

SPECIAL STUDY

DESEGREGATION EXPENDITURES

Report to the Arizona Legislature
By the Auditor General
December 1990
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SPECIAL STUDY

DESEGREGATION EXPENDITURES

OF ARIZONA SCHOOL DISTRICTS



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December 14, 1990

Members of the Legislature
State of Arizona

The Honorable Rose Mofford
Governor of the State of Arizona

Transmitted herewith is a report of the Auditor General, A Special Study of Desegregation Expenditures. This report covers desegregation expenditures of Arizona school districts and is in response to the requirements of Chapter 399, Sections 20 and 21 of the 1990 Session Laws.

We found that expenditures budgeted outside of the revenue limits for desegregation programs are growing. We also found that some costs categorized as desegregation expenditures do not appear to be related to desegregation orders and agreements. Because of time limitations, however, we were unable to project the extent to which all desegregation expenditures are related to court orders or agreements with the Office for Civil Rights of the U. S. Department of Education.

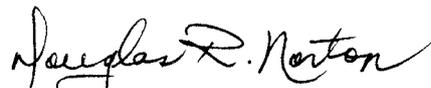
As part of our statutory charge, we reviewed the legal framework for desegregation and contacted other states to determine how they meet desegregation requirements. We use this information and the results of our budget and expenditure reviews to develop a series of options for funding and controlling desegregation costs in Arizona.

Throughout our review we worked with an advisory committee mandated by Chapter 399. The committee provided a wide range of assistance and also reviewed the final report. Committee comments are presented following Chapter 5.

This report will be released to the public on Monday, December 17, 1990.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,


Douglas R. Norton
Auditor General

DRN:lmn

SUMMARY

The Office of the Auditor General has conducted a special study of desegregation finance in Arizona school districts. This study was conducted in conjunction with the Superintendent of Public Instruction in response to Chapter 399, Sections 20 and 21 of the 1990 Session Laws. The purpose of this report is to present information on the scope and use of funds budgeted and spent by Arizona school districts in implementing court ordered desegregation and programs required by agreement with the U.S. Department of Education, Office for Civil Rights (OCR).

A.R.S. §15-910.H allows Arizona school districts to budget expenditures for desegregation programs outside of the revenue control limit and the capital outlay revenue limit. During fiscal year 1990-91, ten of 33 eligible districts budgeted \$47.3 million under this provision.

This study was severely limited by the time available to conduct it. Lack of time was particularly significant in limiting our review of district expenditures in that we could not review a statistical sample of all desegregation expenditures. Because of this, our results and information cannot be used to draw conclusions about the total population of desegregation expenditures.

Legal Basis For Desegregation, Desegregation Remedies, And The Funding Of Desegregation Efforts In Arizona (see pages 5 through 13)

The legal framework established by the courts nationally provides the basis for desegregation actions against Arizona school districts. The U.S. Supreme Court has ruled that the Fourteenth Amendment prohibits racial segregation in public schools, as well as discrimination based on national origin. In addition, the Supreme Court has held that states can be ordered to fund school desegregation programs and that federal courts can order school districts to levy taxes adequate to support desegregation programs even if such tax levels exceed state mandated taxing and spending limits.

Persons who feel a school district is discriminating on the basis of race or national origin can either file a complaint with the U.S. Department of Education, Office for Civil Rights (OCR) or initiate a suit in federal court. In Arizona most cases have involved complaints filed with OCR, and have typically resulted in a negotiated agreement in which the district agrees to take corrective action. Lawsuits are handled in much the same manner, particularly if the parties agree that discrimination has occurred.

Desegregation Expenditures Are Growing Steadily In Arizona (see pages 15 through 25)

Both the number of districts budgeting outside of the revenue control limit (RCL) and capital outlay revenue limit (CORL), and the amounts budgeted are growing. Expenditures more than doubled between fiscal years 1987-88 and 1989-90, increasing from \$15.9 million to \$33.8 million. Ten districts used this provision to budget \$47.3 million for desegregation in fiscal year 1990-91.

Desegregation expenditures budgeted outside of the RCL and CORL appear to be related to district wealth. Our analysis shows a direct, high correlation between assessed valuation per pupil and the amounts budgeted outside the revenue limits. However, the impact of these expenditures on the equalization of school finance statewide appears limited to date because they account for a very small proportion of all education expenditures (less than one percent in fiscal year 1989-90).

Some Expenditures Are Not Directly Related To Court Orders And Agreements (see pages 27 through 35)

A limited review of expenditures in five districts budgeting desegregation expenditures pursuant to A.R.S. §15-910.H found that while many expenditures were related in some way to the districts' court orders and OCR agreements, some expenditures were not clearly related. In the absence of a specific statutory definition, audit staff defined an unrelated expenditure as a "...necessary and ordinary maintenance and operation or capital outlay expenditure...[not]...made to support an activity specifically dedicated to the desegregation program." Using this definition, we found several unrelated expenditures in all five districts.

However, we were unable to determine if supplanting has occurred when districts shifted expenditures for desegregation outside of the revenue limits. Supplanting is not defined within the context of A.R.S. §15-910 and, because of this, the law may allow districts to shift desegregation costs previously funded through other sections of the maintenance and operation and capital outlay budgets to the desegregation sections of the budget.

**States Fund Desegregation Programs
In A Variety Of Ways (see pages 37 through 43)**

A survey of states in which school districts are implementing desegregation programs shows that the states vary in their financial participation. Two states, Ohio and Missouri, have been ordered by federal courts to assist school districts in meeting the costs of court ordered desegregation programs. California and Massachusetts aid districts implementing either court ordered or voluntary desegregation programs. Minnesota and Wisconsin share costs with districts voluntarily carrying out desegregation programs. Other states, such as New Jersey, Connecticut, Washington and Illinois provide no specific aid to districts implementing desegregation programs.

Our survey suggests that states with court ordered desegregation, such as Missouri and Ohio, appear to have the least control over programs and funding, most of which is determined by the courts. In contrast, state-mandated and voluntary desegregation programs -- coupled with state financial support -- appear to offer significant opportunity for states to control district desegregation activities and, in some cases, avoid court actions that would otherwise limit state control.

**Options For Funding For Controlling Desegregation
Programs In Arizona (see pages 45 through 50)**

The Legislature has several options for funding desegregation programs. However, the Legislature should consider strengthening accountability for desegregation expenditures, whether it takes any other action on funding. At a minimum, the Legislature should consider: 1) clearly defining what constitutes supplanting and the extent to which it is

permitted, 2) requiring school districts to obtain a compliance review of expenditures budgeted pursuant to A.R.S. §15-910.H as a separate part of their regular financial audits, and 3) requiring all districts budgeting pursuant to A.R.S. §15-910.H to budget and report all expenditures by program.

Other options the Legislature may consider include requiring districts budgeting pursuant to A.R.S. §15-910.H to submit proposed programs to the Arizona Department of Education (ADE) for review and approval, and to conduct periodic evaluations of their programs. The Legislature might also consider authorizing ADE to participate in legal actions involving desegregation issues so that the state could have input into the development of court orders and OCR agreements. Finally, the Legislature might consider creating a special funding source to assist districts implementing desegregation programs. Such funds could be distributed on the basis of ADE's approval of a program or by providing additional weighting in the funding formula for students participating in the programs.

State assumption of a greater role in desegregation may increase its legal responsibility in this area. The State may be vulnerable to legal action if its actions are viewed as preventing districts from desegregating. However, the current system may also leave the State open to a challenge on the grounds that limited tax bases prevent some districts from raising funds needed to desegregate.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a special study of desegregation finance in Arizona school districts. This study was conducted in conjunction with the Superintendent of Public Institution in response to Chapter 399, Sections 20 and 21 of the 1990 Session Laws. The purpose of this report is to present information on the Arizona school districts budgeting and expending funds to implement desegregation programs required by court orders and agreements with the U.S. Department of Education, Office for Civil Rights (OCR).

Desegregation And School Finance

A.R.S. §15-910.H allows Arizona school districts to budget expenditures for desegregation programs outside of the revenue control limit and the capital outlay revenue limit. Expenditures budgeted pursuant to this provision must be made in compliance with court orders or agreements with OCR. School districts budgeting desegregation expenditures outside of the revenue limits must raise the needed funds locally; the State provides no specific aid for this purpose. During fiscal year 1991, ten districts budgeted \$47.3 million under this provision. A total of 33 districts are eligible to budget desegregation expenditures outside of the revenue limits.

Study Scope And Methodology

The study encompassed an examination of court orders, administrative agreements with OCR and financial information from school districts budgeting desegregation expenditures pursuant to A.R.S. §15-910.H. Districts were required to submit annual financial reports for fiscal years 1986-87 through 1989-90 and approved budgets for fiscal year 1990-91. Auditor General staff reviewed these reports and visited districts to examine supporting documentation. Legal aspects of information presented in this report were reviewed by the Auditor General's legal counsel. Auditor General staff also contacted other states to obtain information about desegregation finance. Specific descriptions of procedures used are presented in each chapter.

While we were able to address all areas specified by law, we were severely limited by the time available to conduct the study. As a result, we focused our work on certain key information. This usually meant that we contacted only a few sources or reviewed selected activities. Lack of time was particularly significant in limiting our review of district expenditures: we could not use a statistical sample of all desegregation expenditures as a basis for our test work. Instead, we reviewed a sample of expenditures recorded as desegregation costs that initially did not appear to be directly related to the districts' court orders or agreements. Because of this, our results and information cannot be used to draw conclusions about the total population of desegregation expenditures. They do, however, illustrate the diversity of desegregation programs in Arizona and other states. Our work also documents the widely varying interpretations made by school officials of what the law requires and allows.

Report Organization

Chapter 399, Section 20 of the 1990 Session Laws directs the Auditor General to address eight areas. This report presents the information developed in response to the law in five chapters.

- Chapter I reviews relevant court cases relating to desegregation (Section 20.C.6), describes the process by which agreements with OCR are developed and approved (Section 20.C.4) and provides a history of A.R.S. §15-910.H.
- Chapter II compares expenditures budgeted pursuant to A.R.S. §15-910.H with actual expenditures (Section 20.C.1), presents information from districts not using this provision (Section 20.C.3) and examines the impact of these expenditures on the equalization of school district expenditures (Section 20.C.8).
- Chapter III presents a review of expenditures to determine if expenditures budgeted pursuant to A.R.S. §15-910.H were related directly to the court orders or OCR agreements (Section 20.C.2)
- Chapter IV summarizes information about financing court-ordered, OCR mandated and voluntary desegregation in other states (Section 20.C.5)
- Chapter V presents options for providing funding for desegregation programs (Section 20.C.7)

Advisory Committee

Chapter 399, Section 20.D of the 1990 Session Laws directed the Auditor General to establish an advisory committee of members with expertise in the area of desegregation policies and expenditures, including one attorney and a representative of a school district implementing a court order or administrative agreement. Members of the committee were:

- Dr. Beatriz Arias Director, Bilingual-Bicultural Education, ASU College of Education
- Dr. Sid Borchert Assistant Superintendent for Administrative Services, Roosevelt Elementary School District
- Mr. J. William Brammer Attorney, DeConcini, McDonald, Brammer, Yetwin and Lacy
- Ms. Susan DeArmond Board Member, Tucson Unified School District
- Mr. Robert Lizardi Assistant Superintendent-Business, Tempe Elementary School District
- Mr. Kevin McCarthy Arizona League of Cities and Towns
- Mr. William Morris Attorney, Southern Arizona Legal Aid, Inc.
- Mr. Kenneth Wissinger Assistant Superintendent for Business and Operations, Phoenix Union High School District

The committee's purpose was to provide technical assistance as needed, review the Auditor General's report and make recommendations for legislative action. In carrying out its responsibilities, the committee held three meetings with Auditor General staff and staff from the Arizona Department of Education. At the first meeting Auditor General staff briefed committee members on the proposed plan for the review and solicited their input for incorporation into the work plan. Staff also reviewed preliminary results with the members at the second meeting and discussed the draft report with the committee at the third meeting.

The advisory committee held a fourth meeting to draft a response to the Auditor General's report. The committee's comments on this report and committee recommendations are presented following Chapter V.

Acknowledgments

The Auditor General expresses appreciation to the many school district officials and staff and to the staff of the Arizona Department of Education who assisted in this study. Special thanks are extended to the members of the advisory committee who gave their time and effort to this study.

CHAPTER I

LEGAL BASIS FOR DESEGREGATION, DESEGREGATION REMEDIES, AND THE FUNDING OF DESEGREGATION EFFORTS IN ARIZONA

The legal and financial aspects of desegregation efforts have broadened over time, both nationally and within Arizona. Many court cases have dealt with desegregation issues, outlining the need for desegregation, remedies, and funding. These cases have formed the basis for the development of desegregation agreements between school districts and the United States Department of Education, Office for Civil Rights (OCR), and for court orders resulting from civil rights lawsuits. Arizona provides school districts a statutory exemption for funding desegregation costs, but over the years, use of this exemption may have grown beyond the intent of its original, limited application.

