



MISSISSIPPI OFFICE OF THE STATE AUDITOR
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Performance Audit Division Brief
Current Issues Regarding the MAEP Formula
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Average Daily Attendance vs. Student Enrollment

According to MS Code §37-151-7, Average Daily Attendance (ADA) is used in the calculation of the MS Adequate Education Formula (MAEP) formula. ADA is based on the actual students who attend school; enrollment is based on the number of students that have in the past, are, or might attend a school—it is less accurate. In response to a MS Department of Education (MDE) push to move from ADA to enrollment through legislation introduced in the last session, OSA has calculated FY2015 MAEP based on Student Enrollment to show its impact. It is important to note that the MAEP formula utilizes two different forms of ADA (months 1-9 and months 2-3), but for the purposes of this comparison, only total Student Enrollment was utilized. Using Student Enrollment, total MAEP costs would increase by \$30.65 million to an already \$2.3 billion outlay. The table below shows the effect of using ADA versus Student Enrollment to determine the amount of MAEP dollars to distribute to school districts.

Artificial Inflation of At-Risk Program funding from new Federal CEP Program

The new federal Community Eligibility Provision (CEP) will allow 53 school districts and 506 individual schools in Mississippi to provide all students free lunch at their school, regardless of actual, individual eligibility. The “At-Risk” portion of the MAEP portion gives each district 5% of Base Student Cost (BSC) for each student eligible for free lunch in that district. For example, a district that previously received free lunch for 70% of their students will now be eligible to receive “At-Risk” funds for 100% of its students. Preliminary calculations based on total eligible districts could inflate the “At-Risk” student portion of the MAEP formula by nearly \$9 million—a more than 10% increase in the program funding without legislative action.

Categories	FY 2015 MAEP calculations using ADA	FY 2015 MAEP calculations using Student Enrollment	Difference
Total Student Population with High Growth Allowance and Other Adjustments	455,527.68 students	482,665.24 students	+ 27,137.56 students
Base Student Cost (BSC)*	\$5,140.07 per student	\$4,926.23 per student	(\$213.84) per student
MAEP Cost Before Reduction for Local Contribution	\$2,423,445,666	\$2,456,310,603	+ \$32,864,937
MAEP Cost Before Add-On Program Costs	\$1,875,718,045	\$1,905,280,405	+ \$29,562,360
MAEP Cost Before other Programs Cost	\$2,331,724,910	\$2,362,392,410	+ \$30,667,500
Total MAEP Cost	\$2,347,794,853	\$2,378,444,177	+ \$30,649,324

The Student Enrollment data used in the above comparison is based on Month 1 Net Student Enrollment and was provided by MDE on its website (www.mde.k12.ms.us). The FY 2015 calculation is based on the calculations performed by Tann, Brown CPA. ¹

¹ *Base Student Cost is derived from adding four Categories (Instructional, Administrative, Plant Operation & Maintenance and Ancillary Support) with other adjustments (i.e. PERS contribution increases). To establish the four Categories the formula below is utilized:

$$\frac{\text{Successful \& Efficient District Expenditure Information}^{**}}{\text{Successful \& Efficient Student Population}} = \text{Base Student Costs}$$

**The Expenditure Information did not change when calculating Base Student Costs



Targeted Spending, Targeted Results

Once MAEP funding is released to MDE and distributed amongst Mississippi school districts, the Legislature has no assurance that the money will be spent efficiently and effectively, since mandates are not in place to require districts to target funds to classrooms and students, nor does proper accountability exist in the current system to ensure that state taxpayer funds are spent on students and needed resources. This important responsibility is left to each school district where they may use the funds at their own discretion.

OSA is currently performing ongoing analyses using 10 years of expenditure data at local and district levels. As part of this review, OSA is examining where districts are really spending the money provided to educate Mississippi students. Immediately, and in comparison to OSA work done in 2008 and with studies done by the education community, OSA is analyzing instructional and non-instructional expenditures, based on interpretation of Mississippi law. There are numerous statutory requirements placed on both the MDE and local school districts.

While many of these were once strong laws, they have been weakened over time. More and more of the accountability and responsibility have been stripped out of these laws, leaving little more than a shell of the original law. Where a district's administrative funds might have once been withheld, or cut altogether for non-performance or non-compliance, now only the requirements and funding mechanisms remain. With few or no penalties and little or no MDE oversight, many local school districts have fallen out of the habit of truly targeting their spending where it is most needed: in the classrooms, with the teachers, and for the students.

