AGREEMENT

This Agreement made this 21st day of May, 1996 by and between the State of Missouri, its governor, its treasurer, its State Board of Education and its Commissioner of Education (hereinafter collectively referred to as the "State") and the Kansas City, Missouri School District, its Superintendent and Board of Education (hereinafter collectively referred to as "KCMSD" or "School District").

WITNESSETH:

WHEREAS, the State and School District are parties to a lawsuit entitled Jenkins v. Missouri, No. 77-0420-CV-W-4 (W.D. Mo)(hereinafter referred to as the "Lawsuit"), which Lawsuit has resulted in court orders requiring the adoption and implementation of extensive desegregation remedies in the School District since 1985 for the purpose of eliminating the vestiges of the former de jure segregated school system in the KCMSD;

WHEREAS, to date, the State and School District have implemented extensive programs costing in excess of $1 billion for the purpose of eliminating the dual school system in the School District;

WHEREAS, the Court has called upon the School District to plan for the day when no additional State desegregation funding will be available;

WHEREAS, the State and School District believe that the time has come for phasing out court supervision and that the State will have fulfilled its constitutional obligations with the payments set forth in this Agreement;

NOW THEREFORE, in consideration of the mutual promises set forth below, the undersigned parties agree as follows:

1. FY 1996 PAYMENTS. For fiscal year 1996 (July 1, 1995 through June 30, 1996) the only funding the State will be required to provide over and above the amounts the School District is entitled to receive under the Foundation Formula and other regular forms of state aid are the amounts set forth in the Joint Stipulation and the Interim Agreement between the parties to the Lawsuit dated February 17, 1995, and July 7, 1995, respectively, and any amounts owed by the State for its share of any currently-unreimbursed court-ordered capital improvements work (including staging, asbestos, Oversight Team, and furniture costs) for FY 1996 or earlier years paid or incurred through June 30, 1996.

2. FY 1997 THROUGH 1999 PAYMENTS.

a. For fiscal years 1997 through 1999, the only funding the State will be required to provide over and above the amount the School District is entitled to receive under the Foundation Formula and other regular forms of State aid is $314 million in desegregation revenues payable to the KCMSD as set forth below in this paragraph:

FY 1997 (July 1, 1996 - June 30, 1997)	$110 million.
FY 1998 (July 1, 1997 - June 30, 1998)	$105 million.
FY 1999 (July 1, 1998 - June 30, 1999)	$99 million.

b. Said amounts shall be payable as follows: If final court approval of this Agreement is not obtained by June 30, 1997, any remaining portion of the $110 million appropriated by the State for FY1997 shall be paid into an escrow account created by the State, which escrowed amount may be used by the State to fulfill its obligations under this Agreement. The same escrow arrangement may be used by the State for subsequent years if final court approval has not been obtained by the end of such fiscal years. Upon the final approval of this Agreement by the Court, the State shall pay to the School District all amounts due through the date of final court approval, minus any prior payments made for such fiscal years for which the State is entitled to credit pursuant to this Agreement.

The remaining amounts payable under subparagraph a shall be paid in monthly installments. If the Agreement is not approved, any amount paid into the aforesaid escrow account will revert to the State. The State, at its sole discretion, may at any time elect to pay in advance any remaining amounts due under this Agreement. In such event, the remaining amount payable by the State shall be equal to the present value, utilizing the then-current rate for one-year U.S. Treasury bills, of the amounts not yet paid under subparagraph a. Final court approval of this Agreement shall occur when the District Court approves the Agreement and such approval has been upheld by the appellate courts, or all appeals or requests for review have been dismissed, whichever occurs earlier.

3. NO FURTHER PAYMENTS REQUIRED. The State shall not be required to make any further payments to or on behalf of the School District for years subsequent to fiscal year 1999 (other than amounts the District is entitled to under the Foundation Formula and other regular forms of State aid provided for under Missouri law), and the payment by the State of the amounts set forth in paragraph 2 above shall complete the State's obligation to fund or otherwise provide for desegregation remedies in the KCMSD.

4. FINAL COURT ORDER RELEASING STATE. Upon final approval of this Agreement by the Court and the payment of all amounts set forth in paragraph 2 above, the parties agree that the State shall be entitled to a Court order (a) dissolving all outstanding injunctions against it in the Lawsuit, (b) dismissing with prejudice any and all claims, causes of action or appeals that have been made against the State or could have been made in the Lawsuit, and (c) fully relinquishing jurisdiction over the State in the Lawsuit. When the State has made all payments under this Agreement, it shall notify the Court and parties to the Lawsuit that all such payments have been made, and the State shall thereupon be entitled to the aforesaid court order without further hearing or notice. Until such payments are made, the Court shall retain

supervisory jurisdiction over the State; however, the Court shall not impose or order any further obligations on the State and the State's only obligations during such period shall be those set forth in this Agreement.