Court Cases Have Shaped Desegregation

Much of the legal framework for desegregation has been defined by federal court cases.⁽¹⁾ While the Fourteenth Amendment guaranteed equal protection, the nation did little about desegregation until a 1954 case which provided the initial authority and basis for desegregation. Several subsequent cases have helped clarify how desegregation applies to discrimination on the basis of race or national-origin, and the states' responsibility to fund desegregation programs.

(1) The following is a list of court cases referred to in this section of the report:

- Brown I is Brown v. Board of Education of Topeka, 347 U.S. 343, 74 S.Ct. 686, 98 L.Ed. 873 (1954)
- Brown II is Brown v. Board of Education of Topeka, Kansas, 349 U.S. 294, 75 S.Ct. 753, 99 L.Ed. 1083 (1955)
- Jenkins is Missouri v. Jenkins, 110 S.Ct. 1651, 1663 (1990)
- Keves is Keves v. School District No. 1, Denver, Colorado, 521 F.2d 465, 480 (1975)
- Lau is Lau v. Nichols, 414 U.S. 563, 94 S.Ct. 786, 39 L.Ed.2d 1 (1974)
- Milliken I is Milliken v. Bradley, 418 U.S. 717, 94 S.Ct. 312, 41 L.Ed.2d 1069 (1974)
- Milliken II is Milliken v. Bradley, 433 U.S. 267, 97 S.Ct. 2749 53 L.Ed.2d 745 (1977)
- U.S. v. Texas is United States v. State of Tex., 506 F. Supp. 405, 435 (1981)

Court cases providing basis for desegregation - It was almost 40 years ago that the U.S. Supreme Court, in the landmark decision Brown I, found that where the State has undertaken to provide an opportunity of an education, it is a right which must be made available to all on equal terms. The Court held that:

...in the field of public education the doctrine of "separate but equal" has no place. Separate educational facilities are inherently unequal. Therefore, we hold that the plaintiffs and other similarly situated for whom the actions have been brought, are, by reason of the segregation complained of, deprived of the equal protection of the laws guaranteed by the Fourteenth Amendment.

The Supreme Court amplified its decision the following year. In Brown II, the High Court held that school authorities have the primary responsibility for illucidating, assessing, and solving the problems of desegregation; they have the responsibility of making a prompt and reasonable start towards full compliance; and that the local district court will retain jurisdiction of the cases. To assure that the desegregation of a school district was complete and that the district court had broad authority to consider the desegregation plan, the Court held that:

...the courts may consider problems related to administration, arising from the physical condition of the school plant, the school transportation system, personnel, revision of school districts and attendance areas into compact units to achieve a system of determining admission to the public schools on a nonracial basis, and revision of local laws and regulations which may be necessary in solving the foregoing problems. They will also consider the adequacy of any plans the defendants may propose to meet these problems and to effectuate a transition to a racially nondiscriminatory school system.

In Milliken II, the Court reviewed the factors that will be used to fashion desegregation decrees. These include determining the nature and scope of the constitutional violation, restoring the victims of discriminatory conduct to the position they would have occupied in the absence of such conduct, and taking into account the interests of state and local authorities in managing their own affairs consistent with the Constitution.

Cases regarding segregation based on race or national origin - The U.S. Supreme Court has also decided that specialized instruction in English is a necessary component in school districts with students who are not proficient in English. In Lau, the High Court considered an action by students of Chinese ancestry who did not speak English who alleged that they did not receive equal educational opportunities in that they did not receive courses in the English language so that they could understand courses taught in English. The San Francisco School District received federal financial assistance which required it to comply with the Civil Rights Act of 1964 and, specifically, the Department of Health, Education, and Welfare regulations prohibiting discrimination in federally assisted school systems. The Court held that the school system violated the Civil Rights Act by its failure to provide English language instruction to students of Chinese ancestry who did not speak English. It was determined that not providing specialized English instruction denied the students meaningful opportunity to participate in the educational program, and that providing the same facilities, text books, teachers and curriculum was not adequate because of the student's inability to speak and understand the English language. Since nearly all Arizona school districts receive federal financial aid, Lau and the Civil Rights Act apply to the State's school districts.

In a similar case, a U.S. District Court for the Eastern District of Texas ordered the State of Texas to significantly expand its bilingual education programs. In U.S. v. Texas, the court determined that the Texas bilingual program was wholly inadequate to eradicate the disabling effects of pervasive historical discrimination suffered by Mexican-Americans in the field of education. Because of the discrimination, the District Court ordered that bilingual instruction must be provided to all Mexican-American children of limited English proficiency in the Texas public schools.

However, bilingual education is not a substitute for desegregation. The 10th Circuit Court of Appeals considered a case remanded from the U.S. Supreme Court involving the desegregation of the Denver School District (Keyes). The lower court had ordered, inter alia, busing and bicultural-bilingual education for Hispanic children. The Court of

Appeals held that although bilingual instruction may be required to prevent the isolation of minority students in a predominantly Anglo school system, such instruction must be subordinate to a plan of school desegregation.

Financing of desegregation activities - The Supreme Court has also considered a state's responsibility to pay for the desegregation of a school district. Milliken II is a case where the Supreme Court considered whether the State of Michigan could be ordered to pay the Detroit School Board \$5.8 million dollars for desegregation. The court had determined earlier (Milliken I) that the State of Michigan and its agencies had acted directly to control and maintain the pattern of segregation in the Detroit Schools and, when the Detroit School Board attempted to voluntarily initiate an intra-district remedy to ameliorate the effect of the past segregation practices, the Michigan legislature enacted a law forbidding the carrying out of this remedy. The State was ordered to develop, and agreed to pay part of, a plan which included five vocational centers, two new technical high schools, a new curriculum for vocational education courses, multi-ethnic studies, a uniform code of conduct, co-curricular activities with other artistic and educational institutions, and a community relations program. The State refused to pay for, and therefore appealed, the portion of the District Court's order requiring the State to pay one-half of the remainder of the Detroit Board's plan which included the essential and necessary components of reading, in-service training, testing, and counseling and career guidance.

The Court in Milliken II held that the desegregation remedy requiring the State to pay one-half of the additional costs did not violate the Eleventh Amendment because the payments were not retroactive for accrued monetary liability but the District Court order was prospective and was designed to wipe out continuing conditions of inequality produced by the inherently unequal dual system maintained by Detroit. The Court also held that the order did not violate the Tenth Amendment and general principles of federalism reserving nondelegated powers to the states because the federal court was enforcing the express prohibitions of unlawful state conduct enacted by the Fourteenth Amendment.

The latest pronouncement by the U.S. Supreme Court on financing a desegregation decree was in April 1990. In Jenkins, the Court held that the District Court could not order an increase in property taxes levied by a school district to fund desegregation without first assuring that there were no permissible alternatives. But the High Court concluded that the District Court could have authorized or required the school district to levy property taxes at a rate adequate to fund the desegregation remedy and could have enjoined the operation of state laws that would have prevented the school district from exercising this power. (Missouri has a state constitutional amendment which limits the local property taxes that may be levied.) The Supreme Court also held that a local government with taxing authority may be ordered to levy taxes in excess of the limit set by state statute where a Constitutional reason exists for not observing the statutory limitation.

Three Justices and the Chief Justice concurred in part with the majority opinion in this case but did not agree that the District Court could order the school district to impose a tax not authorized by state law. They concluded that an order to tax was an attempt to exercise a power the court did not have, that was legislative in nature, and was a blatant denial of due process.

Process For Developing Agreements Between
School Districts And The Office For Civil Rights,
And Those Arising From Civil Rights Lawsuits

The legal framework established by the courts nationally, provides the basis for desegregation actions against Arizona school districts. These actions may occur in two ways -- through complaints submitted to OCR, and through civil rights lawsuits. The most common vehicle used in this State for ensuring compliance with civil rights violations is an OCR agreement. This type of agreement between school districts and OCR usually results from negotiations between the districts and OCR. Overall, this process is similar to that used in developing court orders resulting from civil rights lawsuits.

Most Arizona school districts are under OCR national origin related agreements - The vast majority of school districts in this State which are required to remedy civil rights violations of Title VI are under agreement with OCR only (31 districts). Two other districts, Phoenix Union and Tucson Unified, are under both OCR agreements and court orders. Of the 31 districts solely under OCR agreements, almost all relate only to national origin discrimination.⁽¹⁾ National origin agreements typically require the districts to provide language programs to non-English speaking students. These agreements are derived largely from a negotiation effort between the districts and OCR, and include, for example, special English as a Second Language Programs, tutoring, and overall improvements in educational opportunities for students.

Two of the larger school districts, Phoenix Union and Tucson Unified, are under court orders which arose over racial discrimination (and for Tucson Unified, national origin discrimination as well). Court orders tend to outline more specific remedies to alleviate the practices identified as causing segregation than do agreements. Furthermore, because of the number of students, and the nature of the remedies involved with these two districts, such as the implementation of magnet schools and providing transportation, their court orders tend to be more costly than programs utilized by districts under national origin agreements only. For example, of those districts budgeting for desegregation under A.R.S. §15-910.H during fiscal year 1989-90, Phoenix Union and Tucson Unified spent \$26.4 million, while the six districts under agreement with OCR spent a total of \$7.4 million.

Process for developing an OCR agreement - OCR usually becomes involved with a school district following a complaint alleging that the district has discriminated against an individual or group of individuals in one of several classes of persons protected by federal civil rights laws. Those who believe that they or others have been discriminated against by a school district that receives federal funds may file a complaint with OCR. OCR may also initiate its own investigations, called compliance reviews.

(1) See Appendix I for a list of Arizona school districts under court orders and OCR agreements.

Complaints involving a possible violation of the federal laws or regulations are investigated by OCR. If OCR anticipates that a violation of law will be found, it informally notifies the school district and seeks voluntary corrective action. In most cases, voluntary remedies are secured. If not, OCR issues formal findings and offers the district additional opportunities for settlement. If attempts at voluntary resolution fail, the U.S. Department of Education may commence proceedings for an administrative hearing or refer the case to the Department of Justice for the initiation of litigation. These actions may result in the termination of federal funding and injunctive orders.

Districts which choose to enter into an agreement with OCR must submit a plan containing the acts or steps the district will take to correct the violation, a timetable for implementation, and a description of the documentation the district will submit to OCR periodically as the remedy is implemented. Districts have substantial flexibility in developing these plans, since neither federal law nor OCR have prescribed specific remedies for discrimination. Instead, OCR generally accepts programs that have been shown to be successful in other districts, or, programs that a district can show will have a reasonable likelihood of success. Once the district submits an acceptable plan in writing to OCR, no further legal action is taken as long as the district implements the plan in good faith. However, based on its monitoring of the plan, OCR can require the district to take further action or can request modifications to the district's plan.

In our review, we found that OCR agreements are not simply lists of specific actions to be taken but were more general in content. The agreements appear to provide guidance to the districts about what needs to be done. One attorney who has been involved in OCR complaint actions in Arizona also shares this opinion and commented that the agreements cannot be precise because schools are not controlled environments; circumstances may create legitimate needs for changing a plan to ensure non-discrimination.

An OCR official notes that the Office's primary concern is fully and effectively eliminating discrimination. OCR does not normally review

the financing aspects of the plan unless it feels that a district is not providing enough funds to adequately implement the plan. OCR is not likely to question districts because they are spending too much. At most, OCR may tell a district what components are needed to address the problem and may require districts to explain the basis for the options they choose.

Process regarding civil rights lawsuits - The process for establishing remedies based on civil rights lawsuits is similar to that used in enacting OCR agreements. A desegregation lawsuit is initiated by a student, a student's parent/guardian, or both against the local school board (and occasionally includes the State Department of Education). The complaint will generally allege that the plaintiff belongs to a class that is discriminated against, the nature of the segregation, and the denial of Equal Protection under the Constitution or violation of civil rights. The defendant(s) frequently agree with the plaintiff, in which case the court will encourage a stipulated plan (agreement) that is acceptable to both parties and the court.

In some cases, however, the parties cannot reach an agreement. When this occurs, the court will issue an order which the school district must follow. After an order has been issued, and after any appeals, the local district court continues to retain jurisdiction to assure compliance with the order and to rule on subsequent modifications in the order. Usually the defendant requests the court to modify the original order, but both parties are involved in the modification.

State Law Provision Authorizing
Desegregation Funding By School Districts

The cost of meeting requirements of desegregation orders and agreements in Arizona has led to the creation of an exemption to expenditure limitations of school districts. Since 1983, Arizona law (Laws 1983, Chapter 267, Section 5) has allowed school districts under court order to raise funds locally to meet desegregation costs outside the revenue control limit (RCL). A.R.S. §15-910.H, enacted in 1985, formalized this

exemption and added a similar exemption for budgeting outside the capital outlay revenue limit (CORL):

The governing board of a school district may budget for expenses of complying with or continuing to implement activities which were required or permitted by a court order of desegregation or administrative agreement with the United States department of education office for civil rights directed toward remediating alleged or proven racial discrimination which are specifically exempt in whole or in part from the revenue control limit and the capital outlay revenue limit. This exemption applies only to expenses incurred for activities which are begun before the termination of the court order or administrative agreement.

