

Week of September 7, 2009



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## **School Funding Lawsuit Reaches Conclusion**

A five-year lawsuit filed against the state in 2004 by more than 230 school districts was finally resolved last week with the highest court in the state—the Missouri Supreme Court—ruling that the current Missouri K–12 school funding formula does not violate the state’s constitution.

Here’s some background on the lawsuit: After the current school funding formula was put in place in 2005, approximately 230 school districts pursued legal action because they believed they were being unfairly targeted as “wealthy” districts. These school districts sought up to \$1.3 billion in additional school funding from the state, claiming state aid—as now funded—was not enough to adequately and equally educate Missouri students. A Cole County judge upheld the constitutionality of the new formula in a district court more than two years ago, resulting in several dozen school districts withdrawing from the lawsuit after the decision.

More than 200 Missouri school districts continued the lawsuit, using taxpayer dollars to sue the state and essentially, asking judges for what would amount to one of the largest tax increases in Missouri’s history. A different decision would have meant that judges—not voters—would decide tax rates. In addition, the lawsuit cost more than \$5 million in public funds: The state spent \$2 million to defend a law that had already been upheld. Participating school districts spent more than \$3 million to challenge it—that’s \$3 million in taxpayer dollars that should have gone to Missouri students in Missouri classrooms, rather than to legal fees.

All seven judges affirmed that the Legislature exceeds the constitutional requirement of spending more than 25 percent of the state’s total budget on elementary and secondary education. For fiscal year 2010, the state allocated more than \$4.4 billion for K–12

schools. The judges also found that the formula, which is based on students' needs rather than local wealth, has a rational basis and does not violate equal protection. Most importantly, the court ruled that there is no fundamental right to equitable per-pupil expenditures among school districts, and it is constitutional for the Legislature to fund schools by providing more state money to those with fewer local funds.

The ruling was an important victory on several fronts. First, it validated the way in which the state has been funding schools for the last four years. In 2005, lawmakers changed how state money was allocated to schools, basing funding decisions on a pupil's needs instead of a district's property values. The formula works by factoring in a school district's average daily attendance and giving additional credits for each student enrolled in certain programs, such as special education. A per-pupil spending target is then set based on the spending levels of schools that scored well on the state performance report. This method for allocating funding helps even the playing field for rural schools by determining student need; before this change, smaller school districts were not getting the funding they needed, unlike their larger counterparts.

Perhaps even more importantly, the ruling means that the responsibility to appropriate taxpayer money stays with the people's elected lawmakers in the General Assembly. Through this decision, the judges upheld the state constitution's separation of powers among the three branches of government, which also clearly gives budget decisions to the Legislature. Because lawmakers are able to look at the entire state budget and balance the hundreds of competing interests seeking state funding, it is crucial that funding decisions stay with the legislative branch of government—not with judges who are only considering one portion of the budget.

As always, please feel free to contact me or my staff with any questions or concerns at any time. We look forward to hearing your comments and suggestions and trying to answer any questions you may have. You can reach us by phone at 866-277-0882 (toll-free) or 573-751-2272, or by fax at 573-526-7381.

*Senator David Pearce serves Bates, Cass, Johnson and Vernon counties in the 31<sup>st</sup> State Senatorial District.*

#### Contact Information

**Capitol Office**  
State Capitol Building  
Room 419  
Jefferson City, MO 65101

**Website:**  
<http://www.senate.mo.gov/pearce>

**Phone Number:**  
866.277.0882 (toll-free)  
573.751.2272

**Fax:**  
573.526.7381