration Revenue program.

As discussed in Chapter 2, the purpose of the Integration Revenue program is not clear. Among the relevant stakeholders with whom we spoke—most notably Department of Education and school district staff—there are a variety of opinions as to how districts should use their integration revenue. More specific and focused statutory language would help to reduce inconsistencies across districts and increase the likelihood that districts are providing the types of opportunities intended by the Legislature.

However, there are a number of issues legislators should consider when clarifying the intent of the Integration Revenue program. First, school districts will need to retain some flexibility to provide an integration program that meets the needs of their local communities. As noted earlier, different districts have different needs, and the same strategies may not work for all districts. While magnet schools may be successful in the Twin Cities metropolitan area, they may not make sense in smaller communities across Minnesota. As a result, the Legislature should not be too prescriptive when clarifying the intent of the program.

Second, legislators should consider Minnesota's changing demographics when clarifying the purpose of the Integration Revenue program. The state's population has changed since the Integration Revenue program was first implemented, and it continues to change. In 2001, there were five school districts with a protected student enrollment of at least 30 percent. In 2005, there were 12 school districts with a protected student enrollment of at least 30 percent, 4 of which had protected student populations of over 50 percent. An "integrated" district or school may no longer be a school with an equal number of majority and minority students, but rather a school with students from a number of different cultures and backgrounds, none of which comprise a majority.

Finally, if Legislators want this funding to be used to address the achievement gap between protected students and their peers, this should be stated more directly. The introduction of the federal No Child Left Behind program has increased the awareness of existing achievement gaps in Minnesota. Several legislators, school district staff, and Department of Education staff have suggested using the integration revenue to focus more on reducing the achievement gap, rather than on traditional integration activities. This is not explicitly addressed in the current Integration Revenue law and should be more specifically stated if this is the Legislature's intent. Similarly, if the intent of the

program is to reduce the racial isolation of school districts and schools, this should be more specifically stated.

Improve Program Evaluations

RECOMMENDATION

The Legislature should authorize the Minnesota Department of Education to:

- *Establish criteria against which school districts must evaluate their integration plans, and*
 - *Withhold integration revenue from those districts that fail to meet these evaluation requirements.*
-

Minnesota statutes require that districts receiving integration revenue report to the Department of Education on the extent to which the integration goals identified in their Integration Revenue plans were met. However, based on our review of school districts' plans and discussions with school district staff, districts are not sufficiently evaluating the results of their integration programs. In lieu of relevant evaluations, many districts rely on test scores or other measures of school success to assess the performance of their integration plans.

Requiring meaningful, relevant, and systematic evaluations of school districts' integration plans would help the state assess the value of the Integration Revenue program. Establishing evaluation criteria would help districts to better evaluate their programs. Allowing MDE to withhold integration revenue from districts who do not evaluate their programs will encourage districts to do so. Department staff noted, however, that without clear guidance regarding the purpose of the Integration Revenue program, it may be difficult to establish appropriate evaluation criteria.

Establish Spending Criteria

RECOMMENDATION

The Minnesota Department of Education should use its statutory authority to establish criteria for allowable Integration Revenue expenditures that reflect districts' different responsibilities.

By law, the Department of Education may develop criteria for integration budget approval. Integration revenue represents a significant amount of money that is not allocated to all school districts. Because integration revenue is targeted towards a specific purpose, schools that receive it should be subject to increased scrutiny. MDE should do its part to ensure that districts use the integration revenue consistent with the purposes intended by the Legislature. Budget approval criteria would provide guidance to districts regarding allowable expenditures and would help ensure consistency in the department's budget review process.

As discussed earlier, districts have different integration responsibilities depending on their situation. For example, a racially isolated district likely has different integration needs than an adjoining district or a district with racially identifiable schools. In addition, school districts in the Twin Cities metropolitan area may have different integration opportunities than districts in other parts of the state. The department should develop criteria that address these different situations. As a result, adjoining districts may be required to use their integration revenue on certain types of activities, while districts with racially identifiable schools may be required to focus on different integration activities and goals.

The department took preliminary steps toward establishing criteria when it issued Integration Revenue guidelines in the spring of 2005. During the department's review of school districts' 2006 integration budgets, department staff used these guidelines to make budget approval decisions. MDE staff indicated that they only respond to the integration budgets districts submit and identify expenditures that are not allowed, rather than specify what districts should include. In other words, staff believe they should only set reactive criteria rather than affirmative budget criteria. In our opinion, the Integration Revenue statute does not differentiate between these types of budget criteria.

