USD 261
HAYSVILLE SCHOOLS

1745 W. Grand Ave.
Haysville, Kansas 67060
Office: (316) 554-2200
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TO: Haysville Board of Education

FR: Clint Schutte, Assistant Superintendent of Business/Finance

DA: June 16, 2014

RE: Schools for Fair Funding (SFFF)

History / Relevance: SFFF and its preceding organization SEEK (Schools for the Equalization of Education in Kansas) have focused on protecting local education systems and local taxpayers from the increasing property tax burden imposed by increasing state mandates and legislative policies. Haysville USD joined SFFF in FY2010.

What: The SFFF Goals are as follows:

1. Stop the funding cuts to education. The cuts began in 2009 and thus far Haysville has been cut more than $6,000,000 on an annual basis (see attachment).
2. Restore the funding which has been cut.
3. Protect the basic structure of the current formula. It is a cost based formula.
4. Restore the equity to the formula which has been underfunded. Capital Outlay & LOB equalization
5. Fund the formula.

Why: Education funding is a statewide obligation according to the Constitution, and the legislative policies have been pushing this obligation off onto local property taxpayers. This is very detrimental to districts like Haysville that do not have great property wealth.

Where: This year's membership renewal will cover the 2014-2015 school year.

When: Membership began in the October of 2009 with BOE action.

How: Information has been presented on an ongoing basis. Each year the BOE takes action to continue membership. SFFF attorneys responded promptly when asked for a summary report for the BOE (see attachment). Annually an invoice is presented the BOE for consideration.

Who: Continued membership is recommended by the administrative staff. Haysville has the potential to gain between $5,000,000 and $17,000,000 annually when the adequacy issue is addressed.

How Much: The cost for membership over the previous 5 years comes to $124,380 with an average annual cost of $24,876. The cost for each year is indicated below. The annual gains from

HB 2506 related to equity issues is $2,196,821. On a 124 thousand dollar investment the district will receive 2.1 million.

FY2010	FY2011	FY2012	FY2013	FY2014	5 Year Total	FY2015
$14,205	$14,939	$31,435	$31,519	$32,282	$124,380	$32,372*

*see attached FY2015 Invoice

If you have any questions, please contact me.

cls

Attach

LAW OFFICES
SOMERS, ROBB AND ROBB
110 EAST BROADWAY
NEWTON, KANSAS 67114-2222

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GEORGE A. ROBB (1924-1993)
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May 9, 2014

Board of Education
U.S.D. 261
Haysville, Kansas

Re: Schools For Fair Funding membership

Dear Board of Education:

As you know, Alan Rupe and I have been dealing with school finance in Kansas since the mid-1980s. In 1986, the Newton superintendent called me and said that Newton was being treated very unfairly and inequitably in the state school finance formula of the time. He indicated that Newton and a group of other districts had attempted to lobby the legislature for change without result, and that the situation was becoming unbearable locally, both for our students and for our taxpayers. We began the dialogue about a school finance lawsuit. The districts continued to seek help from the legislature for the next three years, again without success. In fact, matters got worse.

Education funding is a statewide obligation according to the Constitution, and the legislative policies of the time were pushing this obligation off onto local property taxpayers in ever increasing increments. This was (and remains today) very detrimental to districts like Newton and Haysville that do not have great property wealth. ("Local funding" is the scheme of choice for wealthy school districts, like those in Johnson County, so they don't have to share the burden of educating those in less wealthy districts.) Newton's total school levy hit 98.78 mills in 1988 (as opposed to 57.011 mills now) and was headed much higher. Haysville's total school levy was 83.58 mills in 1988 (as opposed to 62.71 mills now). *Some districts were paying as little as 13.15 total mills at the time.* State mandates were increasing and the Newton property tax burden to pay for these state mandates was among the highest in the state. To protect our local education system and our local taxpayers, Newton became one of the founding districts in SEEK (Schools for the Equalization of Education in Kansas.) SEEK was the predecessor organization to SFFF (Schools For Fair Funding.)

The SEEK districts eventually authorized the filing of a suit that became known as the *Mock* case

in 1989. This case resulted in a new statewide school finance formula (the current formula) and adoption of the principle that education is indeed a statewide funding obligation and that the formula should be based, not upon politics, but upon the actual costs to educate kids. This case resulted in a drop in Haysville's mill levy from 83.58 mills to 39.69 mills or a savings of 43.89 mills of property tax... over a 50% drop in local property taxes.

