



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

March 4, 2016

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 2017 Final estimate calculation of the Mississippi Adequate Education Program (MAEP). ***OSA finds the data entered into the MAEP formula are not reliable or easily verifiable nor does the data properly support the requests for MAEP funding made on behalf of the State's school districts.*** As you are aware, I have several concerns about the Mississippi Department of Education (MDE) data; however, it is important to note that, using MDE's numbers, OSA's and MDE's calculations of the MAEP final estimate match. The concerns OSA has are not with the FY 2017 Final MAEP estimate's calculations, but rather with the MAEP inputs—which are not based on actual needs or even on a large number of school districts' data—and the appropriation process for these funds. The following are key points describing OSA's continuing position on the State MAEP formula and the appropriation of education funding; not the often flawed local data used in the formula.

In previous reports and correspondence to the legislature, OSA has recommended some necessary and needed changes to make the MAEP formula more effective in calculating needed funds for the individual Mississippi K-12 public schools. Some of our recommended changes have been well received by MS lawmakers and effective changes to MS laws have been realized. However, with these initial large steps completed, it has become easier to see the other, underlying structural flaws in the funding process. There is still more work to be done to get Mississippi to the point where classroom needs are met in K-12 public schools, and where children have the best opportunities for high quality education all across the state.

I have presented much of what follows in a number of formats and venues over the last several years.

- (a) In its current form, the MAEP formula only determines the allotted portion each Mississippi K-12 school district will receive through the appropriation process—it does not address actual classroom educational need. ***Educational funding should be tied to what the school districts actually need to fund quality classroom settings—teachers and resources. OSA recommends an independent third party conducting a needs based assessment to establish what funding is needed to provide adequate***

**classroom support.** *Mississippi has never conducted a real classroom needs assessment and does not have a clear picture of what it actually costs to provide any level of public education. The MAEP formula DOES NOT do this. The MAEP formula is not sufficient or effective in determining the real needs and costs are for the districts to educate children, merely what is expended. The use of historical expenditures could become extremely problematic in the next full recalculation year—FY 2019. Providing the Legislature with a current clear picture of actual needs and associated costs would be a strong starting point to better understanding how much the State should be spending. Directing education dollars to where they are most needed should always be a primary goal and should be evaluated and re-assessed regularly and constantly.*

- (b) Accountability and transparency are synonymous with good government and necessary to ensure that the State appropriated funding is being utilized as intended by the Legislature using the outputs from the MAEP formula. When asking the average person or legislator how they believe the MAEP funds are being spent, they may often be surprised to learn where state funds may have been spent. ***OSA recommends that legislation be passed to reenact the practice of line-item budgeting as a requirement in MAEP appropriated funds.*** The MAEP appropriation no longer line-items educational expenditures and does not penalize poor management decisions related to expenditure of funds. Regardless of how a district performs, they generally receive their full appropriated amount each year—with no monetary penalty. The practice of line-iteming expenditures would benefit all districts, children, and taxpayers. School districts already identify what they need for each program while developing their educational needs for the formula. Each program or educational cost is evaluated at each district to determine needs and wants and that information is forwarded to MDE to develop an aggregate amount for all Mississippi K-12 public education funding—currently the request is \$2.43 billion. The information from the local districts needed to line-item educational funding is already being collected and could very easily be utilized in this way again with legislative action. Line-iteming the MAEP would not only add clarity to education expenditures, but would also strengthen the arguments for basing funding on current and not outdated historical expenditures. Mississippi tax payers deserve the ability to see and identify specifically where money is being spent. This practice would also give a deeper argument to school districts that ask for additional funding. Line-iteming would also remove the perception that school districts don't spend the money in the classroom, because everyone would know where the money is going and where it is spent. ***It is also worth mentioning, that if this recommendation was put into practice, it would become much easier in the future to analyze and possibly establish which educational costs could impact educational performance and actual educational need of children, teachers, and districts across the state.***
- (c) Furthermore, “educational need” should be defined in terms of the dollars required to produce a given desirable outcome, and thus should be linked to performance in some way. To clarify, there is nothing in the formula now that ties any level of performance—benefits or penalties—to the FY 2017 Final MAEP request—\$2.43 billion. If a district is graduating 100% of their students they would get the same appropriation as they would if they only graduated 50% of their students. Without increasing accountability (real performance measures) and transparency, it is difficult to establish what district administrators’ goals actually are. Last year this office released a report that found savings in excess of \$200 million that could be realized by reducing or eliminating inefficient contractual services in our Mississippi school districts. The question must be asked, if there is a history of accountability being overtly removed, a lack of transparency on how the appropriated money is actually spent, and our previous findings—***What is their actual motivation? OSA recommends the legislature consider tying real performance measures to MAEP funding in the future to, at a minimum, incentivize districts to maintain and improve their performance.***