The graph on the right shows that, as a measure of growth in spending, the rate at which administrative expenditures has grown far exceeds the rate at which classroom spending has grown. In fact, in all years but 2004-5, the rate of administrative spending has significantly out-paced classroom spending. This is especially significant in the years since the economic downturn began. During times of scarce resources, funds should be targeted to the most important areas in education: teachers, students, and classrooms.

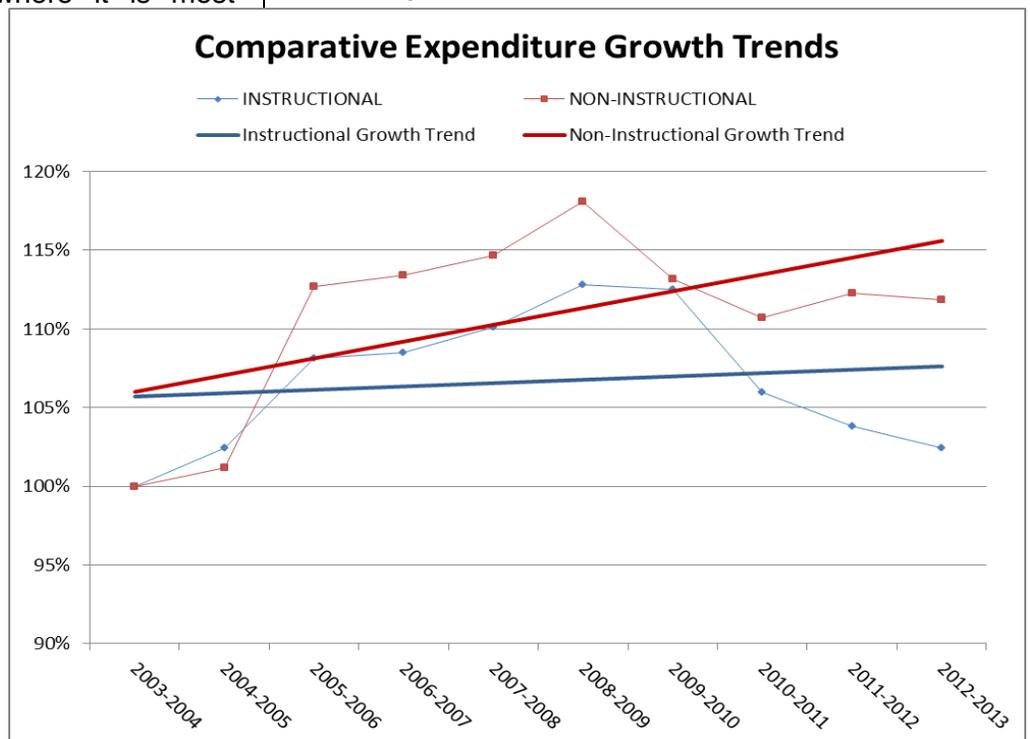
Impact of Inflation Element Used in Non-full Recalculation Years

The MAEP law was changed in 2006 to only require a full recalculation every four years. In non-full recalculation years, the BSC is calculated by taking 40% of the previous year's BSC and multiplying it by an inflation rate determined by the State Economist. This could become problematic in two instances.

The first instance is if a one-time injection into the formula is not properly removed and accounted for in the next year's recalculation. This will be important for the next three years, as the FY 2016 MAEP is projected to add over \$80 million to the BSC through the FY 2015 and FY 2016 teacher pay raise.

The second instance has to do with the inflation rate that the federal government is currently keeping artificially low. When the inflation rate begins to increase, it will cause the MAEP formula to increase through the increased BSC calculation. This inflationary increase is not tied in any way to any performance, accountability, or outcome measures for districts.

The argument that MAEP is not fully-funded is not valid. What does the MAEP formula do? This brief shows, just by manipulating a few characteristics of the formula, that we can increase the funding of K-12 schools by nearly \$40 million without even looking at actual need and this does not include inflationary upward pressure. Even if we did know exactly how much to fund it with using precise calculations there is no mechanism in place to ensure that once taxpayer dollars are sent to the district they will spend it according to those precise calculations.



This graph shows that the rate of administrative expenditures has grown much faster than the rate of spending in classrooms.