The potential for using the exemption has grown, and continues to grow beyond its original, limited application. The original legislation allowed only school districts under racial desegregation court orders to budget outside the revenue control limit in order to comply with the orders. At that time (1983), only one district, Tucson Unified, met this criterion. The following year, the Legislature expanded the exemption to allow districts under consent agreements for racial desegregation to budget outside the revenue limits. Racial discrimination orders were generally limited to urban school districts so the exemption was not expected to have widespread application. Recently, the Arizona Department of Education was advised informally by the Attorney General that discrimination based on national origin should also qualify for the exemption. Since many rural areas have been investigated or otherwise challenged on this basis, the exemption's scope has been expanded considerably.

Currently in Arizona, 29 districts are under agreements with OCR regarding national origin concerns only, while four other districts are under agreements and/or court orders addressing race related violations and/or national origin violations.

CHAPTER II

DESEGREGATION EXPENDITURES ARE GROWING STEADILY IN ARIZONA

School district expenditures for desegregation programs in Arizona are growing steadily. The number of districts budgeting funds for desegregation under the provisions of A.R.S. §15-910.H and the amounts spent have more than doubled in recent years. Among districts budgeting outside revenue limits, those with higher assessed valuations tend to budget more funds for desegregation than districts with lower assessed valuations. However, some districts fund desegregation programs without using the provisions of A.R.S. §15-910.H.

A.R.S. §15-910.H allows school districts to budget funds for desegregation programs outside of the revenue control limits (RCL) and capital outlay revenue limits (CORL) established by A.R.S. §15-947.A and A.R.S. §15-961, respectively. Funds budgeted pursuant to this provision must be for programs and facilities required by court orders or agreements with the U.S. Department of Education, Office for Civil Rights (OCR). With the exception of aid for Limited English Proficiency programs, no direct state aid is specifically provided for desegregation programs. Districts must raise funds locally to support these programs; A.R.S. §15-910.H permits districts to increase property taxes above the RCL and CORL in order to raise needed funds.

Expenditures Budgeted Pursuant To A.R.S. §15-910.H Are Increasing

School districts are making increased use of their ability to budget outside the RCL and CORL for desegregation programs. The number of districts has increased from one in fiscal year 1983-84 to ten in fiscal year 1990-91. Total expenditures for desegregation programs outside the RCL and CORL grew from approximately \$15.9 million in fiscal year 1985-86 to \$33.8 million in fiscal year 1989-90. For fiscal year 1990-91 districts have budgeted \$47.3 million outside the revenue limits for desegregation.

Number of school districts - The number of school districts budgeting funds outside the RCL and CORL has grown since the provision was enacted in 1983. In fiscal year 1983-84 Tucson Unified School District began using this option. Phoenix Union High School District began budgeting desegregation expenditures outside the revenue limits in the following year. As shown in Table 1, six districts began budgeting under the provision in the last two years.

TABLE 1
DISTRICTS BUDGETING FOR DESEGREGATION PURSUANT TO A.R.S. §15-910.H

<u>District</u>	<u>FY 87-88</u>	<u>FY 88-89</u>	<u>FY 89-90</u>	<u>FY 90-91</u>
Phoenix Elementary	X	X	X	X
Tempe Elementary			X	X
Wilson Elementary			X	X
Roosevelt Elementary			X	X
Cartwright Elementary			X	X
Phoenix Union	X	X	X	X
Agua Fria Union	X	X	X	X
Tucson Unified	X	X	X	X
Mesa Unified				X
Scottsdale Unified				X
Total Districts	<u>4</u>	<u>4</u>	<u>8</u>	<u>10</u>

Source: Arizona Department of Education

Expenditure growth - Arizona school districts budgeting pursuant to A.R.S. §15-910.H spent approximately \$33.8 million on desegregation programs during fiscal year 1989-90, more than twice the amount spent in fiscal year 1987-88. Desegregation expenditures are also growing as a percentage of districts' total expenditures.

Table 2 (see page 17) shows budgeted and actual desegregation expenditures for each district budgeting for desegregation under the provisions of A.R.S. §15-910.H since fiscal year 1987-88. Districts using this provision over several years show a pattern of increasing budgets and expenditures for desegregation. For example, Phoenix Union desegregation expenditures increased by 115 percent between 1987-88 and

TABLE 2

**COMPARISON OF ACTUAL DESEGREGATION EXPENDITURES TO
BUDGETED DESEGREGATION EXPENDITURES
FISCAL YEARS 1987-88 THROUGH 1989-90
(Unaudited)**

<u>District</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>
Phoenix UHSD			
Budget	\$ 8,064,000	\$13,825,614	\$17,675,054
Actual	<u>7,668,435</u>	<u>13,812,551</u>	<u>16,458,105</u>
Variance	<u>395,565</u>	<u>13,063</u>	<u>1,216,949</u>
Tucson USD			
Budget	7,901,142	9,927,799	10,851,483
Actual	<u>7,901,142</u>	<u>9,124,845</u>	<u>9,944,928</u>
Variance	<u>0</u>	<u>802,954</u>	<u>906,555</u>
Phoenix ESD			
Budget	300,000	892,729	2,720,687
Actual	<u>207,345</u>	<u>848,431</u>	<u>1,192,505</u>
Variance	<u>92,655</u>	<u>44,298</u>	<u>1,528,182</u>
Agua Fria UHSD			
Budget	84,000	127,816	126,600
Actual	<u>78,459</u>	<u>83,938</u>	<u>113,609</u>
Variance	<u>5,541</u>	<u>43,248</u>	<u>12,991</u>
Tempe ESD			
Budget			3,753,908
Actual			<u>3,142,144</u>
Variance			<u>611,764</u>
Roosevelt ESD			
Budget			2,657,112
Actual			<u>2,193,469</u>
Variance			<u>463,643</u>
Cartwright ESD			
Budget			599,869
Actual			<u>568,665</u>
Variance			<u>31,204</u>
Wilson ESD			
Budget			316,644
Actual			<u>203,636</u>
Variance			<u>113,008</u>

Source: Compiled by Auditor General Staff from annual financial reports provided by school districts.

1989-90, Tucson Unified desegregation expenditures increased 26 percent and Agua Fria Union High School District desegregation expenditures grew 45 percent during the same period.

We did not find that any districts spent more than they budgeted for desegregation programs during this period. Most districts spent less. In some cases, underspending was substantial. For example Phoenix Elementary School District spent only \$1.2 million of its \$2.7 million desegregation budget in fiscal year 1989-90 because it did not implement a proposed magnet school and a basic skills laboratory. Phoenix Union underspent by \$1.2 million in 1989-90 and Tucson Unified underspent by \$900,000 during that same year.

Desegregation expenditures are becoming a larger percentage of total expenditures in several districts. Table 3 (page 19) shows this trend for the four districts that have been budgeting pursuant to A.R.S. §15-910.H for more than one year. Phoenix Union desegregation costs increased from 3.4 percent of total expenditures in fiscal year 1985-86 to 10.9 percent in fiscal year 1989-90. Phoenix Union's 1990-91 budget estimates that desegregation expenditures will again account for 10 percent of the district's total costs. Expenditures for desegregation in Tucson Unified grew from 2 percent in 1985-86 to 4.2 percent in 1989-90.

TABLE 3

**DESEGREGATION EXPENDITURES AS PERCENT OF TOTAL EXPENDITURES
SELECTED SCHOOL DISTRICTS
(Unaudited)**

<u>District</u>	<u>Fiscal Year</u>	<u>Desegregation Expenditures</u>	<u>Total Expenditures(a)</u>	<u>Percent</u>
Phoenix Union	85-86	\$ 2,488,758	\$ 73,991,360	3.36%
	86-87	4,642,142	105,815,108	4.39
	87-88	7,668,435	100,704,664	7.61
	88-89	13,812,551	131,819,394	10.48
	89-90	16,458,105	151,256,999	10.88
Tucson Unified	85-86	4,000,000	204,050,686	1.96
	86-87	4,000,000	228,759,897	1.75
	87-88	7,901,142	242,982,919	3.25
	88-89	9,124,845	233,909,670	3.90
	89-90	9,944,928	237,739,025	4.18
Phoenix Elementary	86-87	44,472	29,332,075	0.15
	87-88	207,435	32,328,685	0.64
	88-89	848,431	33,900,433	2.50
	89-90	1,192,505	44,805,615	2.66
Agua Fria Union	87-88	78,459	6,369,435	1.23
	88-89	83,938	10,138,320	0.83
	89-90	113,609	8,953,503	1.27

(a) Maintenance & Operation and Capital Outlay expenditures only.

Source: Auditor General Staff analysis of financial information provided by school districts.

Impact On Equalization

Desegregation expenditures outside of the RCL and CORL have not had a significant impact on equalization. Although the amounts budgeted for desegregation appear to be directly related to assessed valuation per pupil, their overall impact appears limited. The growth of expenditures budgeted outside the RCL and CORL for desegregation and the increasing number of school districts using this option could create a greater impact on equalization in future years.

Chapter 399, Section 20.C.8 of the 1990 Session laws directs the Auditor General to evaluate the impact of desegregation expenditures budgeted pursuant to A.R.S. §15-910.H on the equalization of school district expenditures. However, equalization is a broad term that is not defined in Arizona law. For the purposes of this analysis, therefore, we worked with staff from the Arizona Department of Education (ADE) to define equalization as a system of school finance in which the revenue available is not predominantly a function of wealth. Our analysis of the impact of desegregation expenditures uses the same methods employed by ADE to assess the equalization of school finance statewide.

Our analysis of desegregation budgets for fiscal year 1990-91 used two-way correlation to determine the relationship between district wealth and amounts budgeted for desegregation outside the RCL and CORL. District wealth was defined as assessed valuation per pupil. The correlation between the two variables for all 33 districts eligible to budget pursuant to A.R.S. §15-910 was 0.8, evidence of a strong direct relationship. In effect, the data suggest that richer school districts tend to budget funds for this purpose because they have the means to do so.

Since most eligible districts did not budget funds outside the revenue limits, we further evaluated the relationship between wealth and desegregation budgets by limiting the analysis to the ten districts that budgeted for desegregation in fiscal 1990-91. The correlation for these districts was even higher (0.85), also suggesting that districts with high assessed valuation per pupil are more likely to budget greater amounts for desegregation.

The impact of desegregation expenditures budgeted outside the revenue limits on equalization statewide appears to be limited to date. Desegregation expenditures amounted to 5.8 percent of the total expenditures in the eight districts using A.R.S. §15-910.H in fiscal year 1989-90 and less than one percent of all education expenditures statewide during that year. However, the steady growth in the number of districts using this method of financing desegregation and the increasing amounts spent could increase the impact on statewide equalization in future years.

Some School Districts Fund Desegregation Programs Without Using The Funding Provisions Of A.R.S. §15-910.H

Some Arizona school districts fund desegregation programs within the revenue control limit and capital outlay revenue limit. Most districts eligible to budget desegregation expenditures outside the revenue limits do not do so. A few districts implement desegregation programs voluntarily using operating funds budgeted within the limits.

Chapter 399, Section 20.C.3 of the 1990 Session Laws requires the Auditor General to compare the expenditures budgeted pursuant to A.R.S. §15-910.H to expenditures of other school districts of similar size and character that have not budgeted such expenditures. Making such a comparison, however, is difficult because few Arizona districts are similar in size and character. For example, Tucson Unified is equalled in size only by Mesa Unified School District but the two districts differ radically in character. Tucson is an urban district with 45 percent minority enrollment while Mesa is suburban with 16 percent minority enrollment.

Even where districts appear to be similar in size and character, there may be other significant differences. For example, the Roosevelt and Isaac elementary districts have comparable enrollments and minority populations but have different desegregation programs and responsibilities. Roosevelt has an agreement with OCR to eliminate racial desegregation while Isaac has an agreement to ensure services for minority language students. Moreover, Roosevelt officials also noted that their district funds some programs for minority language students within the revenue limits.

Finally, comparison among districts is also hindered by lack of statewide program definitions. Districts not budgeting desegregation expenditures outside the revenue limits do not specifically identify expenditures for desegregation programs in their financial reports. As a result, we had to rely on estimates of desegregation expenditures provided by district officials.

Recognizing these limitations, we selected school districts for comparison with districts budgeting desegregation expenditures outside the revenue limits. We identified districts of similar size and character to the extent possible. The comparison group included districts that were eligible to budget pursuant to A.R.S. §15-910.H and districts not eligible to do so. For all districts selected, we requested information on programs that were similar in purpose (e.g., English as second language instruction, resources devoted to bilingual education) to the desegregation programs in the districts that were budgeting outside the RCL and CORL. The comparison districts selected are presented below. Detailed enrollment and financial data for each of these districts is presented in the Appendix.

