



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

February 9, 2015

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 State Leaders:

As required by Section 37-151-7(1)(g), Miss. Code Ann. (1972), the Office of the State Auditor (OSA) has reviewed the FY 2016 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 funding mechanism for the At-Risk student portion of the MAEP formula remains problematic. Current law does not guarantee that funds to address the needs of students, who are most at risk of failing or dropping out, are best distributed based on actual need. This portion of the formula—\$88 million—relies on free lunch program data, upon which federal regulation has placed tough audit restrictions. Validation and compliance requirements were more stringent in the 1990s when the MAEP statutes were first enacted. The recent addition of the new federal Community Eligibility Provision (CEP) program has already allowed nearly 25 school districts in Mississippi to give free lunch to all (100%) students within the district regardless of a family's income level.

This new federal program will greatly inflate the At-Risk student portion of the funding formula, and no longer guarantees that at-risk students in all districts are getting equitable distribution or opportunities through funded At-Risk programs. The current MAEP law's formula has no provision for this new 100% free lunch program. Lack of MDE oversight of districts' "At-Risk" programs and this new federal program that was designed to provide 100%, no-questions-asked free lunch to some schools and school districts but not to others will result in At-Risk funding inequities among districts, unless the current MAEP law is modified.

To clarify, the MAEP formula arrives at the At-Risk student portion by taking 5% (five percent) of the Base Student Cost (BSC), which is then multiplied by each district's reported free lunch participants. Students that would be considered "at-risk" who live in a non-CEP qualifying district would be at a disadvantage from students living in a qualifying district. Districts that qualify for the new federal CEP program would receive more funding because they will have inflated free lunch participants, even though other districts might actually have greater "at-risk" needs.

As OSA has pointed out to the Legislature and MDE previously, there are numerous other demographics that are more effective at predicting "At-Risk" funding needs, which would be auditable, accountable, and equitable and that have been tried and proven to work in other states. ***OSA recommends, in lieu of free***

lunch data in the MAEP formula, the Legislature should consider substitution of alternative easily obtained demographic statistics to represent poverty (and other at-risk factors that affect students' ability to learn) that are uniform and verifiable. The Legislature could, for example, simply require the State Board of Education to 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 verified. ***At the very least, the Legislature should reevaluate §37-151-8, to identify districts that receive 100% free lunch through the CEP, and require those districts to use historical free lunch participants for the State MAEP calculation to keep the formula more equitable.***

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, 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 2016 budget, this calculation contains an annual inflation rate of 1.678%, as determined by the State Economist. The total final estimate for FY 2016 MAEP proposed by the MDE is **\$2,462,469,258**. The MAEP Base Cost (before Add-On programs) **\$1,957,355,969** is calculated below:

CALCULATION OF MAEP BASE COST <i>(Before Add-On Cost)</i>	
Base Student Cost (BSC)	\$ 5,354.98
Estimated ADA X BSC:	\$ 2,435,558,104
At-Risk Student Portion	\$ 88,247,803
Deduction for Required Local Contributions	\$ (569,870,758)
Additional Funding (to meet statutory minimum funding guarantee of 4% above the 2001-2002 funding)	\$ 3,420,820
Total MAEP Cost (Before Add-On Cost)	\$ 1,957,355,969

MAEP PRELIMINARY ESTIMATED TOTAL	
MAEP Base Cost, before Add-on Programs	\$ 1,957,355,969
Add-on Program Costs of consisting :	
Special Education	\$ 285,354,857
Vocational Education	\$ 52,451,083
Gifted Education	\$ 47,786,951
Transportation	\$ 70,241,493
Alternative School	\$ 32,146,890
Other Programs	\$ 17,132,015
Total MDE Final MAEP Cost	\$ 2,462,469,258

Conclusion Regarding the MAEP FY 2016 Final Estimate

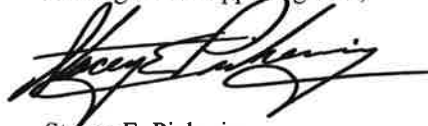
In order for the MAEP formula to show an accurate picture of the needs of Mississippi's students, MDE should use accurate and reliable data. OSA recently sent a survey regarding the implementation of HB 1530, passed during the 2013 Regular Legislative Session, which standardized ADA by requiring all students to be in attendance sixty-three percent (63%) of the instructional day in order to be counted present for funding purposes. Based on results from the survey, ***OSA found that 100% of Mississippi school districts are now in compliance with the law.*** Even with the Legislature making major strides towards standardizing ADA and increasing accountability, in recent years, MDE has put more emphasis—(Legislative priority) on Average Daily Membership (ADM). OSA is discouraged with a push toward ADM instead of attendance because ADM has been proven to be a dis-incentive to encourage or monitor attendance, and raises the possibility of not removing students from membership rolls in a timely manner. Increasing funding, but at the same time removing accountability only makes it more difficult to verify the MAEP or to have any chance of ensuring that the funds go where they are most needed. Without better accountability, the MAEP formula has no real reliability.

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,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", with a stylized flourish at the end.

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