Improve Department Oversight

RECOMMENDATION

The Minnesota Department of Education should fulfill its responsibilities for overseeing the Integration Revenue program. Specifically, MDE staff should:

- *Evaluate districts' integration plans to determine whether the plans were implemented and goals substantially met,*
 - *Review information provided by districts with a racially identifiable school to determine whether the district has engaged in intentional segregation, and*
 - *Provide additional guidance and oversight to districts that have had one or more racially identifiable schools for three consecutive years.*
-

If the Department of Education met its oversight responsibilities, the state would have a better understanding of the effect of the Integration Revenue program. Currently, there is no formal evaluation of the impact districts' integration plans have on students and school districts. Evaluating the results of districts' integration activities would help the state better understand what value it is receiving through the program. In addition, evaluating districts' integration plans might help MDE to identify promising practices that can be implemented in other districts. Providing additional oversight to districts with racially identifiable schools and determining whether or not a district has engaged in intentional segregation would help to ensure that the state's integration goals are being met. Districts in either of these situations might need more assistance from the department to address their unique needs.

Department staff indicated that they plan to fulfill some of these responsibilities in 2006. MDE has recently initiated reviews of several districts with racially identifiable schools to determine whether intentional segregation has occurred. MDE staff have also had informal conversations with staff in school districts that have had a racially identifiable school for three consecutive years regarding their integration plans. They intend to implement a more formal oversight process in the coming year. In addition, MDE staff plan to develop a template to help districts conduct evaluations of their integration activities.

To meet all of its responsibilities, however, the department may need additional staff allocated to the program. The Statement of Need and Reasonableness that accompanied the Desegregation Rule indicated that MDE would require two additional professional staff and two additional clerical staff to carry out the provisions of the rule. At the time the rule was drafted, an estimated 35 school districts were eligible for integration revenue. The department currently has about 1.4 professional and 0.25 clerical full-time equivalent positions assigned to oversee this program, which in 2005 affected about 80 school districts.

Identify Promising Practices

RECOMMENDATION

The Minnesota Department of Education should identify promising integration practices implemented by school districts around the state and regularly disseminate this information to all participating districts.

By sharing and promoting promising integration practices used by districts around the state, the Department of Education can communicate its expectations and help to improve integration programs. If MDE identifies integration activities that are successful, it will help other districts provide meaningful integration programs. In addition, districts will have a better understanding of the department's expectations regarding integration programs and expenditures. Currently, many districts informally speak with each other to share integration ideas. It would be more effective to have this process centralized and sanctioned by the department.

Require Approval of Voluntary Districts

RECOMMENDATION

The Legislature should require districts that want to voluntarily participate in the Integration Revenue program to obtain approval from the Minnesota Department of Education.

As noted earlier, school districts may become "voluntary" Integration Revenue districts with the consent of the isolated district with which they are working. In fiscal year 2005, voluntary districts received approximately \$3.4 million. Due largely to geography, voluntary districts may be limited in the extent to which they can positively affect the racial concentration of an isolated district. Many of these voluntary districts have kept substantial integration funds for intra-district

purposes. However, it is often not clear how these intra-district expenditures relate to the goals of the Integration Revenue program. As a result, new and existing voluntary districts should be required to demonstrate the value their participation adds to the integration efforts in order to receive integration funding.

Increase MDE's Budget Approval Authority

RECOMMENDATION

The Legislature should give the Minnesota Department of Education authority to approve the integration budgets of the Minneapolis, St. Paul, and Duluth school districts.

The Minneapolis, St. Paul, and Duluth school districts have received some form of integration revenue since the 1980s. When the Integration Revenue program was created in 1997, the Department of Education's budget approval process was added only for the new districts eligible for integration revenue. The Minneapolis, St. Paul, and Duluth school districts are only subject to the department's oversight if they receive more integration revenue than they did in 2000. However, these three school districts account for over half of the state's total integration revenue (\$44.7 million of \$78.9 million in fiscal year 2005). Because of the amount of funding involved, there should be more accountability to the state regarding how it is spent.

Consider Revising the Funding Formula

RECOMMENDATION

The Legislature should consider revising the Integration Revenue funding formula.