**BUDGETING UNDER A.R.S. §15-910.H
FOR DESEGREGATION**

**NOT BUDGETING UNDER A.R.S. §15-910.H
FOR DESEGREGATION**

Wilson Elementary

Tolleson Elementary

Phoenix Elementary
Roosevelt Elementary

Isaac Elementary
Alhambra Elementary

Tempe Elementary
Cartwright Elementary

Glendale ESD

Agua Fria Union

Tolleson Union

Phoenix Union

Glendale Union
Yuma Union

Scottsdale Unified

Deer Valley Unified

Tucson Unified

No Comparable District

Based on the information provided by the districts, each comparison district budgets some funds for desegregation programs (Table 4). Funding is provided by the districts' maintenance and operation budgets, and available federal grants. However, these programs are generally smaller in size than in districts budgeting for desegregation outside the RCL and CORL. Median desegregation expenditures for districts budgeting pursuant to A.R.S. §15-910.H were approximately \$1.7 million in fiscal year 1989-90; the median for the comparison districts (excluding Yuma Union and Glendale Elementary) was \$288,300. Only one comparison district, Isaac Elementary, had expenditures comparable to the two districts, Phoenix Elementary and Roosevelt Elementary, to which it is compared.

TABLE 4
DESEGREGATION EXPENDITURES IN COMPARISON DISTRICTS
FISCAL YEAR 1989-90
(Unaudited)

<u>District</u>	<u>Estimated Expenditures</u> (a)
Isaac Elementary	\$2,028,915
Deer Valley Unified	350,000 (b)
Alhambra Elementary	230,000
Tolleson Elementary	226,622 (b)
Glendale Union	111,804 (b)
Tolleson Union	105,692
Yuma Union	(c)
Glendale Elementary	(c)

- (a) Districts not budgeting pursuant to A.R.S. §15-910.H are not required to maintain separate records of expenditures for desegregation programs. The figures presented in this table are estimates provided by district business officers.
- (b) Salaries only.
- (c) Information not available. However, Glendale ESD spent \$250,000 on materials alone.

Source: Auditor General staff survey

Most of the comparison districts shown in Table 4 have agreements with OCR to implement programs for minority language students. These districts are Isaac Elementary, Glendale Elementary, Tolleson Union, Yuma Union and Glendale Union. Officials in four of the five districts stated that they were not aware of the options allowed by A.R.S. §15-910.H.

Officials in two districts noted, however, that they would consider budgeting these programs outside the revenue limits in future years.

We also contacted a second group of four other districts that have agreements with OCR but have not budgeted desegregation expenditures pursuant to A.R.S. §15-910.H. We asked officials in these districts what they are doing to comply with their agreements and why their desegregation programs are not budgeted outside the RCL and CORL. These districts and their estimated desegregation expenditures were: Kayenta Unified School District -- \$1.3 million, Dysart Unified School District -- \$500,000 and Eloy Elementary School District -- \$410,000. Holbrook Elementary School District reported budgeting a total of \$150,000 for a three year period. Officials in these districts reported that they did not know that they could budget for desegregation outside the RCL and CORL but one indicated that it would be an option for them in the future.

Altogether, we contacted 20 of the 33 Arizona school districts that have agreements with OCR. Except for the districts currently budgeting desegregation expenditures under A.R.S. §15-910.H, most of the districts were unaware of their ability to budget outside of established revenue limits. As districts learn about this law, the number of districts budgeting outside the RCL and CORL may increase.

The extent to which these districts will be able to fund additional expenditures appears limited. The 23 districts not using A.R.S. §15-910.H in fiscal year 1990-91 generally have lower assessed valuation per student than do the 10 districts that budget outside the revenue limits. The median for the former is \$20,046 compared to \$76,285 for the latter. However, some districts with low assessed valuation per student spent almost as much for desegregation purposes during fiscal year 1989-90 as wealthier districts. For example, Isaac Elementary with an assessed valuation per student of \$22,028 funded an estimated \$2 million desegregation program within the revenue limits during fiscal year 1989-90 while Phoenix Elementary with an assessed valuation of \$76,167 spent \$1.2 million pursuant to A.R.S. §15-910.H..

Conclusion

Arizona can expect continued growth in the amount of desegregation expenditures budgeted outside the revenue limits. The districts currently budgeting pursuant to A.R.S. §15-910.H have shown a trend of increasing expenditures each year and it is not clear where or when these expenditures will "top out". Further, more districts can be expected to take advantage of this provision, since lack of knowledge about it appears to have been the primary reason they have not used it to date. Although the overall effect of these expenditures on equalization of school financing is limited by their relatively small size in proportion to all educational expenditures, their impact is to reduce equalization since they appear to be highly related to district wealth. This impact may increase as more districts begin to budget outside of the revenue limits.

CHAPTER III

SOME EXPENDITURES ARE NOT DIRECTLY RELATED TO COURT ORDERS AND AGREEMENTS

A limited analysis of desegregation expenditures indicated that some districts budgeting under A.R.S. §15-910.H have spent desegregation funds for purposes not directly related to their court orders and agreements. Given the broad nature of most districts' orders and agreements, we found many expenditures can be related to the desegregation programs and activities identified in those orders and agreements. However, our review also revealed that some costs charged as desegregation expenditures were not related to their orders and agreements. Due to the method Tucson Unified School District uses to charge costs as desegregation expenditures, we were unable to complete our review of that district.

Scope Of Expenditure Review

We reviewed financial information submitted to us by all eight districts that expended monies outside revenue limits for desegregation during fiscal year 1989-90. We performed a more detailed analysis of a sample of the expenditures made by five of the districts, testing their relationship to the districts' agreements and court orders. The five districts included in our expenditure analysis -- Phoenix Elementary, Phoenix Union, Roosevelt Elementary, Tempe Elementary, and Tucson Unified -- were selected because their desegregation expenditures were the largest of the eight districts. This group includes districts which were under orders or agreements to correct racial discrimination, as opposed to national origin only, since these are typically the most costly programs.

To test the expenditures, we reviewed detailed monthly expenditure listings (both payroll and non-payroll) for fiscal year 1989-90 to identify any expenditures which did not appear to be directly related to

the particular district's court order or agreement. Those individual expenditures that did not appear to be related were subsequently compared to various types of supporting documentation, such as invoices, purchase orders, contracts, and travel reimbursements. Furthermore, we followed-up with district officials to obtain additional explanations regarding these expenditures.

While we were able to identify costs charged under A.R.S. §15-910.H which were not related to court orders or OCR agreements, our testwork and findings are limited in three important ways.

- Our most significant impediment was a lack of sufficient time to conduct a thorough financial review. We could not conduct a random sample, which means our findings cannot be considered representative of desegregation expenditures from any one, or all, of the districts. Nor could we adequately verify oral explanations received from district officials for expenditures. For example, we could not verify the actual use of some equipment and personnel for desegregation programs.
- Second, the general lack of guidance and specificity within the desegregation agreements and orders about proposed remedies, and the lack of definitions for these programs, made it difficult to clearly evaluate many expenditures.
- Finally, because of the nature of certain expenditures (i.e., conferences and workshops), or the methods used by the districts in accounting for expenditures (i.e., receiving desegregation supplies at a central district warehouse), adequate documentation to support certain expenditures as desegregation related was not always available.

We were also limited by an apparent inconsistency in statutory language. Chapter 399, Section 20.C.2 of the 1990 Session Laws directs the Auditor General to determine whether expenditures budgeted pursuant to A.R.S. §15-910.H related directly to the stipulations of court orders and agreements. A.R.S. §15-910.H authorizes districts to budget outside the revenue limits for expenses required or permitted by court orders and agreements. Some expenditures we reviewed may be permitted but not required. To be consistent with our legislative charge we report whether expenditures are related to required activities but do not comment on whether expenditures are related to permitted activities.

Despite these limitations, our review demonstrates that the districts have in some cases used funds budgeted pursuant to A.R.S. §15-910.H for purposes not directly related to their court orders or OCR agreements.

A Variety Of Desegregation Programs Exist In Arizona School Districts

Reviewing the plans developed by the eight districts budgeting under A.R.S. §15-910.H during 1989-90, we found that a diverse group of desegregation programs exist. We also discovered that the broad, general nature of most orders and agreements means that many types of expenditures are related to districts' desegregation programs.

Desegregation programs - The districts have implemented a variety of programs in their effort to eliminate segregation. Generally, those districts budgeting smaller amounts for desegregation (under \$1 million) are typically addressing minority language discrimination, and therefore utilize language improvement programs. For example, Agua Fria Union High School District, Wilson Elementary, and Cartwright Elementary districts all maintain English as a Second Language programs to help them meet the requirements of their agreements. Language oriented programs can include expenditures for salaries for bilingual teachers and teachers' aides, teacher training, Spanish books, language tapes, and oral and written language translation activities.

At the other end of the spectrum, those districts budgeting and spending considerably more tend to have more extensive programs. Phoenix Union High School District, Tucson Unified District, and Phoenix Elementary District, for example, have developed various strategies, including a variety of magnet programs, to meet the obligations of their court orders and agreements:

- Phoenix Union offers 11 different magnet programs to attract students to designated schools. Examples include aerospace education, agribusiness and equine studies, lifetime activities and sports services, foreign studies, and performing and visual arts. The district also offers "low enrollment courses" in Latin, German, anatomy and physiology, and soccer.
- Tucson Unified's Safford Magnet Middle School features engineering, technology research, and computer labs, while it's Roskrige Middle School is a bilingual magnet. In addition, the district has developed a Black Studies Program.

- **Phoenix Elementary's "Before and After School" daycare program was implemented to encourage Anglo student enrollment. The district also has four magnet schools with programs such as fine arts and international studies, and accelerated curriculum programs in computer use and programming, mathematics and science. In addition, the district considers activities such as bilingual training, transportation for magnet students, various track and field endeavors, and an annual concert program as part of its effort to eliminate racial discrimination.**

Expenditure relationship to orders and agreements - Many of the expenditures we reviewed appear to be related to court orders and OCR agreements. As noted in Chapter I, the process for developing orders and agreements is often a negotiated one which results in seemingly broad and sometimes vague requirements for addressing discrimination at the schools. As a result, many expenditures we examined were reasonably related to these orders and agreements.

We found this to be particularly true for magnet programs. A broad definition of related expenditures is often applicable to magnet programs used by some districts. Because of the nature of many magnet programs, districts are able to justify expenditures as being related to their orders or agreements. Phoenix Union, for example, spent desegregation monies on items and services which might be considered unrelated if they were not for a magnet program. During the fiscal year Phoenix Union spent desegregation monies on:

- **Editing equipment for TV production studio and for "location shots" for the Performing Arts magnet - \$22,624**
- **Travel accommodations for 10 Foreign Studies magnet students to Russia at a cost of \$22,266**
- **Production of recruitment video tapes for magnet schools - \$7,800**
- **Airfare and motel accommodations costing \$5,598 for 20 Performing Arts magnet students to compete in a music competition in Colorado**
- **Equestrian lessons for 32 students enrolled in the Agribusiness and Equine Studies magnet, at a cost of \$2,560**
- **Tuxedo rental for a production of Performing Arts magnet - \$1,849**
- **Plots of grass costing \$478 to surround an art sculpture made by students of the Performing Arts magnet**

Magnet program expenditures such as these demonstrate the broad nature of school district desegregation programs.

Analysis Revealed Unrelated Expenditures
But Could Not Determine If
Supplanting Has Occurred

The results of our analysis indicated that some district expenditures charged to desegregation were not directly related to their court orders or OCR agreements. However, we were unable to determine if districts used the provisions of A.R.S. §15-910.H to supplant existing expenditures.

Expenditures not directly related - The results of our analysis of district desegregation expenditures indicated that some costs charged as desegregation were not related to their orders and agreements. However, it was often difficult for us to determine if certain expenditures were directly related to desegregation activities. As a result, we developed the following definition of an "unrelated expenditure" for use during our review:

An expenditure was not directly related to court order or agreement if it was a necessary and ordinary maintenance and operation or capital outlay expenditure for a district, unless the expenditure was made to support an activity specifically dedicated to the desegregation program.

Using this definition, we found that some expenditures were not directly related to desegregation orders and agreements. For example,

- Phoenix Elementary expended \$164,994 of desegregation monies for its gifted students program. The district responded that the gifted program was included in their agreement. However, we believe that these expenditures were not directly related to desegregation. The gifted program was in effect prior to the agreement, meaning the expenditures could not have been incurred directly as a result of compliance with the agreement.

In addition, A.R.S. §15-770 requires district governing boards to identify gifted students and develop a curriculum to ensure that gifted students will receive special education. The district also receives, as part of its state aid, monies for the gifted program. Thus, this statute identifies such programs as a distinct requirement, which would be necessary regardless of the existence of a court order or agreement.

