



School District Integration Revenue

November 2005

Major Findings:

- The purpose of the Integration Revenue program is not clear.
- School districts vary widely in how they use integration revenue. While many of their expenditures are reasonable, some are questionable.
- Neither the state nor school districts have adequately assessed the results of the Integration Revenue program.
- Over the last five years, racial concentration has increased in some of the school districts that participate in the Integration Revenue program.
- 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.
- The Integration Revenue funding formula has some unintended and potentially negative consequences.
- 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.
- 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.
- The Legislature should require districts that want to voluntarily participate in the Integration Revenue program to obtain approval from the Minnesota Department of Education.
- The Legislature should give the Minnesota Department of Education authority to approve the integration budgets of the Minneapolis, St. Paul, and Duluth school districts.

Key Recommendations:

- The Legislature should clarify the purpose of the Integration Revenue program.
- The Legislature should consider revising the Integration Revenue funding formula.

The Integration Revenue program needs more focus and oversight.

Report Summary

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 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

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

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

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 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

The program's impact has not been measured.

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.

The full evaluation report, *School District Integration Revenue*, includes the Department of Education's response and is available at 651-296-4708 or:

www.auditor.leg.state.mn.us/ped/2005/integrev.htm

Summary of Agency Response

In a letter dated October 28, 2005, Commissioner of Education Alice Seagren wrote that the department has made a "good start" toward having a more effective Integration Revenue program, although she recognized there are additional steps that should be taken. The commissioner also said: "[T]he 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."