Following this case, the new formula was tested in the *U.S.D. 229* case. This case established the principle that the will of the legislature in school funding decisions must be respected "unless we can say that it is very wide of any reasonable mark." (*U.S.D. 229 v. Kansas* 256 Kan. 232 (1994))

Then, in the late 1990s, the legislature again continued to underfund the new formula they had just developed. Many districts, including Haysville, were forced to increase their local option budgets (LOB) to make up the difference. Again the state was pushing the statewide obligation onto Newton's and Haysville's local taxpayers in greater proportion than the taxpayers in more wealthy districts. This resulted in the filing of the *Montoy* case in 1999. The purpose of the case was to show that the legislature was indeed funding below "any reasonable mark" as required by the Constitution. The state's own cost studies showed that they were about $1B short of their obligation.

The *Montoy* case ended with a finding that the funding scheme "stands in blatant violation of Article 6 of the Kansas Constitution."

The legislature responded and increased statewide school funding by $755,000,000, phased in over a three year period (2006-2009.) As a result of this case, Haysville was to see an increase of approximately $13,000,000 *per year* in funding with a decreased local mill levy and a total school levy of approximately 59 mills (as opposed to the 1988 mill levy of 83.58 mills.)

Montoy reformed several things that are still being enjoyed by Haysville.

1. At risk weight increased from .1 to .456. For Haysville with 1147.8 FTE at risk students, it means 1147.8 FTE x .1 x 3838 = $44,525 vs. 1147.8 x .456 x 3838 = $2,008,797 or a gain of **$2,053,322 per year for Haysville**. This gain is figured with the lower base now. A real gain still being enjoyed by Haysville kids.

2. High at risk weight was added, 254 FTE or 254 x .008 x 3838 = **$7,800 per year for Haysville**.

3. Capital outlay equalization was added to the tune of another **$402,424 per year for Haysville**.

4. An increase in the LOB equalization formula that gained Haysville more equalization dollars for LOB which Haysville still enjoys. The calculation increased from the 75th percentile to the 81.2 percentile. This increased the district upon which LOB aid is calculated to a more wealthy district and thus increased the payment to Haysville.

5. LOB authority increased from 25% to 30% (31% with an election). This additional spending authority is about **$1.8M for Haysville** for the LOB increase.

6. Bi-lingual weight increased from .2 to .395. For Haysville this is currently $26,682 rather than $13,510, or a gain of **$13,172 per year for Haysville**.

Even with the base cuts begun in 2009, there is still substantial benefit for Haysville from the *Montoy* lawsuit. I would expect the same sort of gains for Haysville from legislation post-*Cannon*.

It should be noted that the Supreme Court did not usurp the province of the legislature in the *Montoy* case. The Constitution gives the funding responsibility to the legislature *unless the legislature is very wide of any reasonable mark in doing its duty.* The court found that the legislature was indeed very wide of a reasonable mark. "Blatantly unconstitutional" was the finding. Interpreting the Constitution and keeping the legislature within the bounds of its mandates is the specific function of the Supreme Court. It is why the court exists. It is part of our three branches of government system in the Constitution. The Court did NOT take over the appropriation process as has been popularly espoused by those opposing any increased school funding. The Court simply said they were going to void the formula in its entirety unless the legislature did its duty and got much closer to funding the known costs of running the schools. In response, the legislature chose to comply. "Selective and creative memory" has morphed this into "the Supreme Court usurped the power of the legislature."

After *Montoy,* it was widely known that the state would have to increase its revenues to fund the changes in the formula. The legislature's own projections showed a $426.6M deficit in 2009 unless revenues were raised. Rather than raise revenues, the legislature continued to cut revenues to the state. On the same day that the bill to fund the schools passed in 2006, the legislature eliminated property taxes on business machinery and equipment, at a cost of over $123M per year. Together with this and other special interest tax cuts, the legislature cut state revenues by over $1B *per year* during the same time that the schools have been underfunded. This is *before* the recent massive income tax cuts.

Then, the legislature *again* refused to do its duty and fund the formula. This time they were aided

by the recession, which made a convenient scapegoat to cut school funding.