As noted earlier in this chapter, the Integration Revenue funding formula has a number of unintended consequences. While any change will affect districts involved in the program differently, we suggest that the Legislature consider some of the following options:

- (1) Provide funding based on the responsibility of a district (for example, isolated, adjoining, or voluntary district);
- (2) Put in place one or two additional funding tiers for those districts with protected student enrollments over 30 or 50 percent;
- (3) Put in place a sliding scale for funding based on the protected student population of a district;
- (4) Allocate the existing per pupil rate based on the protected student population of a district, rather than on its total student enrollment; or

- (5) Allocate the existing per pupil rate for adjoining districts based on the protected student population of the isolated district with which each district is working, rather than its own total student population.

These options for changing the funding formula more directly link integration funding to a district's integration responsibilities. Having the Integration Revenue funding formula unrelated to the use of the revenue has led to inconsistent uses and unintended consequences. The Legislature can use the funding formula to help convey its intended purpose for the Integration Revenue program. The Legislature should also review the Integration Revenue funding formula for the Minneapolis, St. Paul, and Duluth school districts. The funding rates for these three districts are based on historic spending levels, and may no longer be reflective of these districts' needs.

List of Recommendations

- The Legislature should clarify the purpose of the Integration Revenue program (p. 35).
- The Legislature should authorize the Minnesota Department of Education to (1) establish criteria against which school districts must evaluate their integration plans, and (2) withhold integration revenue from those districts that fail to meet these evaluation requirements (p. 36).
- The Minnesota Department of Education should use its statutory authority to establish criteria for allowable Integration Revenue expenditures that reflect districts' different responsibilities (p. 36).
- The Minnesota Department of Education should fulfill its responsibilities for overseeing the Integration Revenue program. Specifically, MDE staff should: (1) evaluate districts' integration plans to determine whether the plans were implemented and goals substantially met, (2) review information provided by districts with a racially identifiable school to determine whether the district has engaged in intentional segregation, and (3) provide additional guidance and oversight to districts that have had one or more racially identifiable schools for three consecutive years (p. 37).
- The Minnesota Department of Education should identify promising integration practices implemented by school districts around the state and regularly disseminate this information to all participating districts (p. 38).
- The Legislature should require districts that want to voluntarily participate in the Integration Revenue program to obtain approval from the Minnesota Department of Education (p. 38).
- The Legislature should give the Minnesota Department of Education authority to approve the integration budgets of the Minneapolis, St. Paul, and Duluth school districts (p. 39).
- The Legislature should consider revising the Integration Revenue funding formula (p. 39).

School Districts Receiving Integration Revenue, FY 2005

APPENDIX

District Number	District Name	Type of School District	Pupil Unit Rate	2005 Estimated Revenue
2396	A.C.G.C.	Adjoining	\$92	\$90,919
511	Adrian	Adjoining	92	66,034
011	Anoka-Hennepin	Adjoining ^a	92	4,305,370
411	Balaton	Adjoining	92	2,469 ^b
146	Barnesville	Adjoining	92	1,971 ^b
271	Bloomington	Identifiable School	129	1,581,402
513	Brewster	Adjoining	92	20,040
286	Brooklyn Center	Isolated District	129	286,597
877	Buffalo	Adjoining	92	529,127
836	Butterfield	Isolated District	129	29,289
531	Byron	Adjoining	92	166,047
2754	Cedar Mountain	Adjoining	92	42,973
227	Chatfield	Adjoining	92	5,500 ^b
013	Columbia Heights	Isolated District ^c	129	545,338
081	Comfrey	Adjoining	92	15,860
533	Dover-Eyota	Adjoining	92	5,000 ^b
709	Duluth	Identifiable School	206	2,537,691
272	Eden Prairie	Voluntary	92	781,160
273	Edina	Adjoining	92	848,026
806	Elgin-Millville	Adjoining	92	55,799
728	Elk River	Adjoining	92	1,081,776
514	Ellsworth	Adjoining	92	19,098
014	Fridley	Adjoining	129	377,169
505	Fulda	Adjoining	92	51,521
2365	Gibbon-Fairfax-Winthrop	Adjoining	92	2,300 ^b
150	Hawley	Adjoining	92	2,249 ^b
270	Hopkins	Adjoining	129	1,279,795
199	Inver Grove Heights	Voluntary	92	379,338
2895	Jackson County Central	Adjoining	92	100,000
2071	Lake Crystal-Wellcome Memorial	Adjoining	92	86,596
2889	Lake Park-Audubon	Adjoining	92	1,706 ^b
415	Lynd	Isolated District	129	833 ^b
2180	MACCRAY	Adjoining	92	40,750 ^b
837	Madelia	Isolated District	129	74,486
832	Mahtomedi	Voluntary	92	329,577
2135	Maple River	Adjoining	92	131,986
2448	Martin County West	Adjoining	92	39,750
635	Milroy	Adjoining	92	2,841 ^b
001	Minneapolis	Isolated District ^a	480 ^d	21,148,603
414	Minneota	Adjoining	92	3,883 ^b
621	Mounds View	Adjoining	129	92,500 ^b
173	Mountain Lake	Isolated District	129	73,904
2169	Murray County Central	Voluntary	92	27,055 ^b
345	New London-Spicer	Adjoining	92	165,000
088	New Ulm	Adjoining	92	116,000
622	North St. Paul-Maplewood-Oakdale	Adjoining	129	1,721,934
279	Osseo	Isolated District ^{a,c}	129	3,216,059

