

INTEGRATION FUNDING OPTIONS

1. 2011 Education Finance Working Group Recommendations

Refocus integration funding by making the following changes:

a. Roll integration funding into the basic skills portion of general education revenue and allocate based on the number of students of color in each district:

- i. Each district currently participating in the integration revenue program would receive revenue equal to the lesser of the approved budget or \$600 times the number of students of color enrolled in the district.
- ii. Minneapolis would receive an additional \$150 per student of color as a transition adjustment.
- iii. Funding would be 100% from state aid. (Integration levy is rolled into uniform general education levy.)
- iv. Total revenue increased from \$97,362,000 under old law to \$101,695,000 (a \$4,333,000 increase).

b. Clarify the uses of integration revenue.

- i. Does the state have a compelling interest to integrate schools?
- ii. Should portions of this funding be set aside for integrating schools?
Closing the achievement gap?

c. Background / Rationale:

- i. Align funding more closely with need to better support achieving integrated schools and closing the achievement gap.
- ii. Integration funding per student of color varies widely among districts; some districts with low concentrations of these students receive much higher funding than other districts with much higher concentrations.
- iii. Uses of integration revenue have not been well-defined.

2. Integration Revenue Replacement Advisory Task Force Recommendations

General Fiscal Principles (No specific Formula Recommended)

1. Cap the existing revenue program at the current level.

2. Level the fiscal disparities between demographically similar districts:

- i. Reduce the disproportionality between tiers starting in FY 14.
- ii. Create incentives for districts to cooperate to reduce racial enrollment disparities using voluntary measures (public school choice).

3. Set aside .02 percent (%) of revenue to ensure oversight and accountability at the Minnesota Department of Education.

- i. MDE will withhold revenue for districts not making progress towards goals.

4. Create a fiscal model that is predictable over time and stable in two-year increments.

5. Define percentages of allowable expenditures in statute:

- i. At least 80 percent (%) of revenue is spent on students.
- ii. Twenty percent (20%) spent on professional development and administration.
- iii. Administrative costs may not exceed 10 percent (%).

3. House File 2840 Achievement and Integration revenue (Representative Mariani's Bill for Implementing Integration Task Force Recommendations)

- a. Initial revenue = (i) \$350 pupil units x (district's enrollment of students of color / district total enrollment) + (ii) if (i) is < the district's FY 2013 integration revenue, 65% of the difference between (i) and the FY 2013 revenue.
- b. .02 percent of the initial revenue is transferred to MDE for oversight and accountability activities.
- c. Revenue is reduced by 5% if a district did not meet its achievement goals for the previous biennium. Any reduction is reallocated to districts that did meet goals
- d. Incentive revenue of \$10 / pupil unit if a district implements a voluntary plan to reduce racial enrollment disparities through inter- and intra-district activities approved by MDE.
- e. At least 80% of revenue must be used for innovative and integrated learning environments, family engagement activities and other approved programs providing direct services to students.
- f. Up to 20% of revenue may be used for professional / staff development activities
- g. Not more than 10% may be used for administration.
- h. 70% aid, 30% levy

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4. Bob Erickson Proposal (Member of Integration Task force from Lakeville)

- a. Reduce funding for Duluth from \$206/PU to \$129/PU (the current rate for suburban districts in the program with > 15% students of color)
- b. Add a new funding rate of \$206 / PU for districts in the program, other than Minneapolis & St Paul, with > 50% students of color.
- c. Provide an additional \$200,000 to MDE for program administration, focusing on accountability.
- d. Reduce integration revenue formula to offset the net cost of changes a, b, and c above, so that state total revenue, aid and levy are unchanged as a result of items a -d, with two variations:
 - i. Reduce the rate only for Minneapolis & St Paul.
 - ii. Reduce rates proportionately for all districts in the program.
- e. Add a \$35/PU all levy component on top of the regular formula for St Paul, equivalent to what Minneapolis currently receives.
- f. The changes would be phased-in, with partial implementation in FY 14 and full implementation in FY 15.
- g. Language would be added to the law limiting the percent of funding for administration to 5% (current MDE guideline is 10%), and limiting the percent for training to 20% (current Mde guideline is 30%).