The cuts began in 2009 and thus far the state has cut $511 million from the schools. The known costs to run the schools has not gone down during this time period. The costs have actually *increased* due to the recession, increased federal mandates of meeting AYP, inflation and rapidly changing state demographics.

As a result of the cuts and the legislature reneging on the *Montoy* settlement, the current *Cannon* case was filed on November 2, 2010. It seeks the same thing that all of these cases have sought: to require the legislature to fund *at the state level* the known costs of educating Kansas kids. This is required by the Kansas Constitution. The legislature continues to shirk its duty in this regard.

SFFF and districts like Haysville have had consistent goals for years:

1. Stop the funding cuts to education.
2. Restore the funding which has been cut.
3. Protect the basic structure of the current formula.
4. Restore the equity to the formula which has been underfunded by elimination of capital outlay equalization and proration of LOB equalization.
5. Fund the formula.

As you know, the Cannon trial court issued a finding that funding is both constitutionally inadequate and unequalized.

The Kansas Supreme Court has upheld the equalization portion of the case. Capital Outlay Equalization has been reinstated and state aid for LOB will be fully funded for the upcoming school year. For Haysville this is estimated to bring an **additional $402,424 in Capital Outlay equalization and $1,794,397 in LOB equalization**. While much of this money is not available for the classroom, it will be available to reduce mill levies to Haysville taxpayers. And we are not done.... the major thrust of the case, adequacy, is still pending and needs be completed.

The Supreme Court has sent the adequacy portion of the case back to the trial court. This is the larger part of the case. The trial court has been instructed to look at the evidence using the test the Supreme Court has given them and re-decide the case to see if kids are getting what the constitution promises them: an adequate education. The Supreme Court more clearly adopted a set of standards that all kids must meet. These are known as the "Rose Factors." We knew of these standards at trial and we strongly believe that the evidence has already been presented to show that our kids are not being educated to these standards. The court should be able to simply review the evidence produced at trial in light of the new standards and issue a new opinion. We

will be asking the court to do this. For this to happen, we will still have to vigorously see the case through to its final resolution in order for increased funding to be realized. The only way for this to happen is if school districts like Haysville continue their membership and support of SFFF.

The following chart contrasts Haysville's annual cost for SFFF membership with the annual gains. It is truly a "thousands vs. millions" comparison:

HAYSVILLE ANNUAL COSTS FOR SFFF MEMBERSHIP:

FY2010 Dues	FY2011 Dues	FY2012 Dues	FY2013 Dues	FY2014 Dues	Total 5 Year Cost for SFFF Membership	**Average Annual Cost to District**
$14,205	$14,939	$31,435	$31,519	$32,282	$124,380	**$24,876**

HAYSVILLE ANNUAL GAINS FROM HB 2506 - EQUITY ISSUES:

		LOB Equalization Aid Proration Eliminated	Capital Outlay Equalization Aid Funded			**Total Annual Equalization Aid**
Haysville		$1,794,397	$402,424			**$2,196,821**

HAYSVILLE ANNUAL POTENTIAL GAINS FROM ADEQUACY ISSUE:

	Increase in Base from $3,838 to $4,492 Annual Increase		Increase in Base from $3,838 to $6,000 Annual Increase		**Total Annual Increase**
Haysville	$5,385,363		$17,802,989		**$5,385,363 to $17,802,989**

SFFF is also defending the *Petrella* case. This is the Shawnee Mission parent lawsuit seeking to void the 31% LOB cap. If they prevail, each district will be left to fund schools totally from local sources. The legislature will never again add funding to the schools, viewing it as a local matter. *Governor Brownback is quoted to the effect that each district should provide the amount of education they are willing to pay for locally.* This would really hurt Haysville kids. We have run the numbers for this system and what it might do to the Haysville mill levy if Haysville were forced to operate under such a system. The mill levies in Haysville are projected to increase from 62 mills to 168 mills over a 10 year period. This is a 106 mill increase or a 170% increase in your levy. We assumed all increases from local levies and a 3% increase in your costs per year,

roughly the rate of inflation, and a 3% increase in your LOB to keep up. Local funding is certainly not the answer if you want Haysville kids to keep up with the rest of the kids in the state.

The SFFF group of schools has grown from 15 districts at the time of Montoy to a current 47 school districts representing 143,497 kids in Kansas. It is roughly 33% of Kansas kids. If districts drop out, the effort may not be able to continue. It is hard to say where the tipping point might be that causes a mass movement away from SFFF, such that they can no longer support the defense of the constitutional rights of Kansas kids. The job is largely complete and must be finished, but it cannot be finished without client support.