District Number	District Name	Type of School District	Pupil Unit Rate	2005 Estimated Revenue
548	Pelican Rapids	Isolated District	129	3,013 ^b
2884	Red Rock Central	Adjoining	92	47,748
280	Richfield	Isolated District ^c	129	696,406
281	Robbinsdale	Isolated District ^{a,c}	129	2,271,914
535	Rochester	Isolated District	129	2,393,832
883	Rockford	Adjoining	92	179,948
196	Rosemount-Apple Valley-Eagan	Identifiable School	92	11,964 ^b
623	Roseville	Adjoining	129	963,957
516	Round Lake	Adjoining	92	14,704
418	Russell	Adjoining	92	1,042 ^b
584	Ruthon	Adjoining	92	2,142 ^b
084	Sleepy Eye	Isolated District	129	86,003
006	South St. Paul	Adjoining	129	366,818
833	South Washington County	Adjoining	129	2,361,539
085	Springfield	Adjoining	92	67,644
282	St. Anthony-New Brighton	Adjoining	129	90,842
840	St. James	Isolated District	129	80,000
283	St. Louis Park	Adjoining	129	666,544
625	St. Paul	Isolated District	445	20,999,608
534	Stewartville	Adjoining	92	180,683
834	Stillwater	Voluntary	92	989,306
417	Tracy	Isolated District	129	26,886 ^b
458	Truman	Adjoining	92	43,073
409	Tyler	Adjoining	92	1,750 ^b
550	Underwood	Adjoining	92	1,201 ^b
640	Wabasso	Adjoining	92	13,528 ^b
284	Wayzata	Adjoining	92	1,105,897
197	West St. Paul-Mendota Heights-Eagan	Identifiable School ^c	129	721,207
2898	Westbrook-Walnut Grove	Isolated District	129	17,721 ^b
624	White Bear Lake	Voluntary	92	963,596
347	Willmar	Isolated District	129	575,000
177	Windom	Adjoining	92	77,000
518	Worthington	Isolated District	129	276,129

NOTE: For integration revenue received in fiscal year 2005, school districts were identified as "racially isolated," "adjoining," or having a "racially identifiable school" based on their 2003-04 student enrollment. 2005 Estimated revenue includes alternative attendance aid.

^a District also has at least one racially identifiable school.

^b District only requested funding for a planning budget in fiscal year 2005.

^c District is also identified as an adjoining district.

^d The funding rate for Minneapolis includes a \$35 special levy.

SOURCE: Office of the Legislative Auditor's analysis of Minnesota Department of Education data.



October 28, 2005

James Nobles
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. Nobles:

Thank you for the Office of the Legislative Auditor's (OLA) report on "School District Integration Revenue." The Minnesota Department of Education (MDE) appreciates the thorough review and evaluation of this program by OLA staff during the development of this report.

The Department also appreciates the OLA's recognition of the efforts by MDE, especially over the last 18 months, to provide: (1) written guidance and other assistance to help school districts meet their responsibilities for the Integration Revenue program and (2) increased administrative oversight for the program. For additional background information, attached to this letter is a detailed listing of actions that MDE has taken in these areas.

While the Department believes the changes implemented at MDE represent a good start toward the goal of having a more effective Integration Revenue program, we recognize that there are additional steps that could and should be taken.