5. INVESTMENT FOR FUTURE YEARS. The parties agree that the purpose of the foregoing payments by the State to the KCMSD is to provide the KCMSD with a source of funds not only for the next three years, but for future years. Therefore, the parties agree that the KCMSD shall set aside a portion of the funds being provided by the State for use in years subsequent to fiscal year 1999. The parties further agree that KCMSD's ending balance for FY 1996 shall be set aside for use in future years, except to the extent that KCMSD's plan for FY 1997, described below in paragraph 10.a, applies a fixed portion of that balance to the FY 1997 budget, and subsequent years' budgets that continue comparable expenditures.

6. FAIRNESS HEARING. Upon the execution of this Agreement, the undersigned parties agree to present the Agreement to the Plaintiffs and to the AFT as quickly as possible and to use their best efforts to obtain their consent to the terms of the Agreement. If the plaintiff and AFT consent to the terms of the Agreement, then the parties shall present the Agreement to the Court for approval under Rule 23.1 of the Federal Rules of Civil Procedure and shall cooperate in seeking to obtain court approval of the terms of the Agreement. The State and KCMSD shall share equally the costs of giving the required notice under said rule.

7. <u>MOTION FOR APPROVAL</u>. If within 10 days after the execution of the Agreement by the State and KCMSD, the other parties to the Lawsuit have not consented to the Agreement and agreed to join in a motion to the Court for its approval, the KCMSD shall join the State in moving for a court order that, subject to its making of the payments provided for in this Agreement, the State has fulfilled its desegregation obligations respecting the School District, that the Agreement be approved, and that the State should be dismissed from the Lawsuit upon the fulfillment of its obligations under the Agreement. At its discretion, the KCMSD may move for unitary status; however, the State's entitlement to a dismissal of the Lawsuit against it shall in no way be contingent upon the KCMSD's moving for or obtaining unitary status.

8. <u>LOCAL SCHOOL PROPERTY TAX</u>: KCMSD's property tax levy rate is currently set at $4.96 pursuant to Court order establishing that rate as the maximum limitation on the local school property tax, and KCMSD Board action setting that rate. The parties shall jointly support existing court-ordered financing, except for any orders requiring State financing other than the State payments set forth in the Agreement, until such time that the District is declared unitary, after action by the Court, or the voters change the rate.

9. <u>AGREEMENT SUBJECT TO COURT APPROVAL</u>. This Agreement is contingent upon Court approval, and, except for paragraph 10 below, shall not become binding on any of the parties unless and until final court approval, as defined in subparagraph 2, is obtained.

10. INTERIM PAYMENTS.

a. The parties hereto recognize that, unless plaintiffs and AFT consent to the Agreement, final approval of the Agreement may be delayed for several months or more. Therefore, the parties agree to the following interim procedures for payments required by court order prior to final Court approval of the Agreement. The KCMSD has filed a motion with the Court for approval of a proposed desegregation remedy for the next five years ("KCMSD FY97 Plan"). The Court has scheduled a hearing on said motion, as well as the State's motion to enforce the June 1995 Supreme Court decision, beginning June 3, 1996. The KCMSD FY97 Plan has requested $74,202,644 (hereinafter referred to as "97 Budget Amount") in State funding for FY 1997, with the remainder of the funding for the FY97 Plan to be paid by KCMSD ("KCMSD 97 Budget Share"). Notwithstanding any other provision of this Agreement, the State agrees to pay the 97 Budget Amount for FY 1997; provided, however, that any amounts paid by the State for FY 1997, including all amounts ordered in excess of the 97 Budget Amount and any amounts payable for capital improvements under prior court orders (other than those referred to in paragraph 1), shall be credited against the amounts payable under paragraph 2 above in the event this Agreement is approved by the Court. For example, if the Court approves the KCMSD request of the 97 Budget Amount in State desegregation funding for FY 1997, the State shall pay such amount; however, the remaining amount payable under paragraph 2 above, assuming it is approved by the Court, for FY 1997 shall be $110 million minus $74,202,644 and any subsequent capital improvement payments made by the State under prior court orders.