Without courageous districts, the reforms from *Montoy* and now *Cannon* simply would not have happened. If SOMEBODY does not stand up to defend constitutional rights, they are lost. That is the danger of the sentiment, expressed by some, that every district will get the benefit whether they participate in SFFF or not. Nobody gets the benefit unless somebody makes it happen.

If these constitutional rights are lost, state support of schools will stop. If you remember, when the legislature made the cuts, they were really sorry and said they would put it back when the economy improved. Instead they chose to eliminate income taxes. They most recently also took $10,000,000 per year out of the revenue stream to initiate corporate tax credits for private schools. Pushing costs back on the local taxpayers will only increase local mill levies, and educational opportunity will become vastly dis-equal across the state, depending on district wealth.

If districts like Haysville don't step forward to protect the rights of their students and taxpayers who will?

If you have questions, please let me know.

Sincerely,

John S. Robb

JSR:jh
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GAINS FROM MONTOY LITIGATION

- Base Increased from $3,863 to $4,492
- At-Risk Weighting Increased from .1 to .456
- Bilingual Weighting Increased from .2 to .395
- High At-Risk Weighting Added at .06 or .1
- Non-Proficient Weighting Added at .0465
- Capital Outlay Equalization Added
- LOB Authority Increased from 25% to 31%
- Increase in LOB Equalization Aid
- Cost of Living Weighting Added
- Declining Enrollment Provision Added

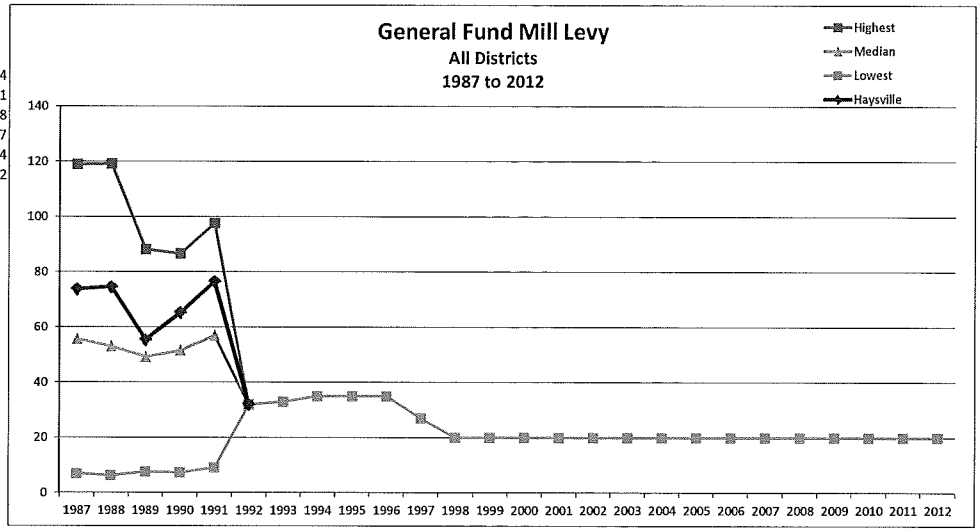
Total Montoy Gain (2005-2009):