- Phoenix Elementary spent \$6,000 for the treatment of termites and another \$800 for tree trimming at an unused school. According to a district official, the district had planned to open the school as a new magnet program and the district applied for a Federal magnet grant to absorb a portion of the costs of opening the school. However, the district did not receive the grant and was, therefore, unable to open the school as planned. The district appears to have been premature in its spending of any desegregation funds on the proposed school prior to receiving approval for the critical Federal magnet grant.
- Phoenix Elementary charged the cost of retaining three retired principals, approximately \$48,000, to the desegregation fund. District representatives stated the principals were contracted with to ease the transition of the new principals of magnet programs and to perform a study of a proposed consolidated junior high school. Based on our review of a memo regarding the retired principals duties (contracts did not exist) and the report the principals issued, we determined this expenditure was not related to the desegregation agreement.
- Phoenix Elementary also spent \$98,968 of desegregation funds for City of Phoenix police services for the purpose of having the officers work with school administrators to identify truant, abused, and neglected students and to take appropriate action to correct these situations. The district feels that the expenditures were reasonable because the schools would be more secure which would positively contribute to the students. Our testwork indicates that this expenditure is not related to the desegregation agreement.
- Roosevelt Elementary spent \$2,491 in desegregation funds to purchase various English-language childrens books for its Martin Luther Elementary School library. A review of supporting documentation indicated that the district had already exceeded its capital outlay budget for the library when it made this purchase. The district official we spoke with indicated the books were purchased to enhance the gifted program at the school. However, we could not establish a clear relationship between these books and the gifted program, which is included in the district's agreement.
- Phoenix Union spent \$9,122 on self-assertiveness training books for "at risk" students district-wide. The district maintains the books were aimed at helping students likely to drop out of school, and, that any dropout program of the district is considered a desegregation expenditure because it improves educational opportunity for all students. We believe, however, that the expenditures would have been more appropriately budgeted in the Dropout Prevention Program which is also funded outside the revenue limits. In addition, the district spent over \$2 million in state aid specifically earmarked for this program.

- Tucson Unified spent approximately \$5,600 on file cabinets, a phone answering machine, and a copier. According to a district official, all were used, at least in part, to support the district's magnet schools. However, we could not determine that these expenditures were related directly to any stipulations of the district's court order or administrative agreement.
- Tempe Elementary expended \$7,677 for an intercom system. According to a district official, this capital outlay item was an item the district needed but could not fund within the revenue limits. The district considered this expenditure desegregation related and allowable pursuant to A.R.S. §15-910.1 which allows districts to budget outside the capital outlay revenue limit up to 12 percent of the amount of their maintenance and operation budget for desegregation. Our testwork showed, however, that this capital outlay expenditure appears to have been a normal operating expenditure and not directly related to a particular desegregation program or activity.⁽¹⁾

Supplanting - Chapter 399, Section 20.C.2 of the 1990 Session Laws also directed the Auditor General to determine whether expenditures budgeted pursuant to A.R.S. §15-910.H supplanted rather than supplemented other sources of monies for operations or capital purposes. However, the words "supplant" and "supplement" only occur in Chapter 399 of the 1990 Session Laws. The concept of supplanting has not been an element related to desegregation funding in this state and does not appear in A.R.S. §15-910 or any other statutes that we are aware of. In addition, the term "supplant" has not been defined. We conclude, therefore, that supplanting is not prohibited.

In order to address our statutory charge, we defined supplanting as:

An expenditure made from A.R.S. §15-910.H funds which was previously made from State and other local funds.

(1) During our review we also identified a number of items budgeted but not expended by Tempe Elementary for desegregation that do not appear directly related to the district's OCR agreement. These include cafeteria equipment, shower stalls and library expansion. Tempe Elementary's determination that these items could be budgeted as desegregation costs further illustrates the broad definition of desegregation costs used by school districts.

The conclusions derived from using this definition depend to a certain extent on the point at which the definition is applied and the perceived intent of the statute. Some school district officials argue the statute was intended to provide relief to the districts which were having to absorb the cost impacts of their orders and agreements within their revenue limits and at the expense of their normal programs. Under this interpretation of intent, one could argue that A.R.S. §15-910 was intended to at least allow districts -- at the time they first began to budget it -- to make a one-time shift of desegregation expenditures outside the RCL and CORL. Using this interpretation, supplanting occurs only if districts subsequently shift items usually budgeted in maintenance and operation and capital outlay budgets (within the revenue limits) as desegregation. Our review did not identify any instances of supplanting as indicated by this application of the definition.

If, however, the definition is applied to any shifting of previously expended funds, then all districts appear to have supplanted. We believe that the very different conclusions about supplanting that result from the differing interpretations of this term illustrate its limitations as a criterion for determining whether expenditures are being properly classified.

Another issue of supplanting relates to the allocation of certain expenditures to the desegregation sections of the Maintenance and Operation Fund. In our review, we observed that three of the five districts charged a portion of certain costs to desegregation (e.g., salaries of superintendents, assistant superintendents, principals, custodians, counselors, secretaries and other administrative personnel). Other costs, including those for utilities, equipment, training, repairs and maintenance, and supplies were also partially charged as desegregation expenditures. Our definition of supplanting does not cover a situation where it appears that expenditures would be made, whether or not a desegregation order or agreement existed, because such expenditures are necessary to the functioning of the district. Since the expenditures would be made anyway, it could be argued that transferring a portion of these costs to desegregation is supplanting since they would usually be

from maintenance and operation funds within the RCL. On the other hand, if the districts can demonstrate that these activities are necessary for desegregation, they may be able to support the allocation. This again demonstrates the limitations resulting from the lack of a definition of supplanting.

Review Of Tucson Unified School District Incomplete

We could not complete our review of the Tucson Unified School District's desegregation expenditures. We were unable to review any Maintenance and Operation Fund expenditures because the district budgets and allocates desegregation maintenance and operating expenditures using various allocation methods (e.g., derived from student/teacher ratios, a portion of total transportation costs, excess supplies and materials costs). The district generally allocates by determining amounts spent over and above what non-desegregation schools are allowed to expend and designating those as the desegregation expenditures. Consequently, individual maintenance and operation expenditures are not charged to specific programs.

While A.R.S. §15-910.H requires a detailed report of expenditures incurred solely as a result of compliance with a desegregation order or agreement, only general expenditure line item categories, such as salaries, and supplies and materials, can be compiled using various allocation methods. As a result, particular expenditures incurred solely for desegregation programs cannot be identified. This lack of documentation supporting desegregation expenditures precluded us from determining whether such expenditures were directly related to desegregation order or agreement.

We also received allegations from the Tucson Business Journal against the district regarding the possible misuse of its desegregation funds. Due to time constraints, we could not fully investigate the reliability or veracity of these allegations and cannot report on them further at this time. We are continuing to pursue this matter.

CHAPTER IV

STATES FUND DESEGREGATION PROGRAMS IN A VARIETY OF WAYS

A survey of states in which school districts are implementing desegregation programs shows that states vary in their financial participation. Among states which provide financial assistance to districts for desegregation, approaches used range from court ordered cost sharing to assisting districts implementing voluntary desegregation. Several states surveyed provide no specific financial assistance for desegregation programs.

Purpose, Scope And Methodology

Chapter 399, Section 20.C.5 of the 1990 Session Laws directs the Auditor General to:

Gather information for comparison purposes from other states in which there are school districts under a court order of desegregation or which are a party to an agreement with the United States department of education office for civil rights directed toward remediating alleged or proven racial discrimination. The auditor general shall include information regarding the degree to which the state's government is involved in the implementation of the court order or agreement.

To collect the required information, Auditor General staff contacted academic and legal experts to identify states with school desegregation programs. Suggestions were also solicited from the advisory committee appointed for this study and audit staff reviewed information collected by the Arizona House of Representatives Education Committee staff in May 1990. States were selected in order to provide information about different approaches used to fund desegregation. Ten states were contacted: California, Connecticut, Illinois, Massachusetts, Minnesota, Missouri, New Jersey, Ohio, Washington and Wisconsin.

Information was collected using a questionnaire that included questions about the number and type of desegregation programs in each state,

methods and amounts of state funding and controls over the process. We contacted superintendents of education or other senior staff and made additional contacts as recommended by these individuals.

Mechanisms For Funding Desegregation Programs

Six of the ten states contacted assist school districts in funding desegregation programs. State aid is provided to share the costs of court ordered desegregation, to assist districts complying with state mandates for desegregation and for voluntary desegregation.

Court ordered cost sharing - Two of the states we contacted, Ohio and Missouri, provide aid as directed by federal courts. Court orders vary within each state and establish several different requirements for state aid for desegregation.

- Ohio - Federal courts in Ohio ordered the state to share costs for desegregating schools in five districts. In Cincinnati, Columbus and Lorraine, an initial audit was performed to determine the estimated cost of desegregation for these districts. The state's share of the desegregation costs was \$35 million for Cincinnati, \$44 million for Columbus and \$1 million for Lorraine. Payment of these amounts was distributed over a five to seven year period. Actual expenditures for the Cleveland and Dayton desegregation are audited each year and the state is obligated to pay half of the costs identified by the audit. During fiscal year 1990 state officials estimate that state aid for desegregation was approximately \$42 million.
- Missouri - Methods for sharing desegregation costs in Missouri are also governed by court orders which differ in their requirements. In St. Louis the state is obligated to fund all transportation costs and half of maintenance and operation costs. The state negotiates with the St. Louis district to establish program costs. All expenditures are subject to post audit. The state must also provide specific amounts of aid for capital outlay (\$114 million) and magnet schools (\$59 million) in St. Louis. The desegregation order for the Kansas City schools, on the other hand, requires the state to pay whatever costs the district can prove that it cannot afford. Kansas City school officials submit a desegregation budget to the supervising federal court which must approve it. Once the court establishes the total program cost and the district's ability to fund it, the state must fund the remaining costs. As a result, the state pays from 74 percent to 90 percent of the operating costs for the Kansas City desegregation program. In addition, the state has been ordered to fund \$250 million in capital improvements in the Kansas City district. State officials estimate that the state's share of desegregation costs in St. Louis and Kansas City during fiscal year 1990 was about \$236 million.

The Ohio and Missouri cases suggest that court ordered cost sharing does not permit state officials to control the costs of the desegregation programs they fund. Although the states may negotiate with the districts or make proposals to the courts, the ultimate decision rests with the courts. The states are limited to funding the programs established by the courts at the levels required by the courts.

State mandated cost sharing - Two states, California and Massachusetts, have established programs for assisting school districts in meeting desegregation costs. This aid is available for districts implementing court ordered desegregation programs as well as districts that are voluntarily desegregating.

- California - California has provided financial assistance for desegregation programs since 1984. Currently, 55 districts are implementing desegregation plans, primarily addressing racial discrimination. Programs in 12 districts resulted from lawsuits which were resolved primarily through consent decrees; the remainder are voluntary programs. State aid is generally available for all desegregation activities except capital outlay and is provided on a reimbursement basis. Each district develops desegregation plans and programs that are submitted to the state department of education for review and approval. At the end of the year, districts submit claims for reimbursement to the state comptroller (100 percent of initial program cost and 80 percent of program expansions). The comptroller audits the claims and submits the valid portions to the legislature for funding. Total state aid for desegregation during fiscal year 1990 was \$513 million, of which \$434 million went to the 12 districts under court order.

California has no specific limits on desegregation assistance. The department of education review, comptroller's audit and legislative appropriation are the major controls. Although this process provides opportunities for the state to control desegregation costs, one official pointed out that the department of education often fails to aggressively review programs submitted by districts and that districts are often successful in convincing the legislature to fund claims disallowed by the comptroller.

- Massachusetts - Massachusetts shares desegregation costs with school districts that are addressing racial and national origin discrimination. Four districts are under court order to desegregate and 14 are implementing plans under agreement with the state department of education. The legislature appropriates desegregation aid funds in five categories: improving desegregated schools, magnet schools, urban/suburban transfer programs, transportation and construction. This aid is given in addition to basic school aid. To obtain desegregation aid, districts apply for grant funds in the categories appropriated by the legislature. The department of

education reviews the requests and allocates the available funds. As a result, each district's amount and proportion of aid may vary. In some cases, adequate funds may not be available to fund programs at statutory levels. For example, the state is supposed to provide 100 percent of transportation costs for desegregation but the actual appropriations are approximately 50 percent of the costs. Overall, Massachusetts officials indicate that the state funds about 30 percent of desegregation costs. During fiscal year 1990, this amounted to approximately \$30 million (excluding construction costs which were not available).

Voluntary state cost sharing - Two states, Minnesota and Wisconsin, provide financial aid for desegregation programs implemented by districts voluntarily.

- **Minnesota** - Three school districts in Minnesota are currently implementing voluntary programs to remedy racial discrimination. One district, Minneapolis, was previously under a court order to desegregate; the order was lifted in 1980. Minnesota's program is intended to encourage and assist districts in voluntarily desegregating and to preclude lawsuits. Aid provided by the state supports all costs of a desegregation program approved by the state department of education. Districts must submit a comprehensive desegregation plan to the commissioner of education for review and approval. Once a plan is approved, districts must submit updates every two years. Funding is provided by the legislature based on budgets submitted by districts with approved plans and aid varies among districts depending on the specifics of their plans. The three participating districts received \$17 million during fiscal 1990.