As a result, we are pleased to state that the Department supports all of the recommendations made by the OLA in its report and, in fact, believes they should be considered as an entire "package" by legislators and other stakeholders seeking improvements in the Integration Revenue program. We look forward to working with the Legislature on a number of these recommendations during the 2006 legislative session.

The following represents MDE's specific responses to each of the OLA's recommendations.

Recommendation #1:

The Legislature should clarify the purpose of the Integration Revenue program.

MDE agrees that there are varying opinions among school district officials and other stakeholders regarding the purposes of the Integration Revenue program. For its own part, the Department believes that while providing and promoting opportunities for voluntary integration of students in K-12 education is clearly a key purpose, activities and programs funded by integration revenue should simultaneously seek to improve student academic performance and close existing achievement gaps among students. MDE will consider drafting a legislative proposal for the Legislature's consideration during the 2006 session that would help implement this recommendation.

Recommendation #2:

The Legislature should authorize the Minnesota Department of Education to:

- **Establish criteria against which school districts must evaluate their integration plans, and**
- **Withhold integration revenue from those districts that fail to meet these evaluation requirements.**

MDE supports this recommendation, but wishes to emphasize (as does the OLA report) that the success of this recommendation is highly dependent on achievement of the first recommendation to clarify the purpose of the program. The Department also believes that an allocation of additional staff to the Integration Revenue program will be required to fulfill the serious responsibility of reviewing and verifying districts' evaluations prior to making any determinations on withholding revenue.

Recommendation #3

The Minnesota Department of Education should use its statutory authority to establish criteria for allowable Integration Revenue expenditures that reflect districts' different responsibilities.

The Department generally supports this recommendation and plans to establish such criteria and provide appropriate guidance to school districts prior to their submission of their proposed Integration Revenue budgets in 2006. (As referenced in the report, MDE has already provided written guidance to districts explaining what expenditures are not allowable under the law or other criteria set by the Department.) However, MDE wishes to note that some stakeholders may perceive a certain tension between this recommendation for the Department to establish "affirmative budget criteria," which may specify integration activities a district must do, and the strong emphasis in the Integration Revenue statute and the Desegregation Rule on having local "community collaboration councils" develop integration plans and activities for school districts.

Recommendation #4

The Minnesota Department of Education should fulfill its responsibilities for overseeing the Integration Revenue program. Specifically, MDE staff should:

- **Evaluate districts' integration plans to determine whether the plans were implemented and goals substantially met,**
- **Review information provided by districts with a racially identifiable school to determine whether the district has engaged in intentional segregation, and**
- **Provide additional guidance and oversight to districts that have had one or more racially identifiable schools for three consecutive years.**

As noted in this section of the report, MDE has either implemented procedures for fulfilling these responsibilities or developed plans for doing so during the 2005-06 school year. (For more specific information on these efforts, please see the attachment to this letter.) In addition, MDE agrees with the OLA's assessment that to fully meet this recommendation an allocation of additional staff to the Integration Revenue program will be required.

Recommendation #5

The Minnesota Department of Education should identify promising integration practices implemented by school districts around the state and regularly disseminate this information to all participating districts.

MDE believes this is an excellent idea and an appropriate role for the Department to play in partnership with other organizations and individuals with expertise in integration. For instance, MDE will explore co-hosting with such partners an annual conference that would give all school districts receiving Integration Revenue, including those in rural areas, access to practical information on effective integration practices. Again, this new responsibility will require the allocation of additional staff to the Integration Revenue program.

Recommendation #6

The Legislature should require districts that want to voluntarily participate in the Integration Revenue program to obtain approval from the Minnesota Department of Education.

MDE supports this recommendation and believes it would help ensure that the participation of a "voluntary" district in an inter-district collaborative brings added value to the collaborative and maintains a strong focus on the needs of the students in the racially isolated district.

Recommendation #7

The Legislature should give the Minnesota Department of Education authority to approve the integration budgets of the Minneapolis, St. Paul, and Duluth School districts.

MDE supports this recommendation given the total amount of integration revenue generated by these three districts and the number of students impacted by this funding. The Department also believes that this would help foster even closer working relationships between MDE and these districts on integration goals and activities.

Recommendation #8

The Legislature should consider revising the Integration Revenue funding formula.