• Statewide	$1,054,118,859
• Haysville	$ 13,402,208

S:\S\SFL\990238 Gains from Montoy Litigation - Haysville.wpd

General Fund Mill Levies

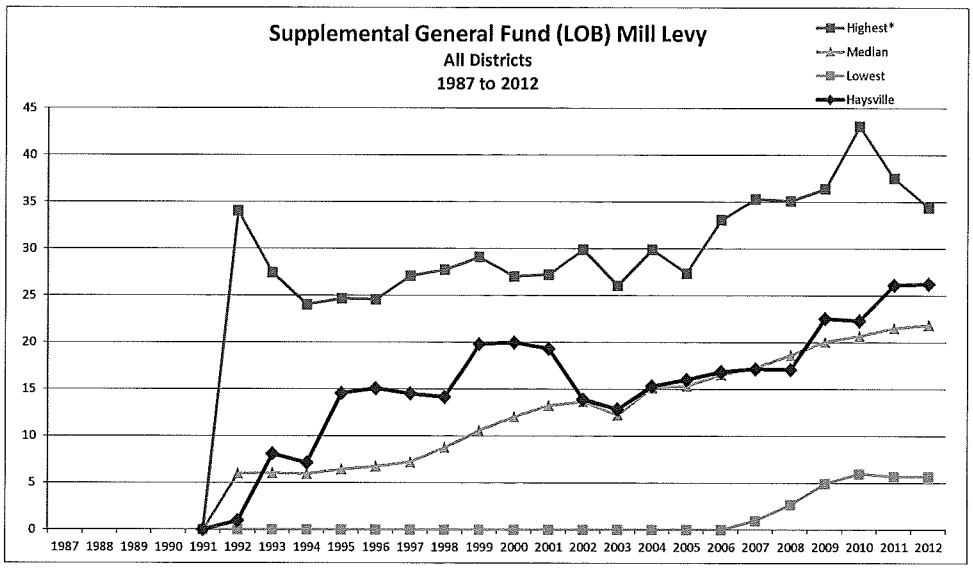
Year	Lowest	Median	Highest	Haysville
1987	6.94	55.65	118.95	73.84
1988	6.31	53	119.28	74.61
1989	7.63	49.22	88.16	55.48
1990	7.31	51.55	86.62	65.27
1991	9.12	56.92	97.69	76.54
1992	32	32	32	32
1993	33	33	33	
1994	35	35	35	
1995	35	35	35	
1996	35	35	35	
1997	27	27	27	
1998	20	20	20	
1999	20	20	20	
2000	20	20	20	
2001	20	20	20	
2002	20	20	20	
2003	20	20	20	
2004	20	20	20	
2005	20	20	20	
2006	20	20	20	
2007	20	20	20	
2008	20	20	20	
2009	20	20	20	
2010	20	20	20	
2011	20	20	20	
2012	20	20	20	



Supplemental General Fund Mill Levies

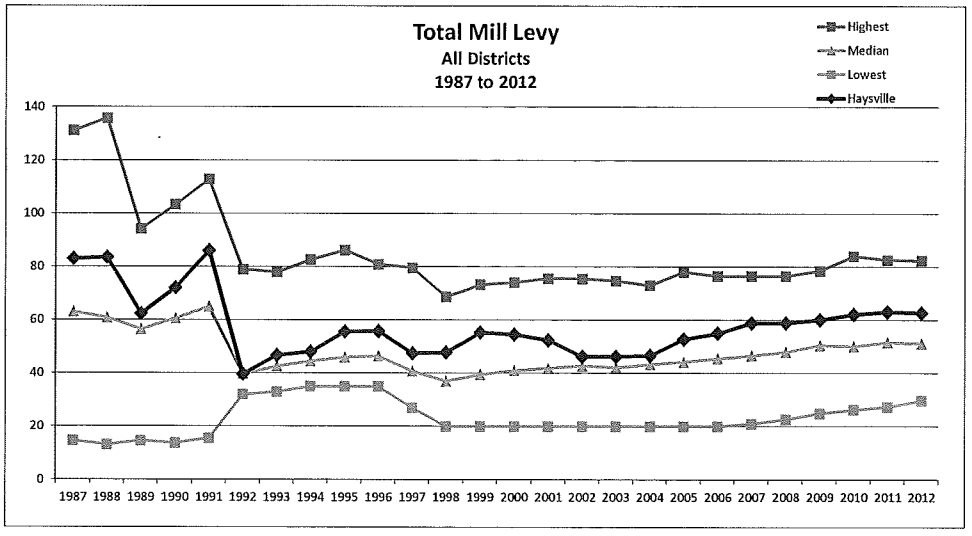
Year	Lowest	Median	Highest*	Haysville
1987				
1988				
1989				
1990				
1991	0	0	0	0
1992	0	5.99	34.05	0.95
1993	0	6.04	27.45	8.09
1994	0	5.97	24.03	7.14
1995	0	6.45	24.67 excl 1 (39.72)	14.58
1996	0	6.76	24.58	15.09
1997	0	7.21	27.09	14.52
1998	0	8.77	27.75 excl 1 (34.17)	14.17
1999	0	10.59	29.12 excl 2 (39.45 & 37.83)	19.81
2000	0	12.06	27.04	19.97
2001	0	13.27	27.25 excl 2 (42.14 & 31.48)	19.32
2002	0	13.66	29.9	13.91
2003	0	12.23	26.09	12.87
2004	0	15.16	29.91	15.33
2005	0	15.35	27.39	16
2006	0	16.55	33.1	16.86
2007	0.98	17.3	35.33	17.18
2008	2.68	18.63	35.11	17.1
2009	4.94	20.06	36.43	22.56
2010	5.98	20.7	43.1	22.31
2011	5.699	21.512	37.554	26.115
2012	5.675	21.844	34.415	26.243

