



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
**STATE AUDITOR**

February 4, 2014

Honorable Phil Bryant, Governor  
Honorable Tate Reeves, Lieutenant Governor  
Honorable Philip Gunn, Speaker of the House  
Honorable Eugene Clarke, Chairman, Senate Appropriations Committee  
Honorable Herb Frierson, Chairman, House Appropriations Committee  
Honorable Gray Tollison, Chairman, Senate Education Committee  
Honorable John Moore, Chairman, House Education Committee  
Legislative Budget Office

Dear Gentlemen:

As required by Section 37-151-7(1)(g), Miss. Code Ann. (1972), the Office of the State Auditor (OSA) has reviewed the FY 2015 final estimate calculation of the Mississippi Adequate Education Program (MAEP). ***OSA finds the data entered into the MAEP formula are not reliable nor do the data support the requests for MAEP funding made on behalf of the State's school districts.*** I have several concerns about the Mississippi Department of Education (MDE) data, the most significant are discussed below:

- (a) The accuracy and reliability of the average daily attendance (ADA) data collected since the passing of House Bill 1530 are problematic. HB 1530, passed during the 2013 Regular Legislative Session, standardized ADA by requiring all students to be in attendance sixty-three percent (63%) of the school day in order to be counted present. Since its passage, OSA's MSIS (Mississippi Student Information System) Auditors have observed school districts failing to comply with this law. Therefore, OSA cannot validate the accuracy of the FY 2015 final MAEP estimate because of the MAEP formula's heavy reliance on flawed ADA data. These non-standardized and sometimes inaccurate ADA data account for the bulk—\$1.9 billion—of the MAEP formula. Without proper implementation of HB 1530, average daily attendance continues to be a non-standardized data set, which affects the equity of the MAEP funding formula.
- (b) The At-Risk student portion of the MAEP formula remains problematic. This portion of the formula—\$82 million—relies on the free lunch program data, upon which federal regulation places tough audit restrictions. Federal regulations for school compliance were more stringent in the 1990s when the MAEP statutes were first enacted. Lack of oversight is an incentive for schools to provide as many free lunches as possible in order to obtain more state funding; this could result in funding inequities among districts. In the future, ***OSA recommends, in lieu of free lunch data in the MAEP formula, the Legislature should consider substitution of alternative statistics to represent poverty (and other at-risk factors that affect students' ability to learn) that are uniform and verifiable.*** For instance, the Legislature could pass a bill mandating that the State Board of Education develop a formula that uses a combination of data such as poverty rates from the Bureau of Labor Statistics, Temporary Assistance for Needy Families, and other federal and State data that require tests of means/income but that can also be audited.

- (c) Based on communication with MDE the \$50.00 per year salary increment step used by MDE in the salary calculation for Add-On costs, specifically Special Education, Vocational Education, and Gifted Education is **arbitrary**. There appears to be no basis for the amount used in the calculation. After reviewing the previous five years on MAEP calculations OSA determined this to be an ongoing trend. OSA recommends that *in the future, MDE should use an amount that is more representative of the actual salary incremental step costs.*

**Recap of MAEP Final Estimate Amounts**

Senate Bill 2604, passed during the 2006 regular legislative session, changed the year-to-year calculation for funding MAEP. Under the amended law, the Base Student Cost (BSC) is only completely recalculated every four years. In all intervening years, a percentage of the prior year per pupil BSC is multiplied by the applicable annual inflation rate (as determined by the State Economist) and then further adjusted according to law to provide a total MAEP amount. The total final estimate for FY 2015 MAEP proposed by the MDE is **\$2,347,794,853**, which represent a complete re-calculation as required by law. The MAEP Base Cost (before Add-on programs) **\$1,875,718,045**, is calculated using:

<b>CALCULATION OF MAEP BASE COST</b> <i>(Before Add-On Cost)</i>	
*Estimated ADA X BSC:	
<i>455,527.68 X \$5,140.07</i>	\$ 2,341,444,162
Districts for At-Risk Students	\$ 82,001,504
Deduction for Required Local Contributions	\$ (552,604,492)
Additional Funding (to meet statutory minimum funding guarantee of 8% above the 2001-2002 funding)	
	\$ 4,876,871
<b>Total MAEP Cost (Before Add-On Cost)</b>	<b>\$ 1,875,718,045</b>

*\*Note: This calculation includes non-standardized data*

<b>MAEP FINAL ESTIMATED TOTAL</b>	
MAEP Base Cost, before Add-on Programs	\$ 1,875,718,045
Add-on Program Costs of consisting :	
Special Education	\$ 262,297,475
Vocational Education	\$ 48,336,100
Gifted Education	\$ 45,079,149
Transportation	\$ 69,058,540
Alternative School	\$ 31,235,601
Other Programs	\$ 16,069,943
<b>Total Final MAEP Cost</b>	<b>\$ 2,347,794,853</b>

**Follow-up to the MAEP Preliminary Estimate Reviewed September 16, 2013**

OSA's MAEP 2015 preliminary estimate addressed new concerns regarding the use of Fund 2550 in the re-calculation of the BSC. MS Code §37-151-7(b) does not allow this fund to be utilized as a part of the expenditures related to the re-calculation. As was indicated by MDE, this fund was created for a one time pass through of federal funds for expenditures that are normally classified under Fund 1120, which this code section **does** allow to be included in the re-calculation. **OSA verified that MDE did not use Fund 2550 for the FY 2015 final estimate calculation.**

MDE's MAEP 2015 preliminary estimate, and past estimates also noted that for the past three (3) years (FY 2012 to FY 2014 MAEP requests), MDE has used 2009-2010 teacher units and salaries in its estimates to calculate Vocational, Special, and Gifted Education program Add-On Costs. **OSA verified that MDE verified salary/teacher unit data from the 2013 – 2014 school-term and used those data in the FY 2015 MAEP final estimate.**

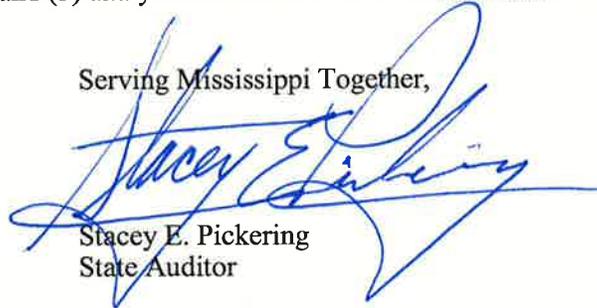
**Conclusion Regarding the MAEP FY 2015 Final Estimate**

In order for the MAEP formula to show an accurate picture of the needs of Mississippi's students the use of reliable data is necessary. The issues noted in this letter all utilize data that are not accurate. Also, in some cases, the methods for obtaining the information are outdated or the costs associated with projected budgeted needs appear to be arbitrary. ***OSA strongly recommends MDE verify and utilize the most current data for all elements of the MAEP estimates. OSA also recommends MDE compile budget requests, based on research, analysis, documentation, and presentation of fact-based evidence, that project the costs of meeting the actual needs of our public schools.***

**Methodology and Use of the OSA Report**

In conducting this review, OSA relied on the following: (1) our understanding of the agency and significant departments' operations; (2) our experience gained in previous audits of various segments of the Mississippi Department of Education; and (3) analytical reviews of detailed financial data.

Serving Mississippi Together,



Stacey E. Pickering  
State Auditor

SEP/sa

cc: Dr. Carey Wright, Superintendent of Education  
Melissa Barnes, Director Office of School Financial Services