Minnesota has recently expanded aid for desegregation. Beginning in fiscal year 1991, the state is providing \$200,000 to three districts to develop a plan for moving students between districts. The state has also appropriated \$1 million over a two year period to reimburse districts hiring minority staff. Another \$2 million is available during the next two years to provide 50 percent matching grants to districts for desegregation related capital outlay projects.

- **Wisconsin** - Wisconsin supports desegregation efforts in four districts by providing transportation aid. Three districts have initiated intra-district busing; state aid for these districts is provided in the form of additional funds for each student bused. These students are weighted more heavily in the calculation for state equalization aid. The fourth district, Milwaukee, has established an extensive busing program with 24 suburban school districts. The state aids this program by paying 100 percent of the tuition costs, based on actual attendance, for students who travel across district lines to attend school. The estimated cost of Wisconsin's program in all four districts during fiscal year 1990 was \$50 million.

These state cost sharing programs -- both mandated and voluntary -- provide greater opportunity for the states to control the cost of their share of district desegregation programs. In contrast to court ordered cost sharing, the state programs provide for state level review and approval of both program content and funding levels. Although the California process appears to give districts the opportunity to recover costs disallowed by the comptroller, that decision is made by the state legislature rather than the courts.

Some States Provide No Direct Aid For Desegregation

School districts in four of the states we contacted have implemented desegregation programs without state aid specifically for this purpose. Connecticut, Illinois, New Jersey and Washington do not provide state aid specifically to assist districts in implementing desegregation programs. Districts in these states rely on other forms of state aid and local taxes to support their desegregation plans.

- New Jersey - New Jersey exercises extensive control over school district desegregation plans. Currently 84 districts are implementing desegregation programs. Seventeen are the result of court order, one is voluntary and 66 were ordered by the state. New Jersey mandates desegregation and state law allows the department of education to review district performance and order corrective action if they are found to be discriminating against students. The department can order districts to develop plans to correct problems. Districts can select one of 13 model plans. Once approved, districts have 60 days to begin implementing desegregation plans. Failure to implement plans can result in state-ordered actions and, ultimately, state takeover of the district. This high level of state authority grows out of New Jersey's tradition of centralized control over its schools which requires that each district's budget must be approved by the department of education.

Desegregation programs in New Jersey school districts are funded as part of regular operations and are not specifically identified. Beginning in fiscal year 1992, however, the state will provide grants totalling \$300 per student to districts implementing desegregation programs. This new aid was enacted to provide assistance to districts that lost funds in the recent revision of New Jersey school finance system and amounts to 8.8 percent of the state's per pupil aid.

- Washington - Two school districts in Washington are implementing desegregation plans with no specific state financial assistance for their programs. Seattle and Tacoma have established voluntary desegregation programs although neither they nor any other district

in the state have ever been under a court order or OCR agreement. The desegregation programs are funded from sources generally available for all local educational programs (e.g., basic state school aid). According to one official, Washington's high state share of education funding (78 percent) allows districts to carry out activities that preclude civil rights complaints and lawsuits.

- **Connecticut** - School districts in Connecticut are responsible for ensuring that their schools are desegregated. Connecticut has a state mandate that the student bodies of all schools within a district be within plus or minus 25 percent of the district's minority population as a whole. Districts support their plans from funding sources that are available to all education programs and the state department of education has no specific information how each of the 166 districts meets this mandate or what costs they incur. However, a recent lawsuit is challenging this system on the grounds that the state law allows a 100 percent minority school to be considered racially balanced if it reflects its district's racial make-up. The governor has appointed a commission to make recommendations to change the program and consider funding options, such as state funding for magnet schools and transportation costs. The commission is due to report on December 31, 1990.
- **Illinois** - Illinois has 49 districts that are implementing desegregation. These programs are not specifically identified in district budgets. Bills have been introduced in the legislature during each of the past five years to provide some state funding for district desegregation programs but none have been enacted. Although the state provides no financial aid, the department of education uses federal funds to offer consulting services and technical assistance to districts in developing desegregation plans. Districts also utilize federal funds for "urban initiative programs" and magnet schools.

Conclusion

The Auditor General survey of states found a wide range of state involvement and support for school district desegregation programs. The level of program and financial control exercised by the states also varied. States with court ordered desegregation, such as Missouri and Ohio, appear to have the least control over programs and funding, most of which is determined by the courts. State-mandated desegregation programs and financial support appear to offer significant opportunity for states to control district activities and, in some cases, avoid court actions that would otherwise limit state control. New Jersey demonstrates that a state can exercise strong control in the absence of state aid if it has a tradition of centralized control in education.

However, even New Jersey is planning to provide some state aid for desegregation and Connecticut is considering state aid to strengthen district desegregation programs. These changes, when viewed alongside the financial assistance in other states, suggest that state funding is an important element for implementing desegregation programs.

CHAPTER V

OPTIONS FOR FUNDING AND CONTROLLING DESEGREGATION PROGRAMS IN ARIZONA

Our review of programs in Arizona and other states indicates that the Legislature has a variety of options for strengthening accountability and control over desegregation programs. Accountability should be strengthened regardless of whether the Legislature changes the financing structure for desegregation. Options for funding desegregation programs range from State participation in developing desegregation plans to State aid for desegregation programs. Increasing the State's role in desegregation programs may also create legal responsibilities for the State.

Identifying the best option for financing desegregation programs in Arizona depends on the extent to which the Legislature wishes to control this aspect of school finance. The approaches used in the other states we contacted vary widely, ranging from strong state level control to almost complete local discretion. Determining the appropriate level of control is a policy decision that is beyond the scope of this review. Therefore, we make no recommendations regarding the various options presented. We do note, however, that some commonly accepted aspects of accountability appear to be lacking in Arizona's desegregation finance process and present recommendations for strengthening accountability.

Strengthening Accountability

Our review of desegregation expenditures demonstrates that the current system lacks accountability in certain areas. Options for strengthening accountability should be implemented regardless of any other changes the Legislature may or may not make to the current system. These options include more clearly defining the concept of supplanting, requiring compliance reviews and improving expenditure reporting by districts.

Supplanting definition - As noted in Chapter III, Auditor General staff had difficulty evaluating whether district use of funds for desegregation involved supplanting as requested by Laws 1990, Chapter 399, Section 20.C.2. This directive seems to suggest that supplanting is not permitted or was not intended when the Legislature established the provisions for budgeting outside the revenue limits. However, A.R.S. §15-910.H neither discusses nor forbids supplanting and may permit districts to shift funds previously expended as part of their regular budgets to their desegregation program. If the Legislature wishes to forbid this or any other form of supplanting, it should consider defining or authorizing the Arizona Department of Education (ADE) to define what constitutes supplanting of educational expenditures and the extent to which such supplanting is allowable.

Compliance review - Arizona law does not provide for any review of expenditures for desegregation programs. Current audit requirements do not specifically address desegregation expenditures; they are audited, if at all, as part of the district-wide single audit if a single audit is required. Because these expenditures are a relatively small proportion of total district expenditures, they are not likely to be material to the districts' financial condition. As a result, accountability for desegregation expenditures is very limited.

The Legislature should consider amending A.R.S. §15-914 to require that districts budgeting pursuant to A.R.S. §15-910.H obtain a compliance review of these expenditures as a separate part of their regular financial audit from an independent certified public accountant. As part of this requirement, the Legislature should define relevant terms as needed and direct ADE and the Auditor General to establish a compliance program to be followed by the independent auditor. The Legislature should also consider establishing penalties for failure to utilize these funds as required by law.

The compliance review of desegregation expenditures will add tasks to the independent financial audits and may increase their costs. We have no basis for estimating the additional costs since the procedures are not yet defined. However, the compliance review is recommended as a limited review and is not expected to add significant new activities to the

established audit function. The ten districts budgeting pursuant to A.R.S. §15-910.H in fiscal year 1990-91 pay between \$6,400 to \$52,500 to meet current audit requirements. We do not anticipate the new compliance review requirements will appreciably increase these audit fees. However, the Legislature may wish to allow districts to include these additional costs among the expenditures budgeted outside the revenue limits.

Budgeting and reporting requirements - Establishing specific budgeting and reporting requirements would provide useful information about how districts spend funds budgeted pursuant to A.R.S. §15-910.H. Currently, districts are required to report expenditures in line item format but all this tells is the functional categories and object codes to which funds were recorded. Such reporting does not indicate what programs the funds are used for and, thus, limits a reviewer's ability to determine if expenditures are used for the purposes intended in court orders and OCR agreements.

The Legislature should consider amending A.R.S. §15-910 to require that districts report all expenditures budgeted outside the revenue limits by program (such as magnet school programs, special curricula and transportation). This amendment should require that reports include both budgeted and actual expenditures for each program identified in the district's court order or OCR agreement and would allow for meaningful comparison of planned and actual activities.

Increasing State Role In Formulating Desegregation Plans

Existing State policy on funding desegregation programs in Arizona leaves virtually all authority for decisions to school districts. The State has essentially no role in developing or implementing desegregation plans that are funded outside the revenue limits. Districts and the courts or OCR are currently responsible for developing agreements and orders, and the districts largely determine how much they will spend to implement them. As noted previously, districts have broadly construed their authority to make expenditures for desegregation programs. The Legislature could take two actions to strengthen accountability in this area.

First, the Legislature might consider amending A.R.S. §15-910 to require that districts funding desegregation costs outside the revenue limits 1) submit detailed desegregation program budgets to ADE on a form prescribed by the Auditor General and the Superintendent of Public Instruction showing specific activities and objectives, 2) obtain ADE approval for desegregation program budgets and 3) conduct periodic outcome evaluations of desegregation programs. Submitting budgets and obtaining State approval are common features of the programs in several of the states we contacted. California, Massachusetts, Minnesota and New Jersey all require some form of state approval for districts' desegregation plans. According to ADE staff, the Department would need legislatively defined criteria or other guidance in order to conduct an adequate review.

Second, the Legislature might also consider authorizing ADE to consult with school districts in legal actions involving desegregation issues. Currently, the State is not involved in the process for developing agreements with OCR and court orders described in Chapter I. ADE consultation would allow the State to have some input into the development of desegregation agreements with the Office of Civil Rights and desegregation orders of the courts. Districts should be required to notify the State of any legal actions involving desegregation issues.

State Funding For Desegregation Programs

Another series of options for funding desegregation programs in Arizona would be to provide State financial assistance, either through special appropriations or grant programs, to districts that are implementing these programs. Programs in other states provide several models which could serve as the basis for such aid. These include state approval of desegregation programs as a prerequisite for aid and modifying the distribution of State aid by weighting students more heavily in desegregation districts.

All of these options require the Legislature to identify specific funds to be used for supporting the districts' desegregation plans. They differ in the manner in which the funds are distributed to the districts.

These options may also require the Legislature to define what programs will be eligible for funding. For example, Federal grants for magnet programs are intended to support "...(1) the elimination...of minority group isolation...and (2) courses of instruction...that will substantially strengthen the knowledge of academic subjects and the grasp of tangible and marketable vocational skills of students...." Grant recipients are prohibited from using funds for any activity that does not augment academic improvement.

State approval of desegregation plans - One approach would be to provide aid for approved desegregation programs as is done in California, Massachusetts and Minnesota. Districts in these states submit plans to their respective education departments for approval. Once approved, these plans serve as the basis for requesting specific appropriations or allocating funds previously appropriated. The Arizona Legislature might consider providing State aid to districts for desegregation programs based on programs approved by the Arizona Department of Education. ADE would be given authority to review and approve plans that would qualify for this aid. The Legislature could either appropriate funds to be allocated by the ADE or could appropriate specific funds based on the approved plans.

Weighted funding - A second approach would weight students involved in district desegregation programs more heavily than other students in calculating State equalization aid. Wisconsin funds transportation in three of the four districts that are implementing desegregation activities. The same method is used to fund special needs students in Arizona schools such as disabled or the mentally and emotionally handicapped. Implementing this option would require identifying target students in each district and determining an appropriate weighting factor. Target students could include the minority that has been discriminated against as well as majority students the district hopes to attract to specified schools. The Legislature might consider providing aid to districts for desegregation programs by adding a support level weight to the weighted student count used in the calculation of the base support level and base revenue control limit.

**Greater State Role In Funding Desegregation
Could Increase State Responsibility**

State assumption of a greater role in determining what school districts may do as part of their desegregation programs may also increase the State's liability for these programs. The current system, in which the individual districts determine how to fund compliance, has allowed the State to avoid any responsibility for funding desegregation programs. Under A.R.S. §15-910.H districts decide what actions will be taken and how they will be funded. In effect, these decisions are left to the district and the court or OCR. Establishing a State role in this process could leave the State vulnerable to legal action if a district, OCR or the supervising court believes that the State's decision prevents the district from desegregating.