*Anomalies Excluded



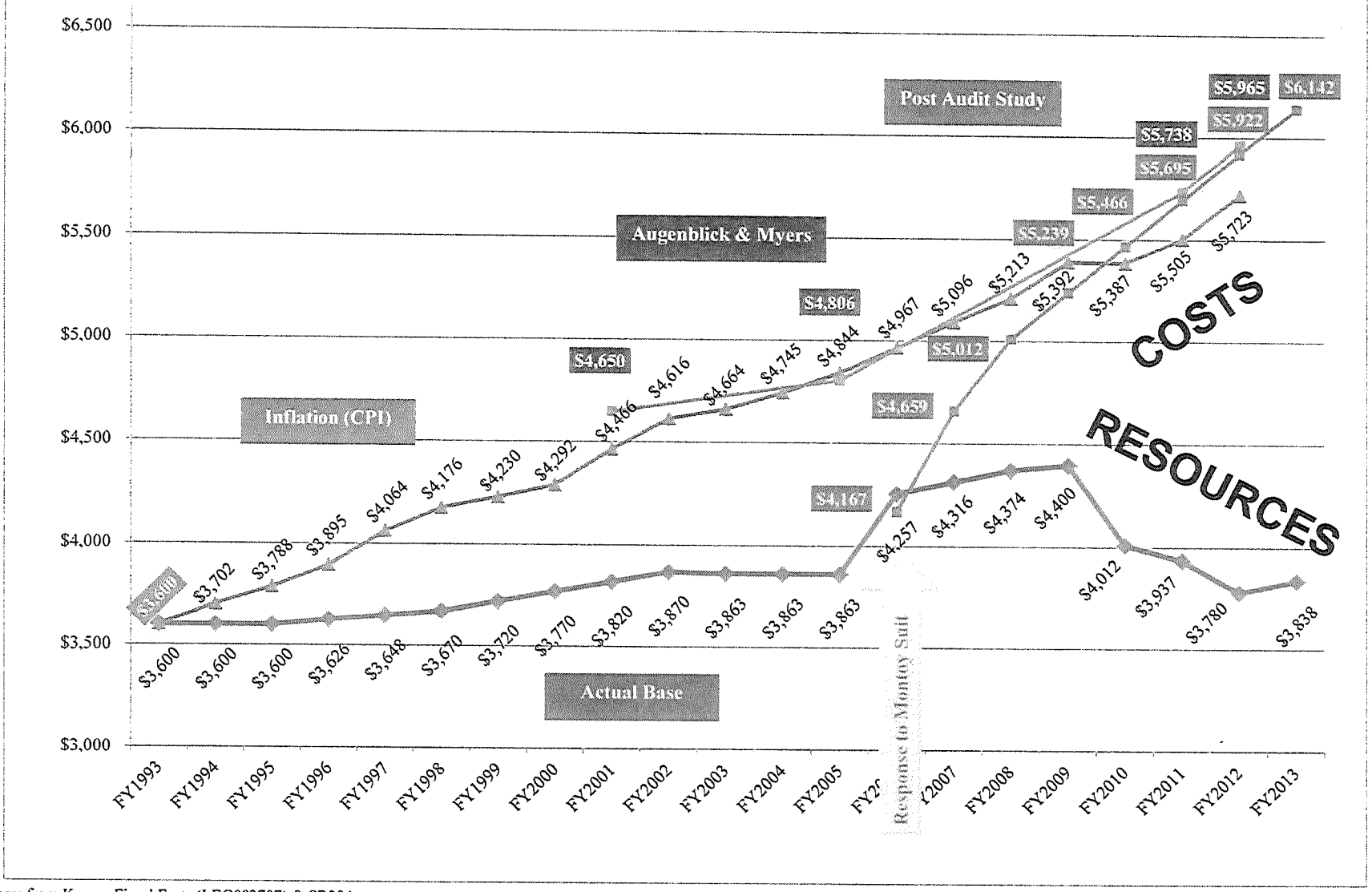
Total Mill Levies

Year	Lowest	Median	Highest	Haysville
1987	14.65	63.03	131.16	83
1988	13.15	60.81	135.79	83.58
1989	14.6	56.39	94.2	62.4
1990	13.73	60.57	103.38	72.13
1991	15.54	64.96	112.9	86.05
1992	32	39.82	78.99	39.69
1993	33	42.55	77.97	46.73
1994	35	44.53	82.64	48
1995	35	45.93	86.23	55.66
1996	35	46.45	80.93	55.77
1997	27	40.76	79.58	47.41
1998	20	37	68.71	47.8
1999	20	39.44	73.31	55.23
2000	20	41.03	74.13	54.49
2001	20	41.78	75.63	52.36
2002	20	42.75	75.51	46.21
2003	20	42.13	74.73	46.26
2004	20	43.33	73.01	46.62
2005	20	44.2	78.01	52.7
2006	20	45.5	76.53	54.94
2007	20.98	46.56	76.5	58.88
2008	22.68	47.98	76.56	58.84
2009	24.94	50.45	78.52	60.06
2010	26.3	50.12	84.03	62.16
2011	27.365	51.626	82.595	63.121
2012	29.675	51.202	82.406	62.709