MDE supports this recommendation and the goal of “more directly linking integration funding to a district’s integration responsibilities.” However, MDE also recognizes that there may be legal issues to consider regarding those options suggested by the OLA that would connect the funding generated to a district to the “protected student” population in a particular district. The Department will consider drafting a legislative proposal for the Legislature’s consideration during the 2006 session that would help implement this recommendation.

Again, we thank you for the hard work of the OLA’s staff in researching the Integration Revenue program and writing this report. Please contact Dr. Mary Ann Nelson, Assistant Commissioner for the Office of Academic Excellence, at 651-582-8627 if you should have any questions or comments.

Sincerely,



Alice Seagren
Commissioner

Enclosure:

MDE Administration and Oversight of Integration Revenue Program -- Summary
of Actions Taken in 2003-05

Cc: Chas Anderson, Deputy Commissioner
Mary Ann Nelson, Assistant Commissioner
Tom Melcher, Director of Program Finance
Morgan Brown, Director of School Choice & Innovation

Minnesota Department of Education (MDE)
Administration and Oversight of Integration Revenue Program
Summary of Actions Taken in 2003-05

2003

- Staff informs several adjoining school districts that they must include representatives from the racially isolated districts in their inter-district collaboratives when developing integration plans and budgets.
- Staff denies proposal by a large suburban school district to use integration revenue to start its own language immersion school with no enrollment options or other clear integrative ties to the racially isolated school district in its inter-district collaborative.

2004

- MDE assigns rapidly growing responsibilities for the Integration Revenue program to be shared by two professional staff (each allocating 0.5 FTE to the program) in the Division of School Choice & Innovation, rather than by a single staff person (allocating 0.5 FTE to the program).
- Deputy Commissioner, Assistant Commissioner, and other MDE staff meet with legal counsel in the Attorney General's Office to review the Desegregation Rule and Integration Revenue statute and discuss MDE's authority and responsibilities.
- MDE provides written notification to all districts eligible to receive Integration Revenue about their status under the Desegregation Rule and their responsibilities to submit integration plans and budgets by specified deadlines.
- MDE establishes a committee review process for reviewing and approving Integration Revenue budgets submitted by school districts, rather than having a single staff person review them.
- MDE staff provides verbal guidance and technical assistance to many districts regarding concerns about their budgets and related compliance issues. Staff also provides onsite presentations for two districts outside the metro area.
- MDE develops a detailed review process for determining whether a school's racially identifiable status is the result of intentional segregation as defined in the Desegregation Rule. Using this process, MDE completes a thorough review, including site visits, for two schools in a large suburban district that were designated as racially identifiable for the first time.

2005

- MDE develops and distributes a ten-page document to school districts providing written guidance on the Desegregation Rule and Integration Revenue statute, including answers to a series of “frequently asked questions” that had arisen during the 2004 budget review process regarding the requirements of the law and districts’ responsibilities. Prior to release, the document was carefully reviewed by the Attorney General’s Office and superintendents and administrators of several inter-district collaboratives. MDE provided the guidance for use in the development of districts’ Integration Revenue budgets to be submitted to MDE by June 30. The information in the document was consistent with the verbal guidance given by staff to many districts during the 2004 budget review process.
- MDE staff further develops the committee review process for districts’ Integration Revenue budgets to include formal written documentation of each review and more detailed notification to districts of the results of the review. Line items in many districts’ budgets were not in alignment with the Desegregation Rule and the Department’s written guidance. When this occurred, MDE approved only portions of many budget requests, but provided districts a chance to submit supplemental or revised information showing that their requests met the required criteria if they wished to have additional funding approved.
- For the first time, MDE requires all districts to submit a certification statement, signed by the superintendent and school board chair, stating that:
 - Information submitted to MDE is an accurate and complete representation of the district’s fiscal year 2006 Integration Revenue budget.
 - The Integration Revenue budget was approved by the school board.
 - UFARS (Uniform Financial Accounting and Reporting Standards) codes for all budget items approved by MDE will be provided to the Department (so that MDE staff can better track or audit how funds were actually spent at the end of the 2005-06 school year).
- MDE provides written notification to districts initiating the “determination process” for all nine schools newly listed as racially identifiable in 2005. Currently, two reviews have been completed and MDE is waiting to receive requested information from districts for the other schools.
- Staff develops plans to meet the following evaluation and reporting responsibilities for the 2005-06 school year:
 - Report to legislature regarding changes in enrollment of “protected students” at racially identifiable schools. MDE will submit this report in fall 2005.

