

Joint Committee on Performance Evaluation and Expenditure Review (PEER)
The Mississippi Legislature



Action Brief:

FY 2016 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board
December 13, 2016 (Report #606)

Background:

According to the U.S. Department of Education, a public charter school is a “publicly funded school that is typically governed by a group or organization under a legislative contract (or charter) with the state or jurisdiction.” Mississippi law establishes all charter schools as part of the state’s public school system. The Mississippi Charter School Authorizer Board (MCSAB) is the sole authorizing body for charter schools and is responsible for oversight of operations.

MISS. CODE ANN. § 37-28-3(1) (1972) outlines general purposes of charter schools, including such goals as closing achievement gaps between high-performing and low-performing groups of students and increasing high-quality educational opportunities for all students, especially those with a likelihood of failure. In alignment with the act, the contracts between charter schools and the MCSAB establish a clear emphasis on expanding educational opportunities for “underserved students.”

PEER reviewed the first two charter schools to have completed one year of serving students (2015–16) and evaluated the sufficiency of funding for charter schools and the efficacy of the state formula for authorizer funding. Although part of its mandate, because charter schools only began operations in the state in 2015, PEER did not in this report make suggested changes in state law or policy to strengthen charter schools.

For FY 2016, Midtown Public and Reimagine Prep received state and local support payments in a manner consistent with payments to other school districts that receive MAEP funds and with the Jackson Public School District (JPSD).

Charter schools receive funding from state, local, and federal funds, and through fund-raising and other sources. Sufficiency of state-level funding is defined by the Mississippi Adequate Education Program (MAEP) formula. Midtown Public and Reimagine Prep received MAEP funding of \$623,742 and \$648,797, respectively. The adjustments to per-pupil funding experienced by both schools were shared on a pro rata basis by each public school district receiving MAEP funding. Thus, during FY 2016, Midtown Public and Reimagine Prep received MAEP funding in a manner consistent with other public school districts that received MAEP funds.

In addition, each school district’s board determines local funding by setting the district’s local ad valorem tax rate. For FY 2016, Midtown and Reimagine Prep received such payments in a manner consistent with the JPSD.

Under state law, the MCSAB receives 3% of annual per-pupil allocations received by charter schools from state and local sources. For FY 2016 this percentage did not generate sufficient revenue to support board activities. Until charter school enrollment reaches a level sufficient for this 3% fee—combined with any gifts, grants, or donations the MCSAB receives—to fully fund board operations, supplemental legislative funding will continue to be required.

According to the National Alliance for Public Charter Schools, adequate authorizer funding, including provisions for guaranteed funding from the state or authorizer fees, is an essential component of the model charter public school law, but there is no single formula for authorizer funding that is “the best” for every state. In addition, the National Association of Charter School Authorizers states that when authorizers are a state entity (as is the case in Mississippi), they are most often funded through a state appropriation. While this may make

funding for the authorizer board subject to annual appropriations, it serves to eliminate the redirection of charter school operational funds to authorizers, remove the incentive for authorizers to approve and keep open schools that should not be operating, and remove the potential for authorizers to receive too little or too much funding.

In FY 2016, the statutory formula for funding the MCSAB did not generate sufficient funding to support the board's activities. Additional funding for the MCSAB was included in the Institutions of Higher Learning's appropriated funding. In Mississippi, for FY 2017, funding from the 3% fee of annual per-pupil allocations is not projected to be sufficient to fully fund MCSAB operations.

For FY 2017 the Legislature authorized \$440,000 to the MCSAB to cover administrative operations expenses. If Mississippi charter schools receive FY 2017 per-student funding equal to amounts received during FY 2016, 1,679 charter school students will be required to fund the MCSAB's FY 2017 operations.* Currently, FY 2017 charter school enrollment is projected at 495 students.

To provide fully equitable state and local funding between public school and charter school pupils, the Legislature should consider amending MISS. CODE ANN. § 37-28-11(1) (1972) to remove the 3% funding received by MAEP from charter schools' state and local revenue sources.

Under the current funding model, the MCSAB receives 3% of state and local funds that charter schools receive. That means the amount of funds from these sources available to charter schools on a per-pupil basis is less than the funds provided to

*Per-student MCSAB fees based on FY 2016 collections of \$56,077.53 from the combine enrollment of 214 from the two charter schools currently authorized.

public schools on a per-pupil basis. Amending the same section to provide that the authorizer board shall be annually funded from any funds available to the Legislature would further correct this inequity.

In order to ensure funding and accountability of appropriations, the Legislature should consider providing for MCSAB operations by enacting a separate appropriations bill containing the total amount of funds appropriated for MCSAB operations and total number of authorized full- and part-time positions; or, while continuing to fund the board through appropriations to the IHL, provide a specific line item in the IHL appropriation for board support with provision for total authorized positions.

MCSAB should adopt regulations requiring all state charter schools to report quarterly and annual financials in the format required by the Mississippi Department of Education's (MDE) accounting manual for public school districts. Adoption and enforcement would facilitate any future comparison of charter and public school expenditures.

During review of financial records, PEER noted that each school was using account names and titles that differed from public schools' account names and titles. The MDE requires local school districts to use a uniform chart of accounts for recording of revenues and expenditures. Though the charter schools' accounting structure may be sufficient for their accounting needs, the use of different account names and titles could inhibit future comparison of expenditures between charter and public schools. During the review, MCSAB personnel indicated that the board has contemplated requiring charter schools to comply with the MDE-mandated chart of accounts for local school districts but had not required them to do so as of the conclusion of this review.

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