PLAINTIFFS'
EX. 237

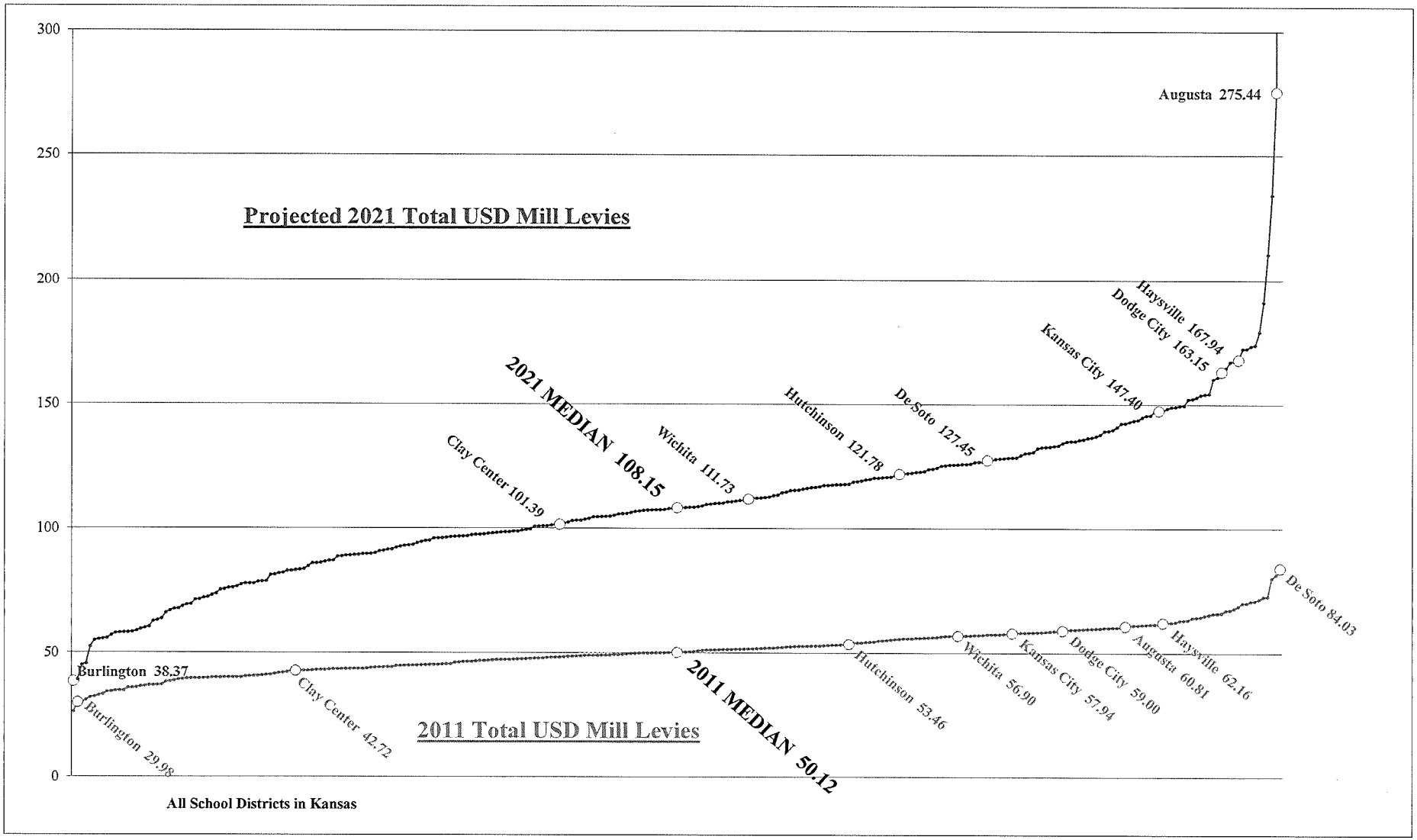
Kansas Base State Aid Per Pupil



- Actual Base: from Kansas Fiscal Facts (LEG003707) & SB294
- Inflation (CPI): from U.S. Department of Labor - All Urban Consumers - Kansas City, MO-KS - All Items, Base of 3600 adjusted for inflation each year (BLS000001-4)
- Augenblick & Myers: from May 2002 Study (LEG001414), June 2005 Update (LEG003516), October 2011 Update (EXP-MYERS000073), all amounts direct from reports except 2012 adjusted for inflation
- Post Audit Study: from January 2006 Cost Study (USD443 001586), January 17, 2006 Memo (LEG003410), all amounts direct from reports. 2007 through 2012 amounts are in 2007 dollars

990142

What Happens to Mill Levies in an Unequalized LOB Based System Over 10 Years



2011 Data from KSDE MillLevyReport2011.xls
2021 Data Projected

989899

SCHOOLS FOR FAIR FUNDING, INC.

308 E. 1ST, NEWTON, KS 67114-3846

RUSSELL MILLER, TREASURER ◙ TELEPHONE: 316 284 6200 ◙ EMAIL: RUSSELL.MILLER@USD373.ORG

April 2, 2014

INVOICE

FY15 Assessment

John Burke
Haysville U.S.D. 261
1745 W Grand Ave
Haysville, KS 67060-1234

FY15 Base Member Dues at $3.50/FTE Enrollment (exc4yr at risk)	
5,018.9 FTE x $3.50	$ 17,566.15
FY15 Additional Assessment for Litigation Support at $2.95/FTE Enrollment (exc4yr at risk)	