**Recap of MAEP Final Estimate Amounts**

Just ten years ago, SB 2604 (2006 Regular Session), the MAEP formula was dramatically changed. Under the amended law, 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. For the FY 2017 budget, this calculation contains an annual inflation rate of 0.187%, as determined by the State Economist. The total final estimate for FY 2017 MAEP proposed by the MDE, and based on data including, the calculated BSC – **\$5,358.99** and utilizing the estimated Average Daily Attendance (ADA) of **450,084.69**, submitted to an independent CPA is **\$2,433,492,101**. The MAEP Base Cost (before Add-on programs) – **\$1,930,866,217** and the total MAEP estimated total are calculated below:

<b>CALCULATION OF MAEP BASE COST (Before Add-On Cost)</b>	
Base Student Cost (BSC)	\$ 5,358.99
Estimated ADA (450,084.69 students) X BSC:	\$ 2,411,999,345
At-Risk Student Portion	\$ 90,697,010
Deduction for Required Local Contributions	\$ (575,652,164)
Additional Funding (to meet statutory minimum funding guarantee of 2% above the 2001-2002 funding)	\$ 3,822,026
<b>Total MAEP Cost (Before Add-On Cost)</b>	<b>\$ 1,930,866,217</b>

<b>MAEP FINAL ESTIMATED TOTAL</b>	
MAEP Base Cost, before Add-on Programs	\$ 1,930,866,217
Add-on Program Costs of consisting :	
Special Education	\$ 284,531,683
Vocational Education	\$ 54,315,344
Gifted Education	\$ 45,809,074
Transportation	\$ 70,406,841
Alternative School	\$ 32,200,425
Other Programs	\$ 15,362,517
<b>Total Final MAEP Cost</b>	<b>\$ 2,433,492,101</b>

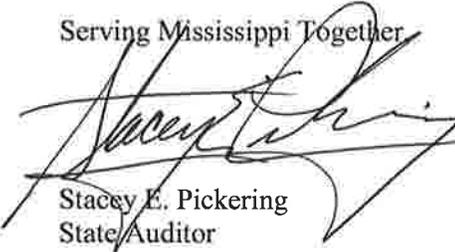
**Conclusion Regarding the MAEP FY 2017 Final Estimate**

*In order for the MAEP formula to show an accurate picture of the needs of Mississippi's students, notwithstanding the additional need for accurate and reliable data, it will require legislative action. I recommend the Legislature mandate a needs assessment by a non-MDE entity to truly understand each district's requirements necessary to provide classroom resources that offer children an exemplary education. Also, I recommend the Legislature should consider returning to the practice of line-iteming certain key expenditures—like textbooks/resource materials. Such designations not only provide accountability and transparency to taxpayers it also ensures that scarce dollars are being best used to educate children.* Before any legislative action is taken regarding adjustments made to MAEP formula directly, I believe it is imperative to complete a rigorous 3<sup>rd</sup> party analysis, in order to achieve desired results. This office stands ready to provide any analysis or research efforts that would be beneficial in helping educational leadership create a better, more effective education system for Mississippi.

**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; (3) analytical reviews of detailed financial data; and (4) thorough review of current and historical laws related to MAEP and their application in K-12 public education in Mississippi.

I realize that this is a detailed breakdown and explanation of MAEP and if additional information is needed, please do not hesitate to contact me.

Serving Mississippi Together  
  
Stacey E. Pickering  
State Auditor

SEP/sa

cc: Dr. Carey Wright, Superintendent of Education  
Members of the Mississippi Board of Education  
Todd Ivey, Chief Operating Officer, Mississippi Department of Education