However, the State may ultimately be held liable for the costs of desegregation. As noted in Chapter II, the ability of districts to fund desegregation programs under the current laws depends largely on each district's wealth. A poor district could file a lawsuit claiming that the lack of State aid prevents it from complying with its order or agreement. The courts, using some of the legal precedents discussed in Chapter I, could order the State to provide the funds needed by poor districts to desegregate their schools.

ADVISORY COMMITTEE RESPONSE

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December 12, 1990

PLEASE REPLY TO TUCSON

VIA FEDERAL EXPRESS MAIL

Mr. Mark Fleming
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**Re: Advisory Committee Report - Special Study:
Desegregation Expenditures**

Dear Mark:

Following up our recent telephone conversations, please find enclosed the Committee's Report for inclusion in the document you are preparing to send to the Legislature.

The Committee gave me the responsibility of assembling and processing the Report, and therefore it was not possible for the Committee members to physically sign the document. All Committee members were provided with a draft of this document, and although it has been revised in some minor ways as a result of comments by Committee members, it is in substantially the same condition as the draft received by the Committee members. I have not received, as of the time I send this material to you, any adverse comment or dissenting opinions from any Committee member to the Report which is enclosed. Accordingly, I think that the enclosed Committee Report may be taken as a unanimous position of the Advisory Committee.

On behalf of the entire Committee, I would like to express the appreciation of the Committee members for the effort which has been expended by the Auditor General, his staff and you, as coordinator of this project. The Legislature handed the Auditor General a charge which was ill-defined, prescribed a timeframe

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Mr. Mark Fleming
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within which it required a response which was unrealistic, and provided a subject matter about which there is considerable controversy and substantial technical difficulty.

I am sure you will notice that the Committee's Report is critical of many of the conclusions reached by the Report. It is the Committee's view that many of these conclusions were reached as a result of the imperfections of the legislation and the process, and not due to any inadequacy or lack of professionalism on the part of the Auditor General or his staff.

Thank you for the opportunity of working with you on this project, and I would appreciate it if you would please provide each member of the Committee with a copy of the final document which is forwarded to the Legislature together with any other information which may be transmitted in connection with it.

Very truly yours,



J. Wm. Brammer, Jr.

/njh
Enclosures

c: Advisory Committee Members (w/encl.)
Elizabeth Harmon, Esq.
Dr. Alejandro Perez
Julie Stout, Ph.D.
Chris Bustamante

REPORT OF THE ADVISORY COMMITTEE

DATE: December 14, 1990

RE: Auditor General Report Regarding Special Study:
Desegregation Expenditures

I. Summary of Conclusions and Recommendations

The Advisory Committee has reviewed the Report prepared by the Auditor General regarding its special study of Desegregation expenditures. The Committee is constrained to file a separate report respecting that study, and the following is a summary of its conclusions:

The Committee thanks the Auditor General and his staff for the effort expended in producing the Report, and their kindness towards the members of the Committee, despite the enormous pressures caused by the inadequate time to permit a thorough analysis of the issues which, for the reasons detailed in the Committee's Report, resulted in a flawed report containing erroneous conclusions and unwarranted assumptions.

The Committee feels that the conclusions reached by the Auditor General are not supported by the facts and findings contained in the Report. The reasons for the Committee's conclusion is contained in the body of its Report.

The Advisory Committee concurs that the present provisions of A.R.S. § 15-910H permit an unequal burden to be borne by local taxpayers in order to fund local district desegregation and compliance efforts. However, this problem can only be addressed within the context of a complete analysis and restructuring of the entire system for financing education.

A.R.S. § 15-910H does not, nor did the study, address what are acceptable levels of expenditures for desegregation or compliance activities.

If the State chooses to limit or approve desegregation expenditures, it must not only create an agency which will be knowledgeable of acceptable and adequate levels for these expenditures, but also be responsible for determining the adequacy or propriety of the various school district programs which those expenditures support.

The State must be willing to accept a major role in the responsibility of insuring compliance with desegregation orders and agreements once it chooses to become involved in any way in

approving, limiting or deciding appropriate funding levels for desegregation expenditures.

The study reveals that less than 1% of the expenditures budgeted by school districts pursuant to A.R.S. § 15-910H for desegregation activities were judged to be not directly related to the court order or administrative agreement.

II. General Observations and Comments

The Auditor General was handed an impossible task by the Legislature. Sections 20 and 21 of Chapter 399 of the 1990 Session Laws required the Auditor General to "conduct a study of school district desegregation programs and expenditures of those school districts which have budgeted for desegregation expenditures pursuant to § 15-910, Subsection H, Arizona Revised Statutes." In order to assist in this study, the legislature required governing boards of school districts which budgeted expenditures pursuant to A.R.S. § 15-910H to provide certain information to the Auditor General. Pursuant to that charge, the Auditor General issued a memorandum dated August 14, 1990, to certain school districts requiring those school districts to provide certain information to the Auditor General no later than August 31, 1990. Despite the compressed time frame, and the fact that the last two weeks in August is perhaps the busiest time of the entire year in any school district, the school districts provided the information requested in a timely fashion.

Subsequent to receipt and review of the information provided to the Auditor General by the school districts, on-site investigations of those school districts were conducted by Auditor General staff. That review was directed toward analyzing certain expenditures which were categorized as "desegregation expenditures," and the way in which that review was conducted, together with an analysis of the items reviewed, is contained in Chapter III of the Auditor General's Report.

III. Limitations of the Process

Unfortunately, the legislation mandating the Auditor General's actions, culminating in the Report, did not permit the Auditor General's activities, and hence the Report itself, to be clearly focused upon what the Legislature is assumed to have intended. There are at least two reasons for this problem: the first was the inclusion within the legislation of imprecise and undefined terms and concepts such as:

(a) "whether the ["desegregation"] expenditures budgeted pursuant to § 15-910, Subsection H, Arizona Revised Statutes, were related directly to the stipulations of the court order or administrative agreement;"

(b) "whether. . .["desegregation"]. . . expenditures were used to supplement and not supplant any other sources of monies for operational or capital purposes;"

(c) a comparison of "the expenditures budgeted pursuant to § 15-910, Subsection H, Arizona Revised Statutes, to the expenditures of other school districts of similar size and character that have not budgeted ["desegregation"] expenditures pursuant to § 15-910, Subsection H;" and

(d) an examination of the impact of ["desegregation"] expenditures budgeted pursuant to § 15-910, Subsection H, Arizona Revised Statutes, on the equalization of school district expenditures." (Emphasis supplied in all cases.)

The second reason is that while the Auditor General was to "conduct a study of school district desegregation programs and expenditures of those school districts which have budgeted for desegregation expenditures pursuant to § 15-910, Subsection H, Arizona Revised Statutes," the timing of the legislative action and requirement of administrative response was such that an appropriate examination either of the programs or the expenditures as described in the legislation was effectively precluded.

Despite the foregoing difficulties, the Auditor General and his staff did the best job possible under the circumstances and, in an attempt to comply with the legislative mandate, produced the Report nearly within the unrealistic time frame prescribed in the legislation. Indeed, the Report is replete with references to the difficulty encountered by the Auditor General in conducting the review and producing the Report as a result of the inadequacies of the legislative charge. For example:

(a) While the Auditor General was required to compare the expenditures of those districts budgeting pursuant to A.R.S. § 15-910H to expenditures of other school districts of "similar size and character" that have not budgeted such expenditures, the Auditor General has observed that such a comparison is difficult because of the dissimilarity of Arizona school districts, both as to size and character. Report, page 21.

(b) Further, while the law required the Auditor General to determine whether expenditures budgeted pursuant to A.R.S. § 15-910H supplanted rather than supplemented other sources of monies for operations or capital purposes, neither the word "supplant" nor "supplement" are defined, and neither appears anywhere within A.R.S. § 15-910 or any other Arizona statute of which the Auditor General is aware. While concluding that supplanting, whatever that term may mean, is not prohibited by Arizona law, the Auditor General

nevertheless felt constrained to make the determination required by the Legislature. Report, pages 33-35.

(c) The Auditor General further observed that while he was required to evaluate the impact of desegregation expenditures on the "equalization of school district expenditures," there was nowhere found within the directive legislation, or any other to which the Auditor General referred within the Report, a definition of "equalization" for purposes of the investigation. Accordingly, the Auditor General chose a specific definition and proceeded to base the Report upon that definition. Report, page 20. Nonetheless, the Auditor General's conclusion is that there has been no significant impact on "equalization" by virtue of the "desegregation expenditures." Report, page 21.

(d) Another major difficulty encountered by the Auditor General was the requirement that he determine whether expenditures budgeted pursuant to A.R.S. § 15-910H "related directly" to the court orders or administrative agreements, even though the provisions of A.R.S. § 15-910H specifically authorizes districts to budget for expenses which were either "required or permitted" by those orders and agreements.

On p. 31 of the Report is the definition of "unrelated expenditure" (a term nowhere found within the authorizing legislation) which was formulated by the Auditor General. This definition bears no relation to the reality of supporting desegregation and compliance activities. The legislature directed a study of expenditures, but provided no guidance as to the standard against which they should be measured. Faced with this, the Auditor General was required to adopt its own standard, without legislative guidance. Accordingly, the Auditor General limited his review to expenditures "unrelated" to those activities "required" by court order or administrative agreement, but not those which might be permitted by those same documents. Report, page 28.

The unfortunate result of following this protocol was that the Auditor General's analysis, although finding that a very minor portion of the "desegregation expenses" examined were "not directly related to" a court order or OCR agreement, did not go on to determine whether or not those same expenditures may have been "permitted" by those documents. This conclusion was predetermined by the adoption of the definition of "unrelated expenditures" found on p. 31 of the Report. Accordingly, the Committee feels that the Report is fatally flawed in this respect due to the limiting definition, one not at all either required or

permitted by the directive legislation, and one wholly inconsistent with the plain language of A.R.S. § 15-910H.

With respect to the specific expenditures addressed beginning on page 31 of the Report, and the Auditor General's conclusion that several types of expenditures were not "directly related to desegregation orders and agreements," it should be pointed out that this analysis was based upon a review of ten Arizona school districts engaged in expenditures in support of desegregation or compliance activities. These districts had 1990-91 maintenance and operation budgets approximating \$732,000,000.00. Approximately 6-1/2% of that amount, or \$47,300,000.00, was provided for desegregation activities (Report, page 1). Of this latter sum, only approximately \$350,000.00 of those "desegregation expenses" were determined by the Auditor General to be not "directly related to desegregation orders and agreements." Interestingly, of this amount approximately \$318,000.00, roughly 90%, was expended by one inner-city, highly minority elementary school district, which in a recent Arizona Department of Education study respecting the 1988-89 school year, was found to be among the 15 most distressed out of Arizona's roughly 210 school districts.

Expenditures which were found by the Auditor General to be not "directly related" to a court order or administrative agreement may well have supported activities "permitted" by the orders or agreements as allowed by the plain language of A.R.S. § 15-910H. Granted, the Auditor General only sampled some of the expenditures, but by the protocol adopted by that office, Auditor General staff reviewed a sample of expenditures that initially did not appear to be directly related to the district's court orders or agreements, and was able to find only this extraordinarily insignificant number and amount of expenditures which did not meet the Auditor General's definitions. Report, page 2.

The Report concludes that the results and information generated "cannot be used to draw conclusions about the total population of desegregation expenditures." Report, page 2. Unfortunately, the body of the Report does just the opposite and the Committee feels that, in this regard, the Auditor General has not been consistent with its own procedures and that the conclusions drawn respecting the various expenditures are erroneous.

IV. Legislative Intent Re: A.R.S. § 15-910

The Auditor General draws inferences and offers conclusions with respect to the intent of the Legislature when enacting, and subsequently amending, A.R.S. § 15-910. It is suggested that, since there is no attribution in the Report to any source, such inferences and conclusions are not warranted, but merely

speculation which should not be contained in a report of this importance.

The Committee does not believe that sufficient information has been gathered by the Auditor General, or from or by any other source, which would indicate that there is any reason to repeal or amend A.R.S. § 15-910. However, should it be deemed appropriate to examine the way in which this statute works in conjunction with notions of "equalization" and equal educational opportunity, such examination should occur only in the context of a complete examination of the way in which Arizona funds its elementary and secondary education programs. If there is a need perceived for reform in these programs, then such reform could include revisiting the way in which desegregation and compliance activities should be funded. Accordingly, unless and until the State undertakes such a comprehensive evaluation of the way in which Arizona funds education, it should not repeal or amend A.R.S. § 15-910.

V. Comments Respecting Individual Portions of the Report

Going to the body of the Report, and attempting to point out Committee concerns with specific statements or conclusions contained within the Report, the following may be observed:

1. While the Report concludes on page 21 that there has been no significant impact on "equalization" by virtue of desegregation expenditures outside budget limits, the Report goes on to speculate that "equalization" could be impacted to a greater degree in the future should school districts not presently funding desegregation activities pursuant to A.R.S. § 15-910H choose to do so. Since there is not a common understanding of the concept of "equalization" in any context related to desegregation activities or expenditures to support them, it seems completely inappropriate to assume the extent to which, if at all, school districts may choose this funding alternative in the future and whether or not any concept of "equalization" may be adversely affected as a result.

The Report, on page 20, indicates that included within the concept of equalization is the theory that a school district's "wealth" does not determine available revenue to support educational functions. Unfortunately, no definition of "wealth" is provided either by the statute or the Auditor General, and therefore a statutorily undefined term ("equalization") is itself being defined by yet another undefined term ("wealth"). We have assumed that "wealth" is equated to the aggregate assessed valuation of the real property within the district. If the Committee's assumption is the same as the Auditor General's in this regard, then the Report's conclusion would unfortunately suggest that districts will budget funds pursuant to A.R.S. § 15-910 simply because the funds are available. This is just simply

not so, and to permit conclusions to be suggested or drawn from such a basis is wholly inappropriate and should not be included within a report of this importance.

2. Additional speculation is indulged in by the Report on page 24, where the suggestion is made that "as districts learn about [A.R.S. § 15-910H]. . . the number of districts budgeting outside. . . [budget limits]. . . may increase." (Emphasis supplied.) Implicit within this speculation is that unless something is done to eliminate the potential for districts to fund programs necessary to meet the requirements of court orders or OCR agreements, districts may utilize the available funding sources. Further implicit within this suggestion is that district action in this regard is inappropriate. Clearly, this cannot be so since the legislation has been in effect for many years and must have been presumed by the Legislature to be available to all who might qualify. To now suggest that a school district fitting the prerequisites of the statute which budgets pursuant to its terms is somehow acting inappropriately is simply unwarranted and should not be included in this Report.

3. The sentence at the top of page 29 of the Report is completely superfluous and should never have found its way into the Report. As was indicated on page 28 of the Report, A.R.S. § 15-910H allows school districts to budget for expenses either required or permitted by court orders or administrative agreements. Unfortunately, the legislation requiring the Report asked the Auditor General only to examine those expenses "related directly" to the court orders and agreements. The Auditor General construed the term "related directly" far too narrowly, since not only do matters which are required, but also those which are permitted, relate directly to the court order or administrative agreement. The Auditor General states, despite reviewing only those expenses "required" by the orders or agreements, that districts have budgeted and expended funds for purposes not directly related to their court orders or OCR agreements, knowing full well that no analysis was made of whether or not those expenditures were for purposes "permitted" by the orders or agreements. The inclusion of a statement of this type clearly would tend to inflame the reader, and suggests that inappropriate occurrences were discovered, when it is clear from the balance of the Report that no such discovery was made.

4. Contained within comments concerning Tucson Unified School District on page 35, is included the gratuitous reference to the receipt by the Auditor General of "allegations" against that District regarding the possible misuse of desegregation funds. Why such a statement would be included when it has neither been investigated nor its accuracy determined is open to supposition, but the clear impact on any reader leaves the distinct impression that something is wrong, without any

foundation whatsoever. Such comment is wholly unwarranted and should be excluded from the Report.

VI. Desegregation Funding Options

While the Auditor General has examined options for providing funding for desegregation programs within the body of the Report, the legislation did not require, and consequently the Auditor General has not undertaken, a second level of analysis with respect to those options depending upon whether or not there is a State legislative mandate to either implement desegregation activities or eliminate denial of equal educational opportunities to school children, typically members of minority groups, against whom discrimination has historically been practiced. As a result, some of the options examined by the Auditor General are predicated upon State legislation requiring school districts to voluntarily enter into any one of a number from a broad spectrum of "desegregation activities." To date, Arizona has not seen fit to enact similar legislation, and therefore those options are not available. Again, these analytical flaws are clearly the product of the limited time and resources available to the Auditor General in conducting the investigation, necessarily producing a report limited in scope and application.

In Chapter V of the Report, when discussing options for funding desegregation programs in Arizona, several recommendations are made by the Auditor General. Included within them is the observation that responsibility for determining how to fund desegregation programs is placed by the Legislature on the local school districts. The Auditor General's recommendations suggest that the role of the State of Arizona and the State Department of Education could be expanded substantially to include review and approval of all desegregation programs, and funding of them, within Arizona school districts. Unfortunately, neither the State Department of Education, nor any other branch of State government, is equipped, qualified, funded or authorized to undertake such activities. Moreover, should either that department or some other newly-created department be properly constituted, authorized, funded and competently staffed to engage in such matters, the methodology for resolving inconsistencies between determinations of that agency and either the Federal Court, the Federal Government or the local school districts is absent.

Tailoring procedures which would not be extremely cumbersome, costly and potentially disadvantageous to the State, would be most difficult, and could sufficiently entangle the State in matters heretofore strictly between the local districts and the courts or the Federal Government so as to require complete participation, both financial and otherwise, of the State in the local district desegregation and compliance efforts. Indeed, as is indicated on p. iv of the Summary, and again on

both pages 45 and 50 of the Report, increasing the State's role in desegregation programs may also create legal responsibilities for the State, particularly if the State's role involves discretionary approval or funding of desegregation or compliance activities. As is not only pointed out within the body of the Report, but also in the Committee's Report, ample legal precedent exists requiring school districts to take such action as is necessary to provide funding for these efforts, including levying of additional taxes.

As may be seen from the Report's review of legal precedent in Chapter I, when the State becomes involved in either the cause or the cure of the problem, the financial burden for that involvement is substantial and ongoing. Should the State as a result of this entanglement (a) approve an inappropriate action on the part of a local district, (b) fail to approve a local district action otherwise appropriate, (c) fund an inappropriate local district undertaking, or (d) fail to fund or inadequately fund a local district activity otherwise appropriate, the State would likely be liable for all consequences flowing therefrom.

The State could interject itself into these processes by establishing a comprehensive system within State government by which local school districts would voluntarily undertake either desegregation or other compliance activities designed to remediate historical denial of equal educational opportunities, and could design a very specific statutory scheme by which those things could be accomplished and funded. These functions would need to be consistent with Federal law, as found within the Fourteenth Amendment to the United States Constitution and Title VI of the 1964 Civil Rights Act, but obviously could be more comprehensive and inclusive and require more of local school districts than currently required either by the courts or the Office for Civil Rights. This is clearly a prerogative of the State which may be exercised and likely would be applauded by Federal authorities. Caution should be taken in designing such a comprehensive and interlocking compliance and funding scheme that sufficient monetary authorization is provided so that once programs are authorized, undertaken and implemented, they are not adversely impacted by subsequent funding reductions. Indeed, funding will most probably need to be increased continually in order to keep pace with inflation and other realities faced by local school districts.

Should the State deem it appropriate to enter into the business of authorizing, monitoring and funding desegregation and compliance activities, the Committee would recommend that a new administrative department be created which would exclusively handle those matters. It is felt by the Committee that neither the Arizona Department of Education nor the Attorney General's Office is the appropriate agency to handle these matters. Neither has staff which have any particular experience with

sophisticated desegregation or compliance activities, and it is felt that an administrative agency patterned loosely after the Office for Civil Rights of the United States Department of Education would be a more appropriate entity to undertake these matters.

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APPENDIX I

**ARIZONA SCHOOL DISTRICTS UNDER
COURT ORDERS AND AGREEMENTS WITH OCR**

OCR Agreement: National Origin (29 Districts)

Agua Fria Union	Page Unified
Amphitheater Unified	Sanders Unified
Cartwright Elementary	Scottsdale Unified
Chinle Unified	Somerton Elementary
Douglas Unified	Sunnyside Unified
Dysart Unified	Tempe Elementary
Eloy Elementary	Tolleson Union
Ganado Unified	Tuba City Unified
Glendale Elementary	Washington Elementary
Glendale Union	Whiteriver Unified
Holbrook Unified	Wilson Elementary
Isaac Elementary	Window Rock Unified
Kayenta Unified	Yuma Elementary
Littleton Elementary	Yuma Union
Mesa Unified	

**OCR Agreements: National Origin and Race
(2 Districts)**

Roosevelt Elementary

Phoenix Elementary

**OCR Agreement: National Origin
Court Order: Race
(1 District)**

Phoenix Union

**OCR Agreements: National Origin and Race
Court Orders: National Origin and Race
(1 District)**

Tucson Unified

APPENDIX II

SELECTED FINANCIAL AND ENROLLMENT CHARACTERISTICS OF
SCHOOL DISTRICTS IDENTIFIED IN THIS REPORT

	<u>Phoenix Elementary</u>	<u>Tempe Elementary</u>	<u>Wilson Elementary</u>	<u>Roosevelt Elementary</u>	<u>Cartright Elementary</u>	<u>Phoenix UHSD</u>	<u>Agua Fria UHSD</u>	<u>Tucson Unified</u>	<u>Mesa Unified</u>
Total M&O Budget ('90-91)	\$27,475,309	\$47,976,978	\$3,289,051	\$35,036,165	\$42,415,858	\$92,547,236	\$5,884,089	\$198,181,579	\$204,224,000
Amt. Budgeted for Desegregation ('90-91)	\$ 2,597,125	\$ 7,539,951	\$ 817,600	\$ 3,235,319	\$ 700,000	\$19,775,802	\$ 200,539	\$ 11,796,394	\$ 350,000
Amt. Budgeted Per Pupil for Desegregation '90-91	\$ 369.86	\$ 646.37	\$ 1,198.83	\$ 333.19	\$ 53.28	\$ 1,276.46	\$ 137.26	\$ 219.52	\$ 5.95
Assessed Valuation Per Pupil ('89)	\$ 61,582	\$ 59,036	\$ 88,627	\$ 15,819	\$ 13,303	\$ 116,627	\$ 51,910	\$ 22,877	\$ 20,101
Tax Rate for Amt. Budgeted for Desegregation ('90-91) Using '90 AV	\$.48502	\$.84105	\$.73468	\$ 1.46631	\$.32944	\$.73240	\$.15842	\$.76816	\$.02268
Desegregation as a Percent of Total M&O Budget	9.45%	15.72%	24.86%	9.23%	1.65%	21.36%	3.41%	5.95%	.17%
Attending ADM ('89-90)	7,022	11,665	682	9,710	13,139	17,690	1,461	53,738	58,827
Percent of Enrollment by Race									
Caucasian	11%	64%	13%	12%	61%	41%	58%	53%	83%
Black	11	8	11	27	10	13	6	6	2
Hispani	72	20	73	60	27	40	32	36	11
American Indian or Alaskan	5	5	3	1	1	4	1	3	3
Pacific Islander or Asian	1	3	0	(a)	1	2	3	2	2
Percent LEP Enrollment	31%	10%	51%	13%	4%	4%	8%	6%	1%

(a) Less than 1%

na Information not available for districts not budgeting outside the RCL and CORL for desegregation

Source: Compiled from information provided by the Arizona Department of Education.

APPENDIX II (con't)

SELECTED FINANCIAL AND ENROLLMENT CHARACTERISTICS OF
SCHOOL DISTRICTS IDENTIFIED IN THIS REPORT

	<u>Scottsdale Unified</u>	<u>Tolleson Elementary</u>	<u>Isaac Elementary</u>	<u>Alhambra Elementary</u>	<u>Glendale Elementary</u>	<u>Tolleson UHSD</u>	<u>Glendale UHSD</u>	<u>Yuma UHSD</u>	<u>Deer Valley Unified</u>
Total M&O Budget ('90-91)	\$75,187,107	\$2,892,287	\$16,246,024	\$25,850,208	\$28,794,407	\$8,580,000	\$53,411,731	\$20,454,861	\$52,599,862
Amt. Budgeted for Desegregation ('90-91)	\$ 250,000	na	na	na	na	na	na	na	na
Amt. Budgeted Per Pupil for Desegregation '90-91	\$ 13.44	na	na	na	na	na	na	na	na
Assessed Valuation Per Pupil ('89)	\$ 57,379	\$ 16,898	\$ 18,744	\$ 38,129	\$ 24,667	\$ 49,695	\$ 57,737	\$ 46,414	\$ 20,773
Tax Rate for Amt. Budgeted for Desegregation ('90-91) Using '90 Av	\$.01592	na	na	na	na	na	na	na	na
Desegregation as a Percent of Total M & O Budget	.33%	na	na	na	na	na	na	na	na
Attending ADM ('89-90)	18,602	833	5,284	7,171	8,224	2,246	12,370	5,608	14,707
Percent of Enrollment by Race									
Caucasian	91%	17%	21%	64%	60%	51%	81%	38%	91%
Black	1	1	9	8	5	5	3	2	2
Hispanic	5	81	67	22	32	39	12	58	6
American Indian or Alaskan	1	1	1	5	1	3	1	1	(a)
Pacific Islander or Asian	2	(a)	1	2	2	3	3	1	2
Percent LEP Enrollment	2%	14%	16%	3%	7%	5%	1%	29%	1%

(a) Less than 1%

na Information not available for districts not budgeting outside the RCL and CORL for desegregation

Source: Compiled from information provided by the Arizona Department of Education.