5,018.9 FTE x $2.95	$ 14,805.76
Total Amount Due	$ 32,371.91

Please Remit to:

Schools For Fair Funding, Inc.
Russell Miller, Treasurer
308 E. 1st St.
Newton, KS 67114-3846

990261.doc

Haysville USD 261

History of Budget Reductions

January, 2009 to Present

January, 2009	**2008-09 GF Budget @ $4,433**	**$31,853,764**
February, 2009	Mid 2008-09 Legislative Cut of $33 per Student ($4,400)	(237,124)
May, 2009	Legislative Action to Cut $120 per Student for 2009-10 ($4,280)	(894,864)
July, 2009	Governor's $62 per Student Cut for 2009-10 ($4,218)	(462,346)
	Cuts reflected in 2009-10 Budget	**($1,594,334)**
	Special Education Legislative Cut	(88,815)
	Capital Outlay Equal. Aid Cut	(564,536)
July, 2009	**Total Cuts Going into 2009-10**	**($2,247,685)**
November, 2009	Governor's Budget Cut of $206 per Student ($4,012)	(1,480,234)
June, 2010	**2009-2010 GF Budget @ $4,012**	**$29,918,286**
July, 2010	**Total Cuts Going into 2010-2011**	**($3,727,919)**
July, 2010	**2010-2011 GF Budget @$4,012**	**$29,640,656**
	Capital Outlay Equal. Aid Cut	(263,827)
May, 2011	Cut of $75 for 2009-2010 ($3,937)	(554,100)
July, 2011	**2011-2012 GF Budget @ $3,780**	**$30,301,236**
	Cut of $157 for 2011-12	(1,258,543)
	Capital Outlay Equal. Aid Cut	(266,531)
July, 2011	**Total Cuts Going into 2011-12**	**($6,070,290)**