b. KCMSD has submitted a Desegregation Remedy Plan and supporting budget that includes specific expenditures by category and results in carryover and contingencies that are critical to subsequent years' operations. In the event that net expenditures or the 97 Budget Amount for FY1997 are increased above the level in the KCMSD Plan, whether by added programs or reduction in these variables, the State at its sole discretion may elect to terminate this Agreement. If the State does not elect to terminate the Agreement, then the total amount of State payments required under paragraph 2 above shall be increased as follows: If the amount of State funding ordered for FY 1997 in excess of the 97 Budget Amount and/or any increase in the amount of the KCMSD 97 Budget Share (hereinafter collectively referred to as the "97 Excess Amount") totals $5 million or less, the total amount payable under paragraph 2 shall be increased by the 97 Excess Amount. If the 97 Excess Amount is more than $5 million, but less than $18 million, the total amount payable under paragraph 2 shall be increased by $5 million plus 50% of the amount of the 97 Excess Funding greater than $5 million. If the 97 Excess Amount is more than $18 million, the total amount payable under paragraph 2 shall be increased by $11.5 million [$5 million plus 50% X ($18 million - $5 million)]. Any such additional sums would be payable by the State within 30 days of a final court approval of this Agreement.

c. The State's agreement to pay the 97 Budget Amount, together with all or a portion of the 97 Excess Amount, if any, is made in settlement and compromise, and nothing contained in this paragraph 10 shall be construed or interpreted by the parties as an acknowledgment by the State that the amount sought by the KCMSD represents the desegregation costs payable by the State under the June, 1995 Supreme Court decision in the Lawsuit and other case law for the FY 1997 school year. The State's agreement to pay, and KCMSD's agreement to accept, such sums for the FY 1997 school year shall be without prejudice to the State's and District's rights with regard to the KCMSD's proposals and budgets in subsequent years in the event the Court does not approve this Agreement. The State agrees to support the 97 Budget Amount at the June 3, 1996 hearing; provided, however, that the State reserves the right to object to or rebut any evidence which would affect the amounts payable by the State for years after FY 1997.

d. In the event this Agreement has not received final approval as defined in paragraph 2.b, above, by March 1, 1997, the KCMSD shall seek approval of its proposed remedial plan and associated budget for the next fiscal year, including State desegregation funding, if any, from the Court. Depending on the proposed plan, the State may or may not oppose it; provided, however, that whatever amount, if any, the State is required to pay for subsequent years shall also be applied to reduce the payments provided for under paragraph 2 hereof. No excess amounts will be added to the payment required in paragraph 2 for any years other than fiscal year 1997.

11. <u>FUNDING OBLIGATIONS LIMITED</u>. Upon final approval of this Agreement, the State's funding obligations to KCMSD shall be limited to those set forth in this Agreement, and all other funding obligations to KCMSD under the Court's prior orders shall cease, including any responsibilities of the State for joint and several liability and any payments for operations or capital improvements, including, without limitation, all payments required under current court orders, except asset forth noted in paragraph 1, above. In addition, upon final

approval of this Agreement, any and all claims, causes of action, or appeals that have been made or could have been made by the State against KCMSD, including claims for restitution, reimbursement, or repayment in any form of any payments made by the State to implement desegregation remedies that have been ordered in this Lawsuit or to implement this Agreement, also shall be dismissed with prejudice. The parties also covenant not to challenge the legality of this Agreement at any time in the future.

12. SEVERABILITY. The terms of this Agreement are not severable, except paragraph 10 above. Should any provision of this Agreement, except paragraph 10 above, be disapproved or not implemented by any court, the parties may withdraw their approval of this Agreement, without any prejudice to their legal rights and positions based upon the fact of entering into the Agreement.

13. COURT APPROVAL REQUIRED. The parties recognize that this Agreement is subject to Court approval. The parties agree to cooperate in urging the Court to approve this Agreement and the terms thereof and to cooperate in presenting said Agreement to the Court. The parties shall cooperate with each other in making documents and witnesses available and in otherwise preparing for any hearings required, including any fairness hearing under Rule 23.1 and hearings on the parties' motions pursuant to this Agreement.

14. COUNTERPARTS. This Agreement may be executed in multiple counterparts, and each counterpart shall be deemed an original.

AGREED TO, this 21st day of May, 1996.

Jeremiah (Jay) W. Nixon
Attorney General of the State of Missouri

By: ____________________
John R. Munich
Deputy Attorney General

Counsel for State Defendants

KCMSD

By: ____________________
Edward J. Newsome
President