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Learning to bridge the funding gap

With a lawsuit aiming to force a restructured formula for school allocations, Missouri's next governor will face a financial challenge

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JEFFERSON CITY — Bill Hodge read in the newspaper that some school districts in Missouri could afford to install rock-climbing walls in their schools. Those districts seem a world away from his in rural Jasper County.

"I'm not asking for a rock-climbing wall; I'm asking for a suitable place where our elementary and junior high kids can have adequate instruction," said Hodge, principal of Jasper High School.

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Growth and funding issues challenge Hallsville's schools.

Hodge's district illustrates the central issue in a lawsuit challenging the state's system of funding

schools — as well as a major issue for Missouri's next governor. At issue is an under-funded state funding formula that disburses money to school districts in a way many say is inequitable and those who have filed suit say is illegal.

The Jasper County district spends about \$5,500 less per student compared to the state's highest spending district. Yet Hodge's district is relatively well off, compared to most school districts.

A 2003 state audit report found more than 470 of the state's 522 school districts were spending even less per student than the Jasper County district. Statewide, the audit found the Clayton school district spends the most, at more than \$13,700 per student, while McDonald County spends the least, at less than \$4,560 per student — a discrepancy of more than \$9,000 per student.

More than 250 of Missouri's school districts have cited that kind of disparity in a lawsuit against the School Foundation Formula — the formula that takes into account local property taxes and enrollment, among other criteria, to determine the state's allocation of school funding.

"The person who occupies the governor's mansion is going to have their hands full," said Tyler Laney, superintendent of Crane R-III school district and chair of the Committee for Educational Equality which is representing the more than 250 Missouri school districts in court. "As a Missouri educator who speaks to a lot of other Missouri educators, we are tired of taking no for an answer. That's just not going to cut it anymore."

Democratic candidate Claire McCaskill and Republican candidate Matt Blunt agree that the formula is flawed.

"Everybody knows it's broken. We know that it won't meet a constitutional court challenge when it comes to equity, so the next governor's going to have to adopt a new formula," Blunt said.

McCaskill agreed that the foundation formula will not meet constitutional standards in court. And in 2003, her office issued an audit that indicated the state had not made calculations to determine if its funding was in compliance with the Missouri Constitution.

"Not only is it not equitable, it's illegal. There's no question about that," McCaskill said.

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TYLER LANEY

Committee for Educational Equality chairman

Blunt is proposing a new formula be crafted and said he wants to bring the parties together on the issue. McCaskill is looking for a formula that is easier to understand and implement and is hopeful about an increase in state revenues to fund it.

Both propose they can adequately fund a school foundation formula without increasing the tax burden on Missourians.

Blunt said crafting a new formula would be a process, providing no specifics. He mentioned forming a group to collect input from school districts, concerned citizens and experts.

"We have to recognize there are school districts with vastly different strengths and vastly different weaknesses," Blunt said. "We're going to need a lot of input."

McCaskill expressed hope that an increase in state revenues would provide school funding with the money it needs. Her proposed plan to mend the formula looks forward to future growth in the state budget. There was a growth of about \$500 million in budget revenues last year, she said.

"We're going to have to designate growth in the budget for education, and we're going to have to realize cost savings in other areas that will need to go to education," McCaskill said.

"If we're getting good, healthy growth of a half a billion a year now, I think we can look forward to growth of a billion or more. I think we can begin to get back to the situation where the formula is fully funded."

The legislature's leading education expert questions whether the Blunt-McCaskill no-tax approach will work.

"I'd love to debate either one of them on it because I don't know how they think they can improve funding for education without new taxes," said Sen. Wayne Goode, D-St. Louis County, one of the leaders in education finance in Missouri's legislature. Goode wrote the 1977 version of the school funding law and has been involved in education funding since the mid-1960s.

Laney, the chair of the committee, estimates the current formula is under-funded by \$600 million to \$700 million.

"You can walk across district boundaries — you can take one step, and your child will be worth three, four or five thousand dollars more, and that is just an indictment of conscience to me," Laney said.

Laney's Crane R-III school district is ranked 514 out of 522, making it the ninth poorest school district in the state with respect to the assessed value of the property tax, one of the numbers used in the foundation equation.

"We just have a very, very difficult time raising any amount of significant funds locally out of property taxes," Laney said.

The formula ideally supplements local funding from the district's property tax revenue. However, with low property values and the lack of industries contributing significant taxes in rural areas, local tax revenue rarely matches that of suburban and urban school districts.

Alex Bartlett, the committee's attorney in the Cole County Circuit Court case, said, "We're not asking that money be taken away from the wealthier districts because those districts are efficient."

"It's a matter of leveling up the (state) spending to be equitable."

Missouri's next governor — Blunt or McCaskill — could end up facing the same situation as Gov. Mel Carnahan did when he took office in 1993. In

that year, he found himself facing a circuit court decision declaring the school's funding system unconstitutional inequitable — a lawsuit similar to this year's and filed by Bartlett, the same attorney.

In response, Carnahan pushed through the legislature a \$315 million package of tax increases to revise the funding formula.

Since then, however, the formula's effectiveness has diminished greatly in the area of equity. And the formula has not been fully funded for nearly five years. However, in 1993, when the current formula was written, some school districts were designated as "hold harmless," meaning they would be guaranteed to receive the same amount of money they were given with the old formula, another contribution to the inequity of the formula.

"Every 10 years, it needs to be re-evaluated; we knew that at the time we passed it in 1993," said the sponsor of the 1993 bill, Sen. Harold Caskey, D-Bates County. "We tried to do it last year and the year before, but the will was not there in the present leadership."

With the General Assembly having failed to substantially fix the formula, it will be that much easier to prove unconstitutional, said Gene Oakley, a former Carter County principal and school superintendent who led the group whose lawsuit led to the 1993 decision.

"The folks in the legislature have claimed they have cut waste and streamlined government, and they've under-funded the public schools by about \$600 million," Oakley said. "The new budget, which began July 1, is a billion dollars more than last year. I don't know what improvements have been made here."

Using the current formula, the state gave \$2.2 billion to the Missouri Department of Elementary and Secondary Education for the 2004-05 school year. Writing a new formula, an option the legislature might have to address if the case wins in court, comes with its own set of complications.

"Every time you write a new formula, you have to put quite a bit of new money in because you need to make sure there are almost no losers," Goode said.

Sen. Charlie Shields, R-St. Joseph, who heads a legislative committee to re-evaluate the formula, said it would have to be approached differently.

"The biggest adoption by the committee was the realization that we wanted to go to what they call a student-need-based formula, where the amount of state aid relates to the cost of educating students in your district," Shields said, adding that taxes would not have to be raised to fully fund an effective formula.

"When we started dealing with this, we were still in the period of declining state revenues. Well, that has started to change."

How does the School Foundation Formula violate the Missouri Constitution?

The Missouri Constitution mandates that state revenue be used in a specific order, as outlined in Article III, Section 36. The list of state funding starts with the payment of debts owed by the state and ends with the expense of the General Assembly. Listed as priority No. 2, state revenue must be used "for the purpose of public education." In the petition filed by the Committee for Educational Equality, it says that until education is properly and adequately funded, the state may not disburse money for any reason listed after the payment for public education.

Among other constitutional provisions the committee has claimed have been violated are the basic rights of equal opportunities and equal protection of citizens outlined by Article I, Section 2. The clause states "that all constitutional government is intended to promote the general welfare of the people." The committee also cites Article I, Section 10, which protects Missourians from being deprived of life, liberty or property without due process of law.