- Require schools that remain racially identifiable after three years to work in cooperation with the Department on developing a new integration plan. Staff has already verbally notified a number of districts with schools in the third year of their current plan of this possible requirement. For those districts that remain racially identifiable in 2005-06, MDE's plan includes written notification of the district, a required written analysis by the district of the previous three-year plan, and a site visit by MDE staff to the school to discuss development of a new three-year plan.
- Complete evaluation of whether districts' integration plans for racially identifiable schools and/or racially isolated districts were implemented and the plans' goals were met. MDE is developing a template to assist districts in doing a self-evaluation for the 2004-05 school year. These evaluations will be submitted to MDE, which will compile the results, and provide a report to the Legislature during the 2005-06 school year.

Recent Program Evaluations

Forthcoming Evaluations

School District Integration Revenue, November 2005
Child Support Enforcement, January 2006
Tax Compliance, January 2006
Pesticide Management, January 2006
Substance Abuse Treatment, January 2006
Liquor Regulation, February 2006

Agriculture

Animal Feedlot Regulation, January 1999

Criminal Justice

Community Supervision of Sex Offenders, January 2005
CriMNet, March 2004
Chronic Offenders, February 2001
District Courts, January 2001

Education, K-12 and Preschool

No Child Left Behind, February/March 2004
Charter School Financial Accountability, June 2003
Teacher Recruitment and Retention: Summary of Major Studies, March 2002
Early Childhood Supervision Programs, January 2001
School District Finances, February 2000
Minnesota State High School League, June 1998
Remedial Education, January 1998

Education, Postsecondary

Compensation at the University of Minnesota, February 2004
Higher Education Tuition Reciprocity, September 2003
The MnSCU Merger, August 2000

Environment and Natural Resources

State-Funded Trails for Motorized Recreation, January 2003
Water Quality: Permitting and Compliance Monitoring, January 2002
Minnesota Pollution Control Agency Funding, January 2002
Recycling and Waste Reduction, January 2002
State Park Management, January 2000
Counties' Use of Administrative Penalties for Solid and Hazardous Waste Violations, February 1999
Metropolitan Mosquito Control District, January 1999
School Trust Land, March 1998

Financial Institutions, Insurance, and Regulated Industries

Energy Conservation Improvement Program, January 2005
Directory of Regulated Occupations in Minnesota, February 1999
Occupational Regulation, February 1999

Government Operations

Professional/Technical Contracting, January 2003
State Employee Health Insurance, February 2002
State Archaeologist, April 2001
State Employee Compensation, February 2000
State Mandates on Local Governments, January 2000
Fire Services: A Best Practices Review, April 1999
State Building Code, January 1999
9-1-1-Dispatching: A Best Practices Review, March 1998
State Building Maintenance, February 1998

Health

Nursing Home Inspections, February 2005
Minnesota Care, January 2003
Insurance for Behavioral Health Care, February 2001

Human Services

Child Care Reimbursement Rates, January 2005
Medicaid Home and Community-Based Waiver Services for Persons with Mental Retardation or Related Conditions, February 2004
Controlling Improper Payments in the Medicaid Assistance Program, August 2003
Economic Status of Welfare Recipients, January 2002
Juvenile Out-of-Home Placement, January 1999
Child Protective Services, January 1998

Housing and Local Government

Preserving Housing: A Best Practices Review, April 2003
Managing Local Government Computer Systems: A Best Practices Review, April 2002
Local E-Government: A Best Practices Review, April 2002
Affordable Housing, January 2001
Preventive Maintenance for Local Government Buildings: A Best Practices Review, April 2000

Jobs, Training, and Labor

Workforce Development Services, February 2005
Financing Unemployment Insurance, January 2002

Miscellaneous

Gambling Regulation and Oversight, January 2005
Minnesota State Lottery, February 2004

Transportation

Metropolitan Airports Commission, January 2003
Transit Services, February 1998

Evaluation reports can be obtained free of charge from the Legislative Auditor's Office, Program Evaluation Division, Room 140 Centennial Building, 658 Cedar Street, Saint Paul, Minnesota 55155, 651/296-4708. Full text versions of recent reports are also available at the OLA website: <http://www.auditor.